



General Assembly

Substitute Bill No. 6529

January Session, 2009

* HB06529FIN 042409 *

**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" means any person or
27 combination of persons doing any kind or form of insurance business
28 other than a fraternal benefit society, and includes a captive insurance
29 company, as defined in section 38a-91aa of the general statutes, a
30 captive insurer as defined in section 38-91k of the general statutes, a
31 licensed insurance company, a medical service corporation, a hospital
32 service corporation, a health care center, and a consumer dental plan
33 that provides employee welfare benefits on a self-funded basis or as
34 defined in section 38a-577 of the general statutes.

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

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

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

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

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

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

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

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

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

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

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

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

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

74 (H) A trust exempt from taxation under Section 501(a) of the
75 Internal Revenue Code of 1986, or any subsequent corresponding
76 internal revenue code of the United States, as amended from time to

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

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

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

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

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

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

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

108 to the commissioner upon request; or

109 (O) A pharmacy benefits manager registered under section 38a-
110 479bbb of the general statutes.

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

116 (16) "Uniform application" means the current version of the
117 National Association of Insurance Commissioners' Uniform
118 Application for Third Party Administrators.

119 Sec. 2. (NEW) (*Effective October 1, 2009*) (a) No person shall offer to
120 act as or hold himself out to be a third-party administrator in this state
121 unless such person is licensed pursuant to section 11 of this act, or is
122 exempted from licensure pursuant to subsection (b) of this section.
123 This requirement shall not apply to a person employed by a third-
124 party administrator to the extent that such person's activities are under
125 the supervision and control of the third-party administrator. The
126 authority granted to a third-party administrator pursuant to sections 1
127 to 10, inclusive, of this act shall not exempt such third-party
128 administrator's employees from the licensing requirements of chapters
129 701b and 702 of the general statutes.

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

137 (c) No third-party administrator shall act as such without a written
138 agreement between such third-party administrator and a payor, which

139 shall be retained as part of the official records of both the third-party
140 administrator and the payor for the duration of such agreement and
141 for five years thereafter. The agreement shall contain all provisions
142 required by this section, except insofar as those provisions that do not
143 apply to the functions performed by the third-party administrator.

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

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

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

168 Sec. 4. (NEW) (*Effective October 1, 2009*) (a) A third-party
169 administrator shall maintain and make available to a payor with which
170 such third-party administrator has entered into a written agreement

171 pursuant to subsection (c) of section 2 of this act complete books and
172 records of all transactions performed on behalf of such payor. The
173 books and records shall be maintained in accordance with prudent
174 standards of insurance recordkeeping and shall be maintained for a
175 period of not less than five years from the date of their creation.

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

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

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

195 Sec. 6. (NEW) (*Effective October 1, 2009*) (a) No third-party
196 administrator shall determine the benefits, premium rates, collateral
197 and reimbursement procedures, underwriting criteria and claims
198 payment procedures applicable to life, annuity, health, accident or
199 accident and sickness coverage, or employee benefit stop loss
200 coverage, or secure reinsurance or stop loss coverage unless the payor
201 includes specific standards for such functions in the written agreement
202 set forth in subsection (c) of section 2 of this act or by reference in such

203 agreement.

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

208 (c) The payor shall provide competent administration of its
209 programs.

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

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

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

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

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

259 (d) The third-party administrator shall pay claims from funds
260 collected on behalf of or for a payor only as authorized by the payor.
261 Payments from an account in which such funds are deposited and that
262 is maintained or controlled by the third-party administrator shall be
263 made only for the following purposes: (1) Payment of valid claims; (2)
264 payment to the third-party administrator or to other service providers
265 approved by the payor of expenses associated with claims handling;
266 (3) remittance to the payor or transfer to a successor third-party
267 administrator as directed by the payor, for the purpose of paying
268 claims and associated expenses; or (4) return of funds held as collateral

269 or prepayment to the person entitled to those funds, upon a
270 determination by the payor that those funds are no longer necessary to
271 secure or facilitate the payment of claims and associated expenses.

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

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

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

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

292 (b) When a third-party administrator collects funds, the reason for
293 collection of each item shall be identified to the insured party and each
294 item shall be shown separately from any premium. Additional charges
295 shall not be made for services to the extent the services have been paid
296 for by the payor.

297 (c) The third-party administrator shall disclose to the payor all
298 charges, fees and commissions that the third-party administrator
299 receives arising from services it provides for the payor, including any

300 fees or commissions paid by payors providing reinsurance or stop loss
301 coverage.

