



General Assembly

January Session, 2009

Raised Bill No. 6529

LCO No. 2927

02927 _____ INS

Referred to Committee on Insurance and Real Estate

Introduced by:
(INS)

***AN ACT CONCERNING THE LICENSING AND REGULATION OF
THIRD-PARTY ADMINISTRATORS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2009*) As used in sections 1 to
2 16, inclusive, of this act:

3 (1) "Adjuster" means an individual who investigates or settles loss
4 claims. "Adjuster" does not include an employee of an insurer who
5 investigates or settles claims incurred under insurance contracts
6 written by the insurer or an affiliated insurer.

7 (2) "Affiliate" or "affiliated" has the same meaning as provided in
8 section 38a-1 of the general statutes.

9 (3) "Business entity" means a corporation, a limited liability
10 company or any other similar form of business organization, whether
11 for profit or nonprofit.

12 (4) "Collateral" means funds, letters of credit or any item with
13 economic value, not owned by the insurer or third-party administrator
14 but held by the insurer or third-party administrator in the event such

15 collateral needs to be used to fulfill premium or loss reimbursement
16 obligations in accordance with a contract between the insurer and the
17 owner of the collateral. "Collateral" includes anticipated loss
18 prepayments made prior to the payment of losses, pursuant to
19 arrangements where reimbursement is not due until after losses have
20 been paid.

21 (5) "Commissioner" means the Insurance Commissioner.

22 (6) "Control" or "controlled by" has the same meaning as provided
23 in section 38a-1 of the general statutes.

24 (7) "Insurance producer" has the same meaning as provided in
25 section 38a-702a of the general statutes.

26 (8) "Insurer" or "insurance company" has the same meaning as
27 provided in section 38a-1 of the general statutes. For the purposes of
28 sections 1 to 16, inclusive, of this act, "insurer" includes a captive
29 insurance company, as defined in section 38a-91aa of the general
30 statutes, a licensed insurance company, a medical service corporation,
31 a hospital service corporation, a health care center, and a consumer
32 dental plan that provides employee welfare benefits on a self-funded
33 basis or as defined in section 38a-577 of the general statutes.

34 (9) "NAIC" means the National Association of Insurance
35 Commissioners.

36 (10) "Payor" means an insurer, an employer administering its
37 employee benefit plan or the employee benefit plan of an affiliated
38 employer under common management and control.

39 (11) "Person" has the same meaning as provided in section 38a-1 of
40 the general statutes.

41 (12) "Professional employer organization" has the same meaning as
42 provided in section 31-221a of the general statutes.

43 (13) "Stop loss coverage" means insurance that protects an employer
44 or other person responsible for a self-insured health or life benefit plan
45 against higher than expected obligations under the plan.

46 (14) "Third-party administrator" means any person who directly or
47 indirectly underwrites, collects charges, collateral or premiums from,
48 pays or processes claims on, or uses the services of a licensed adjuster
49 or an attorney admitted to the practice of law in this state to adjust or
50 settle claims by residents of this state in connection with, insured or
51 self-insured programs that, excluding workers' compensation, provide
52 life, annuity, health, accident or accident and sickness coverage, or
53 employee benefit stop loss coverage. A person shall not be considered
54 a third-party administrator if such person is among the following:

55 (A) A person working for a third-party administrator to the extent
56 that the person's activities are subject to the supervision and control of
57 the third-party administrator;

58 (B) An employer administering its employee benefit plan or the
59 employee benefit plan of an affiliated employer under common
60 management and control, except that workers' compensation shall not
61 be considered an employee benefit plan;

62 (C) A union administering a benefit plan on behalf of its members;

63 (D) An insurer that is licensed in this state or is acting as an
64 authorized insurer with respect to insurance lawfully issued to cover a
65 Connecticut resident, and sales representatives thereof;

66 (E) An insurance producer selling insurance or engaged in related
67 activities within the scope of the producer's license;

68 (F) A creditor acting on behalf of its debtors with respect to
69 insurance covering a debt between the creditor and its debtors;

70 (G) A trust and its trustees and agents acting pursuant to such trust
71 established in conformity with 29 USC Section 186, as amended from

72 time to time;

73 (H) A trust exempt from taxation under Section 501(a) of the
74 Internal Revenue Code of 1986, or any subsequent corresponding
75 internal revenue code of the United States, as amended from time to
76 time, and its trustees acting pursuant to such trust, or a custodian and
77 the custodian's agents acting pursuant to a custodian account that
78 meets the requirements of Section 401(f) of the Internal Revenue Code
79 of 1986, or any subsequent corresponding internal revenue code of the
80 United States, as amended from time to time;

