



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### Bulletin L-17

July 28, 2011

**TO: ALL PERSONS OPERATING AS A THIRD PARTY ADMINISTRATOR IN CONNECTICUT**

**RE: PUBLIC ACT 11-58 – Third Party Administrator Licensing or Registration Requirements**

Effective October 1, 2011, Third Party Administrators (“TPA”) who operate in Connecticut will be required to be licensed with the Connecticut Insurance Department (“Department”). Entities that are specifically exempt by statute from TPA licensure but that perform elements of TPA services must annually register with the Insurance Commissioner.<sup>1</sup>

Sections 20 through 36 of Connecticut Public Act 11-58 (“Act”), establish licensing and market conduct requirements for TPAs operating in Connecticut. The Act defines a TPA as a person who directly or indirectly underwrites, collects premiums or charges; or adjusts or settles claims on Connecticut residents with respect to life, annuity, or health coverage offered or provided by an insurer. “Insurer” or “insurance company” is defined by the Act as any person or combination of persons doing any kind or form of insurance business other than a fraternal benefit society, including a captive insurer, a licensed insurance company, medical service corporation, hospital service corporation, health care center and a consumer dental plan that provides employee welfare benefits on a self-funded basis or as defined in section 38a-577 of the Connecticut general statutes. TPAs servicing lines of business other than life, annuity or health are not required to be licensed or registered under this law.

The Act establishes that the Commissioner has authority to regulate those activities provided by a TPA for an insurer, as defined by the Act, that are undertaken for the administration of a self-insured health plan that are consistent with the Commissioner’s authority to regulate insurance and the business of insurance as provided for in the Employee Retirement Income Security Act of 1974 (“ERISA”).<sup>2</sup> The Act does **not** authorize the Commissioner to regulate the underlying self-insured benefit plan that is subject to ERISA. The Act sets forth minimum operating requirements for TPAs operating in Connecticut including, but not limited to: requiring written agreements between the insurer or other person utilizing the TPA’s services and the TPA, itemized and detailed billing for services, access to books and records, record retention requirements, and audit rights.

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<sup>1</sup> Sec. 31 of PA 11-58 requires registration of those entities exempted from licensing requirements of section 20 or 21

<sup>2</sup> 29 USC §1144

### **Licensure Process/Requirements**

An applicant for a TPA license must submit to the Connecticut Insurance Department an electronic TPA application with the required \$500 application fee through National Insurance Producer Registry (NIPR) at [www.nipr.com](http://www.nipr.com). This application will be available as of August 15, 2011. Section 30 of the Act details the application requirements. Applicants should take care to submit complete applications to ensure timely processing. Applicants should pay specific attention to the surety bond requirement of the application. Applicants applying for a TPA license must include with their application evidence that a surety bond has been executed in an amount determined by the Commissioner sufficient to protect insurers and other persons utilizing the services of the TPA, but in no event less than the penal sum of \$500,000. The surety bond requirement may be waived for applicants who submit the two most recent annual audited financial statements proving the applicant has a positive net worth.

TPAs that administer self-insured governmental or church plans in this state are required to provide evidence of an additional surety bond, which will not be waived, in the greater of \$100,000 or 10% of the aggregate total amount of self-funded coverage under the governmental or church plans handled in this state and all additional states in which the TPA is authorized to conduct business.

Any license issued to a third-party administrator shall be in-force until September 30<sup>th</sup> of the next year.

Effective October 1, 2011, any unlicensed TPA operating in Connecticut will be subject to administrative action for conducting business without a license.

### **Connecticut Licensed Insurer Exemption/Registration Requirements**

A Connecticut licensed insurer that underwrites, collects premium or charges or adjusts or settles claims, except for its policyholders, subscribers and certificate holders is exempt from the bill's requirements as long as they are providing TPA services for the lines of insurance for which that insurer is licensed in Connecticut. These insurers must (1) be subject to the Connecticut Unfair Insurance Practices Act ("CUIPA")<sup>3</sup>, (2) respond to all Department complaint inquiries within 10 days of receiving the inquiry, and (3) obtain a customer's prior written consent for advertising mentioning the customer. The Commissioner's authority to regulate the business of insurance activities as provided in ERISA continues to apply to these licensed insurers.

### **Registration Requirements**

Section 31 of the Act requires that a person who is specifically exempted from being licensed as a TPA pursuant to sections 20 or 21 of the Act is required to **register annually** with the commissioner not later than October first on a form designated by the Commissioner. **This includes the Connecticut licensed insurers exempted from TPA license requirements.** This [registration form](#) can be found on our website at [www.ct.gov/cid](http://www.ct.gov/cid) under "Forms". The registration requirement enables the Department to identify those entities that may have similar TPA characteristics, but are not subject to licensing because of other state or federal regulatory oversight. There is no registration fee.

The Department will be posting on the Department website those TPAs that are licensed and registered to enable individuals who may want to enter into business relationships to know which entities are operating lawfully in Connecticut.

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<sup>3</sup> Chapter 704 of the Connecticut General Statutes

**Annual Report Filing Requirements**

Effective July 1, 2012, each TPA licensed under this Act is required to file an annual report for the preceding calendar year with the Commissioner on or before July first of each year with a fee of \$100 for each annual report filed. The annual report shall contain such information as the Commissioner prescribes, including evidence that the surety bond required remains in force. The information contained in such report shall be verified by at least two officers of the third-party administrator. The Commissioner must complete a review of each TPA's annual report no later than September 1 and is required to issue a certification that the TPA is either in good standing or note any deficiencies, or update the National Association of Insurance Commissioners electronic database to indicate that the TPA is in good standing or deficient in compliance with state law. The Department will use the annual report review as a major component of the license renewal review. An annual report format will be posted on the Department website annually under "Forms".

**Renewal**

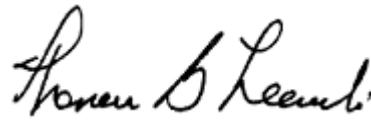
TPA licenses and registrations must be renewed annually prior to October 1. Renewal fee for a TPA license is \$350 and a complete application must be submitted each year. There is no renewal fee for registrations.

**Examination/Enforcement**

TPAs will be subject to Market Conduct examinations and administrative actions.

**Questions**

Questions should be directed to the attention of the Consumer Services and Business Regulation Division at [cid.tpa@ct.gov](mailto:cid.tpa@ct.gov).



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Thomas B. Leonardi  
Insurance Commissioner