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Market Conduct Regulation Modernization (D) Working Group
Columbus, Ohio
August 13, 2026

The Market Conduct Regulation Modernization (D) Working Group met in Columbus, OH, Aug. 13, 2026. The following Working Group members participated: Ann Gillespie, Chair (IL); Angela L. Nelson, Vice Chair (MO); Christine Marasigan (AK); Jimmy Harris (AR); Pam O'Connell (CA); Sheryl Parker (FL); Shannon Hohl (ID); Timothy N. Schott (ME); Danielle Torres (MI); Eric Dunning and Martin Swanson (NE); D.J. Bettencourt (NH); Avani Shah and Mostafa Mahmoud (NY); Todd Oberholtzer (OH); Landon Hubbart (OK); David Buono (PA); Brett Bache and Matthew Gendron (RI); Larry D. Deiter (SD); Tanji J. Northrup (UT); Andrea Baytop and Julie Fairbanks (VA); Mary Block and Karla Nuissl (VT); Sandy Ray (WA); Darcy Paskey and Jamie Adams (WI); and Erin Hunter and Joylynn Fix (WV). Also participating was: Bryan Stevens (WY).

1. Adopted its July 7 Minutes

The Working Group met July 7. During this meeting, it took the following action: 1) adopted its June 9 minutes; 2) received comments from NAIC consumer liaisons on how to modernize market conduct regulation, through enhanced data collection and analysis and expanded public reporting of market conduct trends.

Director Nelson made a motion, seconded by Harris, to adopt the Working Group's July 7 minutes (Attachment Six-A). The motion passed unanimously.

2. Received an Update on its Aug. 4 and July 21 Regulator-to-Regulator Meetings

Director Gillespie said the Working Group met Aug. 4 and July 21 in regulator-to-regulator session pursuant to paragraph 6 (consultation with NAIC staff members related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings. Director Gillespie said the Working Group discussed the NAIC *Market Regulation Handbook* (Handbook) and multistate collaboration. She said the discussions produced constructive feedback on specific changes to the Handbook, including a suggestion to make the Handbook more searchable and interactive as an online tool. She said the Working Group discussed a full spectrum of options regarding multistate collaboration, from the current approach to a more structured process used on the financial side. Director Gillespie said the Working Group began identifying areas where collaboration could be made smoother.

Director Nelson said these discussions identified problems and issues encountered in the multistate process rather than specific processes going forward. Director Gillespie said the Working Group is developing recommendations in 2026 on an overall framework for the modernization effort, will use 2027 to refine the framework's elements and design, and will begin implementing changes in 2028.

3. Discussed Third-Party Oversight and Market Conduct Regulation

Director Gillespie said entities that are not insurance carriers, particularly those involved with data, are increasingly part of the insurance marketplace. Director Nelson opened the discussion by referencing early regulatory experiences with credit scoring in which credit-modeling companies were asked to submit their models for regulatory review. Director Nelson described a market-conduct friction point in examinations in which a company under examination relies on a third-party vendor's model and cannot answer questions about it, while the vendor asserts that the

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information is confidential under contract. She said this leads to challenges for state insurance regulators being unable to validate compliance with state laws and said Missouri relies on its statutory authority to access all books and records for examination purposes.

Stevens said examiners increasingly encounter layered subcontracting and that some lower-tier subcontractors believe they are exempt from examination laws. Stevens recommended more stringent requirements for examined companies to disclose all subcontractors and their responsibilities, noting that carriers are sometimes unaware of the layers within their vendor arrangements. Baytop said Virginia law requires insurers to provide convenient access to their files and documents, and a separate statute makes the insurer responsible for a third party's conduct where the insurer lacks controls.

The Working Group discussed a range of third parties in use, including managing general agents (MGAs), third-party administrators (TPAs), and vendors handling specific functions such as proof of mailings and cancellation notices. Baytop described examinations in which a TPA handles all or part of a book of business, with insurer oversight of TPAs varying widely. Fix, speaking from the health insurance and pharmacy benefit manager (PBM) perspective, said there is extensive delegation in prior authorization and utilization review to third-party entities with insurers exercising little oversight. O'Connell reported similar experiences with MGAs, TPAs, and third-party vendors that support specific underwriting functions such as estimating annual mileage.