81 (I) A credit union or a financial institution that is subject to
82 supervision or examination by federal or state banking authorities, or a
83 mortgage lender, when collecting or remitting premiums to licensed
84 insurance producers, limited lines producers or authorized payors in
85 connection with loan payments;

86 (J) A credit card issuing company advancing or collecting insurance
87 premiums or charges from its credit card holders who have authorized
88 collection;

89 (K) An individual adjusting or settling claims in the normal course
90 of such individual's practice or employment as an attorney at law and
91 who does not collect charges or premiums in connection with
92 insurance coverage;

93 (L) A trade or professional association exempt from taxation under
94 Section 501 of the Internal Revenue Code of 1986, or any subsequent
95 corresponding internal revenue code of the United States, as amended
96 from time to time, that is administering a trust, as set forth in
97 subparagraphs (G) and (H) of this subdivision, or a benefit plan, on
98 behalf of its members;

99 (M) An adjuster who is licensed in this state or is not subject to the
100 licensure requirements of chapter 702 of the general statutes and
101 whose activities are limited to adjusting claims; or

102 (N) A business entity that is affiliated with a licensed insurer and
103 only acts as a third-party administrator for the direct and assumed
104 insurance business of the affiliated insurer, if the insurer acknowledges
105 in writing to the commissioner that such insurer is responsible for the
106 acts of the entity and will provide all of the entity's books and records
107 to the commissioner upon request.

108 (15) "Underwrites" or "underwriting" means, but is not limited to,
109 the acceptance of employer or individual applications for coverage of
110 individuals in accordance with the written rules of the payor,
111 association, trust or self-funded plan, and the overall planning and
112 coordination of a benefits program.

113 (16) "Uniform application" means the current version of the
114 National Association of Insurance Commissioners' Uniform
115 Application for Third Party Administrators.

116 Sec. 2. (NEW) (*Effective October 1, 2009*) (a) No person shall offer to
117 act as or hold himself out to be a third-party administrator in this state
118 unless such person is licensed pursuant to section 11 of this act, or is
119 exempted from licensure pursuant to subsection (b) of this section.
120 This requirement shall not apply to a person employed by a third-
121 party administrator to the extent that such person's activities are under
122 the supervision and control of the third-party administrator. The
123 authority granted to a third-party administrator pursuant to sections 2
124 to 10, inclusive, of this act shall not exempt such third-party
125 administrator's employees from the licensing requirements of chapters
126 701b and 702 of the general statutes.

127 (b) An insurer that underwrites, collects charges, collateral or
128 premiums from, or adjusts or settles claims for other than its
129 policyholders, subscribers and certificate holders shall be subject to
130 sections 1 to 16, inclusive, of this act, except that such insurer shall be
131 exempt from sections 11, 13 and 14 of this act, provided such activities
132 only involve the lines of insurance for which it is licensed as an insurer
133 in this state.

134 (c) No third-party administrator shall act as such without a written
135 agreement between such third-party administrator and a payor, which
136 shall be retained as part of the official records of both the third-party
137 administrator and the payor for the duration of such agreement and
138 for five years thereafter. The agreement shall contain all provisions
139 required by this section, except insofar as those provisions that do not
140 apply to the functions performed by the third-party administrator.

141 (d) The written agreement set forth in subsection (c) of this section
142 shall include a statement of duties that the third-party administrator
143 shall perform on behalf of the payor and the lines, classes or types of
144 insurance for which the third-party administrator is authorized to
145 administer. The agreement shall include provisions with respect to
146 underwriting, claims handling and other standards pertaining to
147 activities to be administered by the third-party administrator.

148 (e) In the event of a dispute between the third-party administrator
149 and the payor regarding the fulfillment of a lawful obligation with
150 respect to a policy, certificate or claim subject to the written agreement,
151 the payor shall fulfill such obligation.

152 Sec. 3. (NEW) (*Effective October 1, 2009*) Any insurance premiums or
153 charges paid to a third-party administrator by or on behalf of the
154 insured party and any collateral furnished to the third-party
155 administrator by or on behalf of the insured party shall be deemed to
156 have been received by the insurer. The return of collateral or the
157 payment of return premiums or claim payments forwarded by the
158 insurer to the third-party administrator shall not be deemed to have
159 been paid to the insured party or claimant until such collateral or
160 payments have been received by the insured party or claimant.
161 Nothing in this section shall limit any right of the insurer against the
162 third-party administrator resulting from the failure of the third-party
163 administrator to make payments to the insurer, insured parties or
164 claimants.

