

Third Party Administrator Update - TPA Licensing and Compliance

RECENT REGULATORY ACTIONS AGAINST TPAs

NEW JERSEY

The New Jersey Department of Banking and Insurance (“New Jersey Department”) recently took regulatory action against a TPA for untimely filing its annual report with the New Jersey Department.

N.J.S.A. 17B:27B-13 requires licensed TPAs in New Jersey to file an annual report to the New Jersey Department for the preceding calendar year. Pursuant to N.J.A.C. 11:23-3.8, TPAs must file by June 1st of each year an annual report for the preceding calendar year that includes an audited financial statement and unaudited information containing the complete names and addresses of all benefit payers with which the TPA had a contract in effect during the preceding calendar year.

According to the New Jersey Department, the TPA did not file its audited financial statement which was due on June 1, 2019 until October 11, 2019. The order states that the New Jersey Department repeatedly reached out to the TPA and advised that the annual report was late and asked when the report would be filed. Additionally, at one point, the TPA had allegedly indicated that the only financial information that it had in house was the compilation statement that it had initially filed with the New Jersey Department.

The TPA entered into a Consent Order with the New Jersey Department and agreed to pay a \$13,200 monetary penalty pursuant

to N.J.S.A. 17B:27B-24 for the violation of N.J.S.A. 17B-27B-13 and N.J.A.C. 11:23-3.8.

SOUTH DAKOTA

The South Dakota Division of Insurance (“South Dakota Division”) recently took regulatory action against a company operating in South Dakota without being properly registered as a TPA.

According to the South Dakota Division, the TPA held a valid registration in South Dakota which expired on July 1, 2013. Notwithstanding the expiration of its registration, the TPA continued to operate in South Dakota without being properly registered in violation of SDCL § 58-29D-21 and didn’t file a new TPA registration application with the South Dakota Division until February 2020.

As a result of the above information, the TPA entered into a Consent Order with the South Dakota Division and agreed to pay a monetary penalty of \$10,000. The South Dakota Division also agreed to allow the TPA to become registered.

More Information on Our TPA Team

Polsinelli’s TPA team provides TPA licensing services, TPA regulatory and compliance services, drafting and negotiating of administrative services agreements and a

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number of other TPA services. Our TPA team includes attorneys who were former in-house counsel for TPAs, as well as attorneys who were formerly insurance regulators. By leveraging its extensive experience representing TPAs, our TPA team helps clients avoid the learning curve and related cost implications that can be experienced by working with companies or attorneys less familiar with the regulatory and compliance needs of TPAs. For questions regarding this information, please contact one of the authors, a member of [Polsinelli's Third Party Administrators](#) team or your Polsinelli attorney.