Nuissl said it is concerning that a violation or complaint attributable to a TPA can be enforced against a particular insurer but not directly against the TPA, which may be working with many insurers. Swanson said Nebraska has the authority to hold insurers accountable, but he suggested the NAIC *Third Party Administrator Guideline* (GL 1090) may need to be revised to hold TPAs more accountable for their practices. O'Connell said California holds insurers accountable for the practices of TPAs with reasonable success. Stevens noted that enforcement mechanisms, such as suspending or revoking a TPA's or insurer's license, harms policyholders and urged the development of solutions that encourage compliance rather than suspension or revocation of a license. Mahmoud said New York's audit program reviews whether a company's internal audit function tests a TPA's compliance with state laws at least annually.

Director Gillespie asked whether there is a need to develop standards, potentially through a model law, to address insurer oversight of these entities. Gendron said he agrees with Virginia's comments and noted that GL 1090 requires insurance companies to perform periodic audits of TPAs operations, while also emphasizing that an insurer remains responsible for the claims or underwriting functions that are contracted to a third party to perform.

The Working Group discussed whether states need additional authority for direct regulation of TPAs. Swanson suggested starting with a review to identify which states have adopted GL 1090. Mahmoud said New York licenses TPAs only for the health line of insurance but reviews all insurance company TPA agreements during examinations, and it holds companies responsible for their audit obligations. Block said Vermont adopted the GL 1090 years ago and is seeking to update its laws due to the increased use of third parties and recent market conduct work. Carpenter said Alaska is moving to full licensure of TPAs and PBMs to close regulatory gaps and the need for additional oversight tools.

J.P. Wieske (Monument Advocacy) said several NAIC health model acts already presume insurer responsibility and cautioned that any TPA guideline updates avoid creating conflicting standards or competitive disparities in states that have adopted the health model acts.

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Peter Kochenburger (Southern University Law Center—SULC) raised concerns about the use of artificial intelligence (AI) in claims and by TPAs. Eric Eversman (Automotive Education & Policy Institute—AEPI) urged the Working Group to consider expanding regulation of third parties or making clear to insurers that they are responsible for the acts of their TPAs and lower-tier contractors.

4. Discussed the Use of Financial Data for Market Conduct Insights

Jeff Czajkowski (Center for Insurance Policy and Research—CIPR) presented an example of integrating financial and market data to support pre-examination analytics and the identification of potential target examinations. Czajkowski described the recently released *Examining Homeowner Property Insurance Health Dynamics* report leveraging Market Conduct Annual Statement (MCAS) data, focusing on one element (the number of claims closed with payment during the period) normalized by the number of policies in force. He said that for 2024, the data showed an average of 71.2 claims closed with payment per 1,000 policies across NAIC zones and company types, with claim frequency generally increasing since 2018. To capture claim severity, Czajkowski said NAIC financial data was matched to company codes within the MCAS filings, reflecting roughly $98.1 billion in total losses for 2024, and average claim severity ranging from about $12,500 to $14,500 across NAIC zones. Czajkowski also presented underwriting profit as a percentage of direct premiums earned, which reflects sustained pressure on the homeowners market since 2018.

Czajkowski said the financial analysis helps explain why market adjustments occur and that supplementing market conduct data with financial data provides additional insights to analyze the overall market. Director Nelson said that many financial statement data elements may be more predictive for identifying companies and lines of business to review, and she asked whether any elements stood out. Director Nelson and Czajkowski discussed litigation costs as a traditional indicator of claims resistance and the value of partnering with NAIC committee support to understand additional data elements that would be beneficial.

Tim Mullen (NAIC) said the Market Analysis Prioritization Tool (MAPT) incorporates premium, loss, and expense information, as well as certain financial Insurance Regulatory Information System (IRIS) ratios, and he suggested the MAPT be reviewed in more detail. Stevens said the MAPT provides raw data but does not indicate what the values mean. Baytop said a substantial amount of financial data is used for market analysis and that additional financial data should demonstrably improve the market analysis process.

The Working Group discussed comparing completed examination findings against financial and market analysis data, with several Working Group members noting that market analysis has proven predictive and that consumer complaints remain the single best predictor of issues. Harris expressed interest in a tool, ideally added to State Based Systems (SBS), to help states analyze complaints and identify trends.

5. Discussed Other Matters

Director Gillespie said the Working Group plans to next meet Sept. 2 and Sept. 15 in regulator-to-regulator session, pursuant to paragraph 6 (consultations with NAIC staff members related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings, to discuss state training needs and state workforce development, respectively.