165 Sec. 4. (NEW) (*Effective October 1, 2009*) (a) A third-party

166 administrator shall maintain and make available to a payor with which
167 such third-party administrator has entered into a written agreement
168 pursuant to subsection (c) of section 2 of this act complete books and
169 records of all transactions performed on behalf of such payor. The
170 books and records shall be maintained in accordance with prudent
171 standards of insurance recordkeeping and shall be maintained for a
172 period of not less than five years from the date of their creation.

173 (b) The payor shall own any records generated by the third-party
174 administrator pertaining to the payor, except that the third-party
175 administrator shall retain the right to access such books and records to
176 permit the third-party administrator to fulfill all of its contractual
177 obligations to insured parties, claimants and the payor.

178 (c) Notwithstanding subsection (a) of this section, if the payor or the
179 third-party administrator cancels the agreement specified in subsection
180 (c) of section 2 of this act, the third-party administrator may, by
181 written agreement with the payor, transfer all records to a new third-
182 party administrator in lieu of retaining them for five years. The new
183 third-party administrator shall acknowledge, in writing, that it is
184 responsible for retaining the records of the prior third-party
185 administrator as required in subsection (a) of this section.

186 Sec. 5. (NEW) (*Effective October 1, 2009*) A third-party administrator
187 who advertises on behalf of an insurer or professional employer
188 organization shall only use advertising that has been approved, in
189 writing, by the payor prior to its use. A third-party administrator that
190 mentions any customer in its advertising shall obtain such customer's
191 prior written consent.

192 Sec. 6. (NEW) (*Effective October 1, 2009*) (a) No third-party
193 administrator shall determine the benefits, premium rates, collateral
194 and reimbursement procedures, underwriting criteria and claims
195 payment procedures applicable to life, annuity, health, accident or
196 accident and sickness coverage, or employee benefit stop loss
197 coverage, or secure reinsurance or stop loss coverage unless the payor

198 includes specific standards for such functions in the written agreement
199 set forth in subsection (c) of section 2 of this act or by reference in such
200 agreement.

201 (b) The payor shall establish and maintain methods to identify a
202 responsible person of the third-party administrator when the payor is
203 contacted by a claimant, representative of a claimant or by the
204 Insurance Department.

205 (c) The payor shall provide competent administration of its
206 programs.

207 (d) When a third-party administrator administers benefits in
208 connection with life, annuity, health, accident or accident and sickness
209 coverage, or employee benefit stop loss coverage, that cover more than
210 one hundred certificate holders, subscribers, claimants, employees or
211 policyholders, the insurer shall annually conduct an on-site review of
212 the operations of the third-party administrator. The costs of such
213 reviews or audits shall be borne by the insurer and shall not be
214 reimbursed by the third-party administrator.

215 (e) The requirements of this section shall apply to any insurer that
216 delegates administrative functions to a person exempt from licensure
217 pursuant to section 2 of this act.

218 Sec. 7. (NEW) (*Effective October 1, 2009*) (a) All insurance charges,
219 premiums, collateral and loss reimbursements collected by a third-
220 party administrator on behalf of or for a payor, the return of premiums
221 or collateral received from a payor, and any funds held by the third-
222 party administrator for the payment of claims, shall be held by the
223 third-party administrator in a fiduciary capacity. Funds shall be
224 immediately remitted to the person entitled to them or shall be
225 deposited promptly in a fiduciary account established and maintained
226 by the third-party administrator in a federally insured financial
227 institution. The written agreement between the third-party
228 administrator and the payor shall provide for the third-party

229 administrator to render an accounting to the payor periodically,
230 detailing all transactions performed by the third-party administrator
231 pertaining to the business of the payor.

232 (b) The third-party administrator shall keep copies of all records of
233 any fiduciary account maintained or controlled by the third-party
234 administrator, and, upon request of a payor, shall furnish such payor
235 with copies of the records pertaining to the deposits and withdrawals
236 made on behalf of the payor. If funds deposited in a fiduciary account
237 have been collected on behalf of or for more than one payor, or for the
238 payment of claims associated with more than one policy, the third-
239 party administrator shall keep records clearly recording the deposits in
240 and withdrawals from the account on behalf of each payor and relating
241 to each policyholder.

242 (c) The third-party administrator shall not pay any claim from its
243 own funds nor by withdrawals from a fiduciary account in which
244 premiums or charges are deposited. Withdrawals from such account
245 shall be made as provided in the written agreement set forth in
246 subsection (c) of section 2 of this act and only for the following
247 purposes: (1) Remittance to a payor entitled to remittance; (2) deposit
248 in an account maintained in the name of the payor; (3) transfer to or
249 deposit in a claims-paying account, with claims to be paid as provided
250 in subsection (d) of this section; (4) payment to a group policyholder
251 for remittance to the payor entitled to such remittance; (5) payment to
252 the third-party administrator of its earned commissions, fees or
253 charges; (6) remittance of a return premium to the person or persons
254 entitled to such return premium; and (7) payment to other service
255 providers as authorized by the payor.

