

Draft: 6/3/26

Market Conduct Regulation Modernization (D) Working Group  
Virtual Meeting  
May 26, 2026

The Market Conduct Regulation Modernization (D) Working Group met May 26, 2026. The following Working Group members participated: Ann Gillespie, Chair (IL); Angela L. Nelson, Vice Chair (MO); Heather Carpenter (AK); Pam O'Connell (CA); Christina Huff for Sheryl Parker (FL); Tim Schott (ME); Danielle Torres for Anita Fox (MI); T.J. Patton (MN); Ned Gaines (NV); Victoria Fowler (NH); Todd Oberholzer (OH); Landon Hubbart (OK); Michael Humphreys (PA); Matt Gendron for Beth Dwyer (RI); Travis Jordan (SD); Tracy Klausmeier (UT); Scott White (VA); Daniel Nussbaum (VT); Sandy Ray (WA); Joylynn Fix (WV); and Jamie Adams (WI). Also participating was: Mary Lou Moran (MA).

1. Adopted its May 11 Minutes

The Working Group met May 11. During this meeting, it took the following action: 1) adopted its April 9 minutes; 2) received a public update on its April 22 and April 30 regulator-to-regulator meetings; and 3) heard comments from property/casualty (P/C) industry representatives.

Director Nelson made a motion, seconded by Commissioner Humphreys, to adopt the Working Group's May 11 minutes (**Attachment xx**). The motion passed unanimously.

2. Heard Comments from Health Insurance Industry Representatives

Director Nelson led the Working Group's second industry listening session, focused on health insurance. She said that today's meeting would follow the same approach as the Working Group's May 11 meeting, when it heard comments from P/C industry representatives. She added that this meeting would use the same format, guided by the discussion questions sent in advance to encourage conversation and feedback. She said the first topic to cover would include data collection and data analysis, which could also include discussions on data standards, definitions, systems, legacy constraints, and data quality to ensure regulatory efforts are effective and efficient.

LaCosta Wix (America's Health Insurance Plans—AHIP) provided comments on behalf of the health insurance industry. She said detailed written responses will follow this discussion.

A. Market Conduct Data

Wix stated that reviews should be risk-focused, proportionate to the level of consumer harm, and tied to specific statutory authority. She said that state insurance regulators should rely on existing tools such as the Market Analysis Prioritization Tool (MAPT) and the Market Conduct Annual Statement (MCAS) and that use of those tools should be transparent. Wix said there should be guardrails for document and data access that balance regulator needs with operational burden and the protection of trade secrets and non-public information. She added that templates, definitions, and data elements should be consistent where feasible and that industry input should be sought in their development.

Wix credited the NAIC's work on the Innovation, Cybersecurity, and Technology (H) Committee's Data Call Study Group and its ongoing work to inventory data as a helpful initiative. Director Nelson acknowledged the chair of the Study Group, Colton Schulz, for his ongoing efforts.

Director Nelson asked Wix to clarify the distinction between reviews tied to the law and assessments of operational methodology. Wix stated that a well-defined scope, communicated up front with opportunity for input, helps keep examinations risk-focused. Commissioner Gaines requested specifics be provided in the health insurance industry's written comments on where industry feels exams are unfocused. Director Nelson asked how state insurance regulators can better facilitate dialogue with industry, and Wix said that industry input at the outset, when scope is being defined, is most valuable.

#### B. Examination Handbook and Processes

Wix said the exam scope should be defined up front, with an opportunity for entities to raise concerns early and again if the scope changes. She recommended state insurance regulators develop additional guidance and model response frameworks. She said sampling should be statistically valid and consistent with the *Market Regulation Handbook* (Handbook) and that anything beyond handbook-aligned samples be tied to articulated risk indicators. Wix stated response timelines should reflect operational effort. She recommended stricter handbook adherence by contract examiners. Additionally, she said examiner practices and billing should be transparent and tied to the exam scope. She stated exam efficiency is itself a consumer protection issue.

Director Nelson asked whether there is a perceived difference between insurance department employees and contract examiners. Wix stated she would address this in written comments, but she acknowledged that at times, sample sizes can get large when contract examiners are used. Moran stated that in Massachusetts, contractors operate under close department supervision and requested specifics in written comments. Director Nelson questioned whether sampling is necessary for automated health claims. Director Carpenter requested more detail on contractor concerns. Director Gillespie asked for specific examples of risk-based versus non-risk-based approaches. Wix provided broad examples that would indicate possible consumer harm, such as worsening complaint ratios, deterioration in claims handling, increased litigation, and changes in the company's financial condition. Wix said they would address this in more detail in their written comments. Director Gillespie also highlighted trends in how prior authorization is used, noting that state insurance regulators sometimes find it necessary to inquire about operational matters as well. Commissioner Gaines noted that states have unique laws with real consumer impact that can be the basis for targeted exams.