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

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Adopted by the Market Conduct Regulation Modernization (D) Working Group, Nov. XX, 2026

MARKET CONDUCT REGULATION MODERNIZATION RECOMMENDATIONS

MODERNIZATION PURPOSE AND CHARGES

The NAIC Membership began the Market Conduct Regulation Modernization initiative to assess whether the current market conduct regulatory framework is keeping pace with changing markets, business models, and consumer expectations. In addition, the NAIC Membership recognized market conduct regulation has largely evolved through incremental updates rather than a comprehensive review. To advance the modernization priority of the NAIC members, the Market Regulation and Consumer Affairs (D) Committee appointed the Market Conduct Regulation Modernization (D) Working Group at the 2026 Spring National Meeting.

- Charge 1 – Assess the Framework: Assess with input from NAIC members and interested stakeholders the current state of the market conduct regulatory framework and the need for changes in response to changing markets, business models, and consumer expectations.
- Charge 2 – Recommend Modernization: Provide recommendations for the improvement and modernization of the market conduct regulatory framework.

ASSESSMENT PROCESS

Timing	Focus
March **NAIC National Meeting**	• Public Discussion of Market Conduct Regulation Modernization • Adopt Charges and Appoint Market Conduct Regulation Modernization (D) Working Group
April	• Regulator Discussions • Market Conduct Data Collection, NAIC Resources, and Analytical Tools • Market Conduct Annual Statement (MCAS), Market Information Systems, Data Validation, Data Filing Frequency, Analytics, Multistate Information Sharing
May, June, July	• Interested-Party Listening Sessions: Property/Casualty, Health, Life, Insurtech, Specialty Lines, Consumers
July and August	• Regulator Discussions • Interstate Collaboration and Market Regulation Handbook Review • Interstate Coordination, Examination Consistency, Market Regulation Handbook Modernization
August **NAIC National Meeting**	• Public Update on Regulator Discussions • Third Party Oversight • Integration of Financial and Market Conduct Data

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Timing	Focus
September	• Regulator Discussions • Training and Workforce Development • Workforce Capabilities and Training Needs to Support Modernized Framework
September **NAIC Insurance Summit**	• Presentation on Modernization Efforts: Modernization Priorities, Input from Listening Sessions, Discussion of Common Themes
October	• NAIC Member Engagement on Modernization Priorities and Future Market Conduct Framework
November	• Regulator and Interested Party Review of Draft Recommendations
November **NAIC National Meeting**	• Consider Adoption of Draft Recommendations • Advance from Assessment to Design and Prioritization

Summary of Regulator Assessment: Focus on Data, Analytics, and Coordination

On regulator-to-regulator calls held April 22 and April 30, the Working Group provided their perspectives on the Market Conduct Annual Statement (MCAS), NAIC Market Information Systems, and analytical tools available for analysis. The Working Group discussed processes that work well and identified areas where improvements may be made. Regulators highlighted the following opportunities.

- Enhance MCAS Validation Process: Consistent validation and feedback process among states, NAIC staff, and filers to catch recurring errors and build confidence in the data.
- Rebalance the Filing Cadence: The current all-at-once submission schedule limits timely oversight; regulators favor a more phased, targeted approach to data collection (e.g., quarterly reporting).
- Replace Duplicative Workarounds: Some states have built their own prioritization tools to make raw MCAS data usable.
- Refine MCAS Data Scope by Line: Focus collection on the lines and data elements with the greatest regulatory value and reevaluate lines like health that do not offer the value needed.
- Market Conduct & Financial Data: Better align market conduct indicators with financial analysis (e.g., through Market Analysis Prioritization Tool - MAPT) for a complete view of insurer risk.
- Regular Cross-State Forums: Recurring, structured opportunities to exchange analytic findings and emerging market trends across jurisdictions.

Summary of Industry Assessment: Focus on Consistency, Data, and Proportionate Enforcement

From May through July, the Working Group held three listening sessions with property/casualty, health, life/Insurtech/specialty, and received written comments from American Council of Life Insurers (ACLI), America's Health Insurance Plans (AHIP), American Property Casualty Insurance Association (APCIA), Blue Cross Blue Shield Association (BCBSA), Insured Retirement Institute (IRI), National Association of Mutual Insurance Companies (NAMIC), and Verisk/Insurance Services Office (ISO). Industry highlighted the following opportunities.

- Standardize Data & Definitions: One national data model, shared templates, and more consistent terms (e.g., "confirmed complaint" and "denial").
- Risk-Based, Handbook-Driven Exams: Scope exams to risk indicators, apply the NAIC *Market Regulation Handbook* consistently, and minimize variation on approaches used by contract examiners.
- Greater Regulator Transparency: Share the reasoning behind exams and complaint decisions.