256 (d) The third-party administrator shall pay claims from funds
257 collected on behalf of or for a payor only as authorized by the payor.
258 Payments from an account in which such funds are deposited and that
259 is maintained or controlled by the third-party administrator shall be
260 made only for the following purposes: (1) Payment of valid claims; (2)

261 payment to the third-party administrator or to other service providers
262 approved by the payor of expenses associated with claims handling;
263 (3) remittance to the payor or transfer to a successor third-party
264 administrator as directed by the payor, for the purpose of paying
265 claims and associated expenses; or (4) return of funds held as collateral
266 or prepayment to the person entitled to those funds, upon a
267 determination by the payor that those funds are no longer necessary to
268 secure or facilitate the payment of claims and associated expenses.

269 Sec. 8. (NEW) (*Effective October 1, 2009*) (a) A third-party
270 administrator shall not enter into an agreement or understanding with
271 a payor that makes or has the effect of making the amount of the third-
272 party administrator's commissions, fees, or charges contingent upon
273 savings effected in the adjustment, settlement or payment of losses
274 covered by the payor's obligations. This provision shall not prohibit a
275 third-party administrator from receiving performance-based
276 compensation, as defined in the written agreement set forth in
277 subsection (c) of section 2 of this act, for providing hospital or other
278 auditing services or from providing managed care or related services.

279 (b) A payor shall not enter into an agreement with a third-party
280 administrator in violation of this section.

281 (c) This section shall not prevent the compensation of a third-party
282 administrator from being based on premiums or charges collected or
283 the number of claims paid or processed.

284 Sec. 9. (NEW) (*Effective October 1, 2009*) (a) When the services of a
285 third-party administrator are utilized, such third-party administrator
286 shall provide a written notice, approved by the payor, to covered
287 individuals advising them of the identity of, and relationship among,
288 the third-party administrator, the policyholder and the payor.

289 (b) When a third-party administrator collects funds, the reason for
290 collection of each item shall be identified to the insured party and each
291 item shall be shown separately from any premium. Additional charges

292 shall not be made for services to the extent the services have been paid
293 for by the payor.

294 (c) The third-party administrator shall disclose to the payor all
295 charges, fees and commissions that the third-party administrator
296 receives arising from services it provides for the payor, including any
297 fees or commissions paid by payors providing reinsurance or stop loss
298 coverage.

299 Sec. 10. (NEW) (*Effective October 1, 2009*) Any policies, certificates,
300 booklets, termination notices or other written communications
301 delivered by the payor to the third-party administrator for delivery to
302 insured parties or covered individuals shall be delivered by the third-
303 party administrator promptly after receipt of instructions from the
304 payor to deliver them.

305 Sec. 11. (NEW) (*Effective October 1, 2009*) (a) A third-party
306 administrator applying for licensure shall submit an application to the
307 commissioner by using the uniform application and paying a fee
308 pursuant to section 38a-11 of the general statutes, as amended by this
309 act. The uniform application shall include or be accompanied by the
310 following information and documents: (1) All basic organizational
311 documents of the applicant, including any articles of incorporation,
312 articles of association, partnership agreement, trade name certificate,
313 trust agreement, shareholder agreement and other applicable
314 documents and all amendments to such documents; (2) the bylaws,
315 rules, regulations or similar documents regulating the internal affairs
316 of the applicant; (3) a NAIC biographical affidavit for the individuals
317 responsible for the conduct of affairs of the applicant, including (A) all
318 members of the board of directors, board of trustees, executive
319 committee or other governing board or committee; (B) the principal
320 officers in the case of a corporation or the partners or members in the
321 case of a partnership, association or limited liability company; (C) any
322 shareholders or member holding directly or indirectly ten per cent or
323 more of the voting stock, voting securities or voting interest of the

324 applicant; and (D) any other person who exercises control or influence
325 over the affairs of the applicant; (4) audited annual financial
326 statements or reports for the two most recent fiscal years that prove the
327 applicant has a positive net worth. If the applicant has been in
328 existence for less than two fiscal years, the uniform application shall
329 include financial statements or reports, certified by an officer of the
330 applicant and prepared in accordance with generally accepted
331 accounting principles, for any completed fiscal years and for any
332 month during the current fiscal year for which such financial
333 statements or reports have been completed. An audited annual
334 financial statement or report prepared on a consolidated basis shall
335 include a columnar consolidating or combining worksheet that shall be
336 filed with the report and include the following: (A) Amounts shown on
337 the consolidated audited financial report shall be shown on the
338 worksheet; (B) amounts for each entity shall be stated separately; and
339 (C) explanations of consolidating and eliminating entries shall be
340 included. The applicant shall include such other information as the
341 commissioner may require to review the current financial condition of
342 the applicant; (5) a statement describing the business plan including
343 information on staffing levels and activities proposed in this state and
344 nationwide. The plan shall provide details setting forth the applicant's
345 capability for providing a sufficient number of experienced and
346 qualified personnel in the areas of claims processing, recordkeeping
347 and underwriting; and (6) such other pertinent information as may be
348 required by the commissioner.