Wix said that exams should focus on the governance and risk management practices of the regulated entity, with deeper inquiry warranted where risk indicators support it. Director Nelson noted the importance of this topic for health insurance, given reliance on third parties for utilization review. She asked for written feedback on how state insurance regulators can access third-party data and ensure good company governance.

#### C. Interstate Collaboration

Wix acknowledged that state law variations make interstate collaboration particularly challenging on the health insurance side. She stated that centralized data collection, process consistency, avoiding duplicative requests, and using existing NAIC tools are helpful. Director Nelson asked how state insurance regulators can best encourage companies to make needed programming fixes, such as a diagnostic code that is incorrectly cross-referenced, on a national basis rather than just state-specific fixes. Director Gillespie noted emerging legislation on data-driven claims determinations, and she asked Wix to address in written comments how regulators can balance legislative requirements with industry concerns in multi-state exams. Wix stated that confidentiality is the top concern. Director Nelson asked members to identify any gaps in existing confidentiality protections.

D. Corrective Actions, Communications, and Enforcement

Wix stated that entities should be given clear notice of potential violations and an opportunity to respond before findings are finalized. She added that penalties should be proportionate to the risk of harm and consumer impact. Director Nelson asked whether AHIP's members feel they are being given adequate opportunity to provide a rebuttal during exams, and Wix said she would seek more feedback.

E. Consumer Complaints

Wix agreed with concerns regarding coding inconsistency and reconciliation variability. She stated that if a complaint portal is explored, it should be developed with a strong focus on protecting confidentiality, particularly given protected health information (PHI) and other non-public health information.

Having no further business, the Market Conduct Regulation Modernization (D) Working Group adjourned.

Draft: May 8, 2026

## **Market Conduct Modernization – Industry Discussion Document**

### **Purpose**

This document is designed to guide the insurance industry in providing structured, substantive feedback for the Market Conduct Regulation Modernization Working Group Discussion. Questions are grouped into six categories:

1. Market Conduct Data (Collection & Analysis)
2. Examination Handbook & Processes
3. Interstate Collaboration
4. Other Entity Oversight (Third-Party Oversight)
5. Corrective Actions, Communications & Enforcement
6. Consumer Complaints

A final list of general discussion questions is included for miscellaneous, rapid-input items.

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### **1. Market Conduct Data (Collection & Analysis)**

#### **Data Standards, Definitions & Transport**

1. Are there data standards (e.g., API specifications, common data models, standardized layouts) that industry would adopt uniformly to reduce rework across states?
2. Which specific data fields or definitions currently create the most friction, inconsistency, or manual work?
3. Are there MCAS-related or market-conduct-related data elements needing clearer definitions to ensure uniform reporting?

#### **Systems, Feasibility & Legacy Constraints**

4. What changes to your internal systems (policy administration, claims, complaints, reporting) would modernization require—and what are realistic implementation timeframes?

#### **Data Quality, Validation & Minimization**

5. What data quality checks are insurers performing currently prior to submission, and where is regulator-provided validation logic necessary?
6. Which data elements are unnecessary for modernized market conduct oversight and could be removed without sacrificing predictiveness?

#### **Market Conduct Data (Collection & Analysis)**

In addition to the questions already asked, are there any other issues or aspects of the scope of work that you believe are important for the working group to consider?

## 2. Examination Handbook & Processes

### Pre-Exam Expectations & Feasibility

1. What standardized pre-exam data sets or dashboards could your organization produce within 10 business days?
2. Which items require longer lead times due to system complexity or third-party involvement?
3. What standardized data extracts (policy files, claims inventories, complaint logs) are currently feasible within 10 business days?

### Risk Identification & Targeting

4. Which indicators—complaint trends, claim cycle times, denial rates, communication failures—best predict conduct-related risk from the insurer perspective?
5. How could regulators tailor exam scope using shared risk models so low-risk entities or topics experience lighter exams while higher-risk entities or areas undergo deeper reviews?

### Exam Operations, Tools & Burden Reduction

6. Which examination practices create unnecessary burden, and what alternatives would maintain regulatory goals while improving efficiency?
7. Are insurers experiencing consistency amongst regulators in the use or interpretation of the *Market Regulation Handbook*?
8. I have heard frequently that insurers would like greater transparency into the reasoning or justification behind the examination. Why would that be helpful to an insurer?
9. Which collaboration tools or secure data rooms would industry support for remote data exchange, tracked interrogatories, and version-controlled document sharing?
10. Are there common vendor platforms or tools the industry would be willing to adopt and utilize to reduce duplicative custom work? I have heard of platforms like Neota that have been used by some companies and states to experiment with.

### Examination Handbook & Processes

In addition to the questions already asked, are there any other issues or aspects of the scope of work that you believe are important for the working group to consider?

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### 3. Interstate Collaboration

#### Definitions, Expectations & Uniformity

1. What variations across states create the largest operational challenges—definitions, timelines, file formats, expectations?
2. Where do statutory or handbook interpretations diverge the most today, and how could consistency notes be published for industry to rely on?