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- "One-Ask" Interstate Collaboration: A single lead-state request, shared templates, and recognition of remediation already completed in other jurisdictions.
- Proportionate Enforcement: Tiered corrective actions, assess regulator use of self-reporting, and set realistic timelines for remediation.
- Practical Third-Party Oversight: Focus on insurer governance/outcomes and oversight of Third-Party Administrators.

Summary of Consumer Assessment: Focus on Faster Analysis and Greater Transparency

On July 7, the Working Group held a listening session with NAIC Consumer Liaison Representatives. The NAIC Consumer Liaison Representative highlighted the following opportunities.

- Modern Data Infrastructure: Move toward data-lake style collection with direct, automated insurer uploads and standardized APIs — reducing reliance on PDFs and spreadsheets.
- Public, Company-Level Metrics: Publish claim-settlement times, denial rates, and complaint outcomes at the company level so consumers can compare insurers.
- National Exam Findings Portal: A searchable public repository of closed market conduct exam reports, modeled on state examples like Oregon's public disclosures.
- Oversight of AI & Telematics: Closer scrutiny of insurers' and vendors' use of consumer data through connected devices and automated decision tools.
- Faster, More Transparent Claims Review: Reduce the 18- to 20-month lag before MCAS data informs action and provided consumers greater visibility into data analysis, such as claims handling.
- A Structural, Not Just Incremental, Look: Address root gaps in consumer protection — resourcing, enforcement speed, and researcher access to data.

<u>Feedback Summary: Six Common Threads</u>

Across the discussions that took place in 2026, the following six themes were consistently raised by regulators, industry, and consumer advocates.

- Data Quality & Consistency of Definitions
- Enhanced Analytics & Modern Tools
- Integrated Analysis with Financial Data
- Communication & Transparency of Expectations
- Examination Consistency
- Confidentiality & Public Access to Data

STRATEGIC VISION: RISK-BASED MARKET CONDUCT REGULATION

The strategic vision establishes a long-term direction for modernization to a proactive, risk-based market conduct regulatory framework that supports consistent, coordinated oversight and stronger consumer protection as insurance markets, business models, and consumer expectations evolve. This vision centers on equipping NAIC Members with timely, trustworthy data and modern analytical tools to identify emerging risks and inform regulatory action. The strategic vision also calls for stronger interstate collaboration through shared definitions, common tools, and a lead state decision framework for multistate action. Finally, there is a recognition for the potential of expanded public reporting that gives consumers clearer, more useful insights into market conduct issues.

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RECOMMENDATIONS

Recommendation	Summary
Market Conduct Data and Related Systems & Tools	Enable regular, predictive analytics on market conduct through better data, timelier submissions, and modernized NAIC tools (MCAS, MIS Systems), including the development of a national complaint portal.
Market Conduct Standardization and Multistate Collaboration	Strengthen consistency and coordination across jurisdictions for national and regional companies, while respecting each state's unique market.
Opportunities for Additional Consumer Support	Expand public reporting, including the exploration of developing a consumer facing producer look-up portal.
Additional or Enhanced NAIC Support	Provide additional or enhanced NAIC support to achieve the objectives of Recommendations 1–3, including modernizing MAPT, the Market Analysis Review System (MARS), Level 1 and Level 2 analysis reviews, and better integration of financial data into market conduct analysis.

Recommendation 1: Assess and Update Market Conduct Data and Related Systems & Tools

Enable regulators to conduct regular analytics on current market conduct by providing data and tools/services that enable trend identification and predictive analyses outside of examinations.

Stakeholder Observations

- *Suboptimal timeliness of data, both as submitted and as made available to regulators.*
- *Comprehensive update of data elements needed.*
- *Need for improved data validation to ensure accuracy.*
- *Reduce variation among states by enhancing common definitions and use of FAQs.*
- *Improvements needed to the functionality of MCAS and Market Information Systems (MIS).*
- *Potential for new tools to better support the objective.*
- *Desire for a common complaint portal for use by all jurisdictions.*

Recommended Actions

A. Modernize Data Collection

1. Reassess the frequency of data submission and timeframe of data availability to regulators.
2. Strengthen validation methods for enhanced data accuracy.
3. Expand data definitions, FAQs, and training to improve consistency of data collection across jurisdictions.
4. Update data elements to reflect new business models (e.g., 2026 Homeowners Market Data Call).