349 (b) A third-party administrator applying for licensure shall make
350 available for inspection by the commissioner copies of all contracts
351 with payors or other persons utilizing the services of the third-party
352 administrator.

353 (c) A third-party administrator applying for licensure shall produce
354 its accounts, records and files for examination and shall make its
355 officers available to give information with respect to its affairs, as often
356 as is reasonably required by the commissioner.

357 (d) The commissioner may refuse to issue a license if the
358 commissioner determines that the third-party administrator or any
359 individual responsible for the conduct of affairs of the third-party
360 administrator is not competent, trustworthy, financially responsible or
361 of good personal and business reputation, or has had an insurance or a
362 third-party administrator certificate of authority or license denied or
363 revoked for cause by any jurisdiction, or if the commissioner
364 determines that any of the grounds set forth in section 14 of this act
365 exists with respect to the third-party administrator.

366 (e) Any license issued to a third-party administrator shall be in force
367 until September thirtieth in each year, unless sooner revoked or
368 suspended as provided in this section. The license may be renewed, at
369 the discretion of the commissioner, upon payment of the fee specified
370 in section 38a-11 of the general statutes, as amended by this act,
371 without the resubmission of the detailed information required in the
372 original application.

373 (f) A third-party administrator licensed or applying for licensure
374 under this section shall immediately notify the commissioner of any
375 material change in its ownership, control or other fact or circumstance
376 affecting its qualification for a license in this state.

377 (g) A third-party administrator licensed or applying for a license
378 under this section that administers or will administer governmental or
379 church self-insured plans in this state or any other state shall maintain
380 a surety bond, for use by the commissioner and the insurance
381 regulatory authority of any additional state in which the third-party
382 administrator is authorized to conduct business, to cover individuals
383 and persons who have remitted premiums or insurance charges or
384 other moneys to the third-party administrator in the course of the
385 third-party administrator's business, in the greater of the following
386 amounts: (1) One hundred thousand dollars; or (2) ten per cent of the
387 aggregate total amount of self-funded coverage under governmental
388 plans or church plans handled in this state and all additional states in

389 which the third-party administrator is authorized to conduct business.

390 Sec. 12. (NEW) (*Effective October 1, 2009*) A person who is not
391 required to be licensed as a third-party administrator under section 11
392 of this act and who directly or indirectly underwrites, collects charges
393 or premiums from, or adjusts or settles claims on residents of this state,
394 only in connection with life, annuity or health coverage provided by a
395 self-funded plan other than governmental or church plans, shall
396 annually register with the commissioner not later than October first on
397 a form designated by the commissioner.

398 Sec. 13. (NEW) (*Effective October 1, 2009*) (a) Each third-party
399 administrator licensed under section 11 of this act shall file an annual
400 report for the preceding calendar year with the commissioner on or
401 before July first of each year or within such extension of time as the
402 commissioner may grant for good cause. The annual report shall
403 include an audited financial statement performed by an independent
404 certified public accountant. An audited annual financial statement or
405 report prepared on a consolidated basis shall include a columnar
406 consolidating or combining worksheet that shall be filed with the
407 report and include the following: (1) Amounts shown on the
408 consolidated audited financial report shall be shown on the worksheet;
409 (2) amounts for each entity shall be stated separately; and (3)
410 explanations of consolidating and eliminating entries shall be
411 included. The report shall be in the form and contain such information
412 as the commissioner prescribes and shall be verified by at least two
413 officers of the third-party administrator.

414 (b) The annual report shall include the complete names and
415 addresses of all payors with which the third-party administrator had
416 agreements during the preceding fiscal year.

417 (c) At the time of filing the annual report, the third-party
418 administrator shall pay a filing fee pursuant to section 38a-11 of the
419 general statutes, as amended by this act.