#### “One-Ask” Principles & Simplification

3. How can processes be designed so insurers answer once for all states (shared templates, standard definitions, uniform due dates)?
4. What templates, definitions, or filing expectations should be standardized across jurisdictions to reduce manual rework?
5. How can insurers be encouraged or incentivized to remediate problems identified by one state to other states the insurer operates in?

#### Pilot Strategy

6. Which lines of business could be ideal to pilot or launch modernization initiatives (based on readiness, data availability, volume, diversity)?
7. What success metrics should be used to evaluate effectiveness?

#### Interstate Collaboration

In addition to the questions already asked, are there any other issues or aspects of the scope of work that you believe are important for the working group to consider?

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### 4. Other Entity Oversight (Third-Party Oversight)

#### Documentation & Transparency

1. What documentation (model cards, monitoring reports, validation materials) can insurers realistically provide during market-conduct reviews?
2. What materials would be burdensome or infeasible without additional regulatory guidance?

#### Vendor and Model Governance

3. How do you supervise third-party models and data sources today, and what standard artifacts could vendors reasonably provide to regulators?

4. What challenges arise when third-party vendors operate models or provide data used in underwriting, claims, or consumer interactions?

#### **Regulatory Expectations & Accountability**

5. How could regulators streamline expectations to ensure accountability while recognizing vendor constraints?

#### **Other Entity Oversight**

In addition to the questions already asked, are there any other issues or aspects of the scope of work that you believe are important for the working group to consider?

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### **5. Corrective Actions, Communications & Enforcement**

#### **Proportionality & Predictability**

1. What tiered corrective actions (warnings, remediation plans, restitution) are predictable and proportionate for common findings?
2. I have been told an industry frustration is inconsistency amongst states in terms of their approaches on self-reporting and fines generally. Is this an industry concern?

#### **Timelines & Feasibility**

3. What realistic timelines (30/60/90 days) can insurers commit to for specific fixes (policy language changes, claims workflow updates)?

#### **Verification & Consumer Impact**

4. Which artifacts best demonstrate that remediation worked (before/after metrics, audit trails, consumer communications)?
5. What metrics or narrative reporting could insurers produce to show improved consumer outcomes after remediation is completed?

#### **Correction Actions, Communications & Enforcement**

In addition to the questions already asked, are there any other issues or aspects of the scope of work that you believe are important for the working group to consider?

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## 6. Consumer Complaints

### Transparency Into Complaint Coding

1. How does the lack of visibility into whether a complaint is coded as *confirmed* or *not confirmed* affect your ability to conduct root-cause analysis and implement corrective action?
2. What type of transparency or feedback loop would help you understand how states determine confirmation status?
3. What definitions, examples, or coding criteria should be standardized across states to reduce variation?

### State-to-State Variability

4. What discrepancies among states—such as coding logic, investigation standards, timelines, or documentation requirements—create the greatest operational challenges for your teams?
5. Which aspects of complaint handling are most in need of national alignment to ensure consistent expectations and reporting?

### Complaint Portals, Submission Processes & Tracking

6. How does the absence of a uniform complaint portal across states impact your ability to organize, coordinate, and respond to complaints?
7. What minimum portal features (status visibility, communication logs, document exchange, audit trail) would meaningfully improve your complaint-handling operations?
8. What challenges do you encounter when trying to determine whether a complaint remains open or has been closed, given current state systems?

### Reconciliation Processes

9. In states that offer a reconciliation or correction process, what elements are most valuable (e.g., dispute correction, clarification opportunities)?
10. What would a functional and fair *national* reconciliation framework look like, and what process steps or timelines should it include?
11. What kinds of coding errors or discrepancies most frequently need correction from your perspective?

### Industry Engagement & Collaboration on Coding

12. What opportunities for joint engagement with regulators—such as training sessions, calibration workshops, or a shared coding guide—would improve accuracy and fairness in complaint categorization?

13. How frequently should regulators and insurers collaborate or recalibrate on complaint coding to ensure alignment across the states?

### **Confidentiality & Records Handling**

14. How do differing confidentiality standards among states affect your ability to provide complete, candid responses and share internal information appropriately?
15. What uniform confidentiality protections would help balance consumer privacy with insurer transparency and operational clarity?
16. What guidance or clarification do you need regarding how complaint files are treated under public records laws to reduce uncertainty and risk?

### Consumer Complaints

In addition to the questions already asked, are there any other issues or aspects of the scope of work that you believe are important for the working group to consider?

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### **General Discussion Questions (5 Minutes)**

- What **one modernization change** would deliver the greatest efficiency gain—and why?
  - What would make industry participation easier (templates, sandboxes, test data, checklists)?
  - Where do you need regulator decisions first (definitions, file specifications, timelines)?
  - What requirement could be simplified tomorrow with no reduction in consumer protection?
  - What is the **biggest technical blocker** from the insurer side for modernization?
  - Is there one area of training for examination staff states should focus their efforts on first?
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