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B. Modernize NAIC Tools & Systems

1. Identify barriers to consistent state use of Market Information Systems (Market Conduct Annual Statement, Market Analysis Review System, Market Action Tracking System, Regulatory Information Retrieval System, Complaint Database System, ATS, RIRS, CDS).
2. Develop modernized, more automated data collection from state back-office systems and websites.
3. Establish standards for timely, reliable, and comparable information for market conduct oversight.
4. Set modernization priorities for data integration, visualization, and search functionality.
5. Develop a prototype national complaint portal for companies and regulators.

Recommendation 2: Enhance Market Conduct Standardization and Multistate Collaboration

Enhance market regulation standardization and collaboration across jurisdictions to better support regulation of national and regional companies, while recognizing unique aspects of individual markets.

Stakeholder Observations

- *Inconsistencies in approaches across jurisdictions, separate from broader state policy, that contribute to additional cost of regulation.*
- *Suboptimal coordination across jurisdictions to address issues affecting multiple jurisdictions (e.g., claims payment practices).*
- *Lack of an agreed upon decision process for operational aspects of multistate actions (e.g., identifying leads, resources, scope, and triggers), resulting in lengthy examination timeframes and often suboptimal results.*

Recommended Actions

A. Formalize Multistate Collaboration

1. Establish a process for shared analytics prior to, or in lieu of, examinations.
2. Identify ways to ensure consistency in communications throughout the examination process.
3. Build a decision matrix for lead-state designation, factoring in the role of NAIC Zones, aspects of the financial regulation process, and the role of MAWG.
4. Assess the need for a Model Act or other framework to support more formalized collaboration.

B. Strengthen Handbook & Oversight Consistency

1. Update the NAIC *Market Regulation Handbook* to clarify the process, encourage consistency, and better equip regulators to address risks associated with current business models and products (e.g., revised ratios and new exam templates).
2. Clarify definitions, terms, and guidance through FAQs and training modules.
3. Expand collaboration with financial regulation through shared datasets/analytics and coordination between FAWG and MAWG.
4. Identify ways to improve consistency in oversight of contract examiners.

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Recommendation 3: Identify Opportunities for Additional Consumer Support

Strengthen consumer support by identifying opportunities to expand consumer-facing reports and coordination as part of market conduct modernization.

Stakeholder Observations

- *Consumers would benefit from clearer, more accessible public information regarding market conduct trends and state regulatory actions.*
- *Existing public reports and tools could be enhanced to support consumers' understanding of the insurance marketplace.*
- *Additional coordination will be needed across NAIC Committees and state insurance regulatory experts to ensure NAIC consumer-facing tools are accurate, reliable, and useful.*

Recommended Actions

A. Expand Public Reports and Consumer Engagement

1. Working with NAIC Consumer Liaisons Representatives, determine additional public reports, beyond existing MCAS summaries, that give consumers clearer insight into market conduct trends, complaint outcomes, and consumer protection concerns.
2. Collaborate with the NAIC Consumer Board of Trustees to support efforts to broaden Consumer Liaison engagement opportunities.
3. Leverage the expertise and feedback of state consumer affairs staff, public information officers, and the producer community to better understand consumers' concerns and information gaps.

B. Explore the development of a Producer Look-Up Portal

1. Evaluate whether to develop a producer look-up portal to provide consumers a reliable way to verify producer licensing status and history.

Recommendation 4: Identify Areas for Additional or Enhanced NAIC Support to Achieve the Objectives of Recommendations 1–3

Provide support to jurisdictions and to the development and operation of multistate collaboration, as needed, including transition of ongoing services.

Stakeholder Observations

- *There is significant variation among jurisdictions in market conduct regulatory resources.*
- *There are economies of scale to providing a single tool (e.g., a portal) for use by industry and regulators in certain circumstances.*

Recommended Actions

A. Modernize Tools and Resources

1. Review the use and design of MAPT, MARS Level 1 and Level 2 reviews to consistently identify potential consumer protection concerns and support consistent market analysis.
2. Assess regulator workflows and the use of NAIC data in daily regulatory functions and modernize NAIC analytical tools to better support state oversight.
3. Enhance the Market Regulation Handbook by making it more interactive and easier to navigate for everyday use.

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B. Broaden Analytical Integration

1. Evaluate how financial data and information can be further incorporated into market conduct analysis to provide a more complete view of insurer risk, operations, and market behavior.
2. Coordinate enhancements to NAIC support and systems with the NAIC budget process, as appropriate.

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