420 (d) The commissioner shall review the most recently filed annual
421 report of each third-party administrator on or before September first of
422 each year. Upon completion of its review, the commissioner shall: (1)
423 Issue a certification to the third-party administrator that the annual
424 report shows the third-party administrator has a positive net worth as
425 evidenced by audited financial statements and is currently licensed
426 and in good standing, or noting any deficiencies found in such annual
427 report or financial statements; or (2) update any electronic database
428 maintained by the National Association of Insurance Commissioners,
429 its affiliates or subsidiaries, indicating that the annual report shows the
430 third-party administrator has a positive net worth as evidenced by
431 audited financial statements and complies with existing law, or noting
432 any deficiencies found in such annual report or financial statements.

433 Sec. 14. (NEW) (*Effective October 1, 2009*) (a) The commissioner shall
434 suspend or revoke the license of a third-party administrator, or shall
435 issue a cease and desist order if the third-party administrator does not
436 have a license if, after notice and hearing, the commissioner finds that
437 the third-party administrator: (1) Is in an unsound financial condition;
438 (2) is using such methods or practices in the conduct of its business so
439 as to render its further transaction of business in this state hazardous
440 or injurious to insured persons or the public; or (3) has failed to pay
441 any judgment rendered against it in this state within sixty days after
442 the judgment has become final.

443 (b) The commissioner may suspend or revoke the license of a third-
444 party administrator, or may issue a cease and desist order if the third-
445 party administrator does not have a license if, after notice and hearing,
446 the commissioner finds that the third-party administrator: (1) Has
447 violated any lawful rule or order of the commissioner or any provision
448 of the insurance laws of this state; (2) (A) has refused to give
449 information with respect to its affair; (B) has refused to perform any
450 other legal obligation as to an examination, when required by the
451 commissioner; or (C) has refused to be examined or to produce its
452 accounts, records and files for examination, or if any individual

453 responsible for the conduct of affairs of the third-party administrator,
454 including (i) members of the board of directors, board of trustees,
455 executive committee or other governing board or committee; (ii) the
456 principal officers in the case of a corporation or the partners or
457 members in the case of a partnership, association or limited liability
458 company; (iii) any shareholder or member holding directly or
459 indirectly ten per cent or more of the voting stock, voting securities or
460 voting interest of the third-party administrator; and (iv) any other
461 person who exercises control or influence over the affairs of the third-
462 party administrator; (3) has, without just cause, refused to pay proper
463 claims or perform services arising under its contracts or has, without
464 just cause, caused covered individuals to accept less than the amount
465 due or caused covered individuals to employ attorneys or bring suit
466 against the third-party administrator or a payor that it represents to
467 secure full payment or settlement of such claims; (4) is required,
468 pursuant to sections 2 to 11, inclusive, of this act, to have a license and
469 fails at any time to meet any qualification for which issuance of a
470 license could have been refused had the failure then existed and been
471 known to the commissioner, unless the commissioner issued a license
472 with knowledge of the ground for disqualification and had the
473 authority to waive it; (5) has any individual who is responsible for the
474 conduct of its affairs, including (A) members of the board of directors,
475 board of trustees, executive committee or other governing board or
476 committee; (B) the principal officers in the case of a corporation or the
477 partners or members in the case of a partnership, association or limited
478 liability company; (C) any shareholder or member holding directly or
479 indirectly ten per cent or more of its voting stock, voting securities or
480 voting interest; and (D) any other person who exercises control or
481 influence over its affairs, who has been convicted of or has entered a
482 plea of guilty or nolo contendere to a felony, without regard to
483 whether adjudication was withheld; (6) is under suspension or
484 revocation in another state; or (7) has failed to file a timely annual
485 report pursuant to section 13 of this act. The provisions of this
486 subsection shall not apply to a third-party administrator that is an

487 insurer that is exempt pursuant to subsection (b) of section 2 of this act.
488 In addition to or in lieu of suspension or revocation of the license of a
489 third-party administrator and in addition to any other penalties
490 provided by law, the commissioner may impose a civil penalty not to
491 exceed fifty thousand dollars for each violation set forth in this
492 subsection.

493 (c) (1) The commissioner may, without advance notice and before a
494 hearing, issue an order immediately suspending the license of a third-
495 party administrator, or may issue a cease and desist order if the third-
496 party administrator does not have a license, if the commissioner finds
497 that one or more of the following circumstances exist: (A) The third-
498 party administrator is insolvent or impaired; (B) a proceeding for
499 receivership, conservatorship, rehabilitation or other delinquency
500 proceeding regarding the third-party administrator has been
501 commenced in any state; or (C) the financial condition or business
502 practices of the third-party administrator otherwise pose an imminent
503 threat to the public health, safety or welfare of the residents of this
504 state.

505 (2) At the time the commissioner issues an order pursuant to
506 subdivision (1) of this subsection, the commissioner shall serve notice
507 to the third-party administrator that such third-party administrator
508 may request a hearing not later than ten business days after the receipt
509 of the order. If a hearing is requested, the commissioner shall schedule
510 a hearing not later than ten business days after receipt of the request. If
511 a hearing is not requested and the commissioner does not choose to
512 hold one, the order shall remain in effect until modified or vacated by
513 the commissioner.

514 (d) If the commissioner finds that one or more grounds exist for the
515 suspension or revocation of a license issued under sections 2 to 11,
516 inclusive, of this act, or for a cease and desist order, the commissioner
517 may, in lieu of or in addition to the suspension, revocation or cease
518 and desist order, impose a fine upon the third-party administrator.

519 Sec. 15. (NEW) (*Effective October 1, 2009*) The provisions of section
520 38a-15 of the general statutes shall be applicable to persons licensed
521 under sections 2 to 11, inclusive, of this act.

522 Sec. 16. (NEW) (*Effective October 1, 2009*) The Insurance
523 Commissioner may adopt regulations, in accordance with chapter 54
524 of the general statutes, to implement the provisions of sections 1 to 14,
525 inclusive, of this act.

526 Sec. 17. Subsection (a) of section 38a-11 of the general statutes is
527 repealed and the following is substituted in lieu thereof (*Effective*
528 *October 1, 2009*):

529 (a) The commissioner shall demand and receive the following fees:
530 (1) For the annual fee for each license issued to a domestic insurance
531 company, one hundred dollars; (2) for receiving and filing annual
532 reports of domestic insurance companies, twenty-five dollars; (3) for
533 filing all documents prerequisite to the issuance of a license to an
534 insurance company, one hundred seventy-five dollars, except that the
535 fee for such filings by any health care center, as defined in section 38a-
536 175, shall be one thousand one hundred dollars; (4) for filing any
537 additional paper required by law, fifteen dollars; (5) for each certificate
538 of valuation, organization, reciprocity or compliance, twenty dollars;
539 (6) for each certified copy of a license to a company, twenty dollars; (7)
540 for each certified copy of a report or certificate of condition of a
541 company to be filed in any other state, twenty dollars; (8) for
542 amending a certificate of authority, one hundred dollars; (9) for each
543 license issued to a rating organization, one hundred dollars. In
544 addition, insurance companies shall pay any fees imposed under
545 section 12-211; (10) a filing fee of twenty-five dollars for each initial
546 application for a license made pursuant to section 38a-769; (11) with
547 respect to insurance agents' appointments: (A) A filing fee of twenty-
548 five dollars for each request for any agent appointment, except that no
549 filing fee shall be payable for a request for agent appointment by an
550 insurance company domiciled in a state or foreign country which does

551 not require any filing fee for a request for agent appointment for a
552 Connecticut insurance company; (B) a fee of forty dollars for each
553 appointment issued to an agent of a domestic insurance company or
554 for each appointment continued; and (C) a fee of twenty dollars for
555 each appointment issued to an agent of any other insurance company
556 or for each appointment continued, except that no fee shall be payable
557 for an appointment issued to an agent of an insurance company
558 domiciled in a state or foreign country which does not require any fee
559 for an appointment issued to an agent of a Connecticut insurance
560 company; (12) with respect to insurance producers: (A) An
561 examination fee of seven dollars for each examination taken, except
562 when a testing service is used, the testing service shall pay a fee of
563 seven dollars to the commissioner for each examination taken by an
564 applicant; (B) a fee of forty dollars for each license issued; (C) a fee of
565 forty dollars per year, or any portion thereof, for each license renewed;
566 and (D) a fee of forty dollars for any license renewed under the
567 transitional process established in section 38a-784; (13) with respect to
568 public adjusters: (A) An examination fee of seven dollars for each
569 examination taken, except when a testing service is used, the testing
570 service shall pay a fee of seven dollars to the commissioner for each
571 examination taken by an applicant; and (B) a fee of one hundred
572 twenty-five dollars for each license issued or renewed; (14) with
573 respect to casualty adjusters: (A) An examination fee of ten dollars for
574 each examination taken, except when a testing service is used, the
575 testing service shall pay a fee of ten dollars to the commissioner for
576 each examination taken by an applicant; (B) a fee of forty dollars for
577 each license issued or renewed; and (C) the expense of any
578 examination administered outside the state shall be the responsibility
579 of the entity making the request and such entity shall pay to the
580 commissioner one hundred dollars for such examination and the
581 actual traveling expenses of the examination administrator to
582 administer such examination; (15) with respect to motor vehicle
583 physical damage appraisers: (A) An examination fee of forty dollars
584 for each examination taken, except when a testing service is used, the

585 testing service shall pay a fee of forty dollars to the commissioner for
586 each examination taken by an applicant; (B) a fee of forty dollars for
587 each license issued or renewed; and (C) the expense of any
588 examination administered outside the state shall be the responsibility
589 of the entity making the request and such entity shall pay to the
590 commissioner one hundred dollars for such examination and the
591 actual traveling expenses of the examination administrator to
592 administer such examination; (16) with respect to certified insurance
593 consultants: (A) An examination fee of thirteen dollars for each
594 examination taken, except when a testing service is used, the testing
595 service shall pay a fee of thirteen dollars to the commissioner for each
596 examination taken by an applicant; (B) a fee of two hundred dollars for
597 each license issued; and (C) a fee of one hundred twenty-five dollars
598 for each license renewed; (17) with respect to surplus lines brokers: (A)
599 An examination fee of ten dollars for each examination taken, except
600 when a testing service is used, the testing service shall pay a fee of ten
601 dollars to the commissioner for each examination taken by an
602 applicant; and (B) a fee of five hundred dollars for each license issued
603 or renewed; (18) with respect to fraternal agents, a fee of forty dollars
604 for each license issued or renewed; (19) a fee of thirteen dollars for
605 each license certificate requested, whether or not a license has been
606 issued; (20) with respect to domestic and foreign benefit societies shall
607 pay: (A) For service of process, twenty-five dollars for each person or
608 insurer to be served; (B) for filing a certified copy of its charter or
609 articles of association, five dollars; (C) for filing the annual report, ten
610 dollars; and (D) for filing any additional paper required by law, three
611 dollars; (21) with respect to foreign benefit societies: (A) For each
612 certificate of organization or compliance, four dollars; (B) for each
613 certified copy of permit, two dollars; and (C) for each copy of a report
614 or certificate of condition of a society to be filed in any other state, four
615 dollars; (22) with respect to reinsurance intermediaries: A fee of five
616 hundred dollars for each license issued or renewed; (23) with respect
617 to life settlement providers: (A) A filing fee of thirteen dollars for each
618 initial application for a license made pursuant to section 38a-465a; and

619 (B) a fee of twenty dollars for each license issued or renewed; (24) with
 620 respect to life settlement brokers: (A) A filing fee of thirteen dollars for
 621 each initial application for a license made pursuant to section 38a-465a;
 622 and (B) a fee of twenty dollars for each license issued or renewed; (25)
 623 with respect to preferred provider networks, a fee of two thousand five
 624 hundred dollars for each license issued or renewed; (26) with respect
 625 to rental companies, as defined in section 38a-799, a fee of forty dollars
 626 for each permit issued or renewed; (27) with respect to medical
 627 discount plan organizations licensed under section 38a-479rr, a fee of
 628 five hundred dollars for each license issued or renewed; (28) with
 629 respect to pharmacy benefits managers, an application fee of fifty
 630 dollars for each registration issued or renewed; (29) with respect to
 631 captive insurance companies, as defined in section 38a-91aa, a fee of
 632 three hundred dollars for each license issued or renewed; [and] (30)
 633 with respect to each duplicate license issued a fee of twenty-five
 634 dollars for each license issued; and (31) with respect to third-party
 635 administrators, as defined in section 1 of this act, (A) a fee of five
 636 hundred dollars for each license issued, (B) a fee of three hundred fifty
 637 dollars for each license renewal, and (C) a fee of one hundred dollars
 638 for each annual report filed pursuant to section 13 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2009</i>	New section
Sec. 2	<i>October 1, 2009</i>	New section
Sec. 3	<i>October 1, 2009</i>	New section
Sec. 4	<i>October 1, 2009</i>	New section
Sec. 5	<i>October 1, 2009</i>	New section
Sec. 6	<i>October 1, 2009</i>	New section
Sec. 7	<i>October 1, 2009</i>	New section
Sec. 8	<i>October 1, 2009</i>	New section
Sec. 9	<i>October 1, 2009</i>	New section
Sec. 10	<i>October 1, 2009</i>	New section
Sec. 11	<i>October 1, 2009</i>	New section
Sec. 12	<i>October 1, 2009</i>	New section
Sec. 13	<i>October 1, 2009</i>	New section

Sec. 14	<i>October 1, 2009</i>	New section
Sec. 15	<i>October 1, 2009</i>	New section
Sec. 16	<i>October 1, 2009</i>	New section
Sec. 17	<i>October 1, 2009</i>	38a-11(a)

Statement of Purpose:

To require third-party administrators to be licensed by the Insurance Department, to establish standards for such licensure and the conduct of business by third-party administrators, to grant the Insurance Department access to certain books and records, and to provide enforcement authority to the Insurance Commissioner.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]