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

308 Sec. 11. (NEW) (*Effective October 1, 2009*) (a) A third-party
309 administrator applying for licensure shall submit an application to the
310 commissioner by using the uniform application and paying a fee
311 pursuant to section 38a-11 of the general statutes, as amended by this
312 act. The uniform application shall include or be accompanied by the
313 following information and documents: (1) All basic organizational
314 documents of the applicant, including any articles of incorporation,
315 articles of association, partnership agreement, trade name certificate,
316 trust agreement, shareholder agreement and other applicable
317 documents and all amendments to such documents; (2) the bylaws,
318 rules, regulations or similar documents regulating the internal affairs
319 of the applicant; (3) a NAIC biographical affidavit for the individuals
320 responsible for the conduct of affairs of the applicant, including (A) all
321 members of the board of directors, board of trustees, executive
322 committee or other governing board or committee; (B) the principal
323 officers in the case of a corporation or the partners or members in the
324 case of a partnership, association or limited liability company; (C) any
325 shareholders or member holding directly or indirectly ten per cent or
326 more of the voting stock, voting securities or voting interest of the
327 applicant; and (D) any other person who exercises control or influence
328 over the affairs of the applicant; (4) audited annual financial
329 statements or reports for the two most recent fiscal years that prove the
330 applicant has a positive net worth. If the applicant has been in
331 existence for less than two fiscal years, the uniform application shall
332 include financial statements or reports, certified by an officer of the
333 applicant and prepared in accordance with generally accepted

334 accounting principles, for any completed fiscal years and for any
335 month during the current fiscal year for which such financial
336 statements or reports have been completed. An audited annual
337 financial statement or report prepared on a consolidated basis shall
338 include a columnar consolidating or combining worksheet that shall be
339 filed with the report and include the following: (A) Amounts shown on
340 the consolidated audited financial report shall be shown on the
341 worksheet; (B) amounts for each entity shall be stated separately; and
342 (C) explanations of consolidating and eliminating entries shall be
343 included. The applicant shall include such other information as the
344 commissioner may require to review the current financial condition of
345 the applicant; (5) a statement describing the business plan including
346 information on staffing levels and activities proposed in this state and
347 nationwide. The plan shall provide details setting forth the applicant's
348 capability for providing a sufficient number of experienced and
349 qualified personnel in the areas of claims processing, recordkeeping
350 and underwriting; and (6) such other pertinent information as may be
351 required by the commissioner.

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

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

360 (d) The commissioner may refuse to issue a license if the
361 commissioner determines that the third-party administrator or any
362 individual responsible for the conduct of affairs of the third-party
363 administrator is not competent, trustworthy, financially responsible or
364 of good personal and business reputation, or has had an insurance or a
365 third-party administrator certificate of authority or license denied or
366 revoked for cause by any jurisdiction, or if the commissioner

367 determines that any of the grounds set forth in section 14 of this act
368 exists with respect to the third-party administrator.

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

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

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

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

399 annually register with the commissioner not later than October first on
400 a form designated by the commissioner.

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

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

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

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

431 maintained by the National Association of Insurance Commissioners,
432 its affiliates or subsidiaries, indicating that the annual report shows the
433 third-party administrator has a positive net worth as evidenced by
434 audited financial statements and complies with existing law, or noting
435 any deficiencies found in such annual report or financial statements.

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

446 (b) The commissioner may suspend or revoke the license of a third-
447 party administrator, or may issue a cease and desist order if the third-
448 party administrator does not have a license if, after notice and hearing,
449 the commissioner finds that the third-party administrator: (1) Has
450 violated any lawful rule or order of the commissioner or any provision
451 of the insurance laws of this state; (2) (A) has refused to give
452 information with respect to its affair; (B) has refused to perform any
453 other legal obligation as to an examination, when required by the
454 commissioner; or (C) has refused to be examined or to produce its
455 accounts, records and files for examination, or if any individual
456 responsible for the conduct of affairs of the third-party administrator,
457 including (i) members of the board of directors, board of trustees,
458 executive committee or other governing board or committee; (ii) the
459 principal officers in the case of a corporation or the partners or
460 members in the case of a partnership, association or limited liability
461 company; (iii) any shareholder or member holding directly or
462 indirectly ten per cent or more of the voting stock, voting securities or
463 voting interest of the third-party administrator; and (iv) any other
464 person who exercises control or influence over the affairs of the third-

465 party administrator; (3) has, without just cause, refused to pay proper
466 claims or perform services arising under its contracts or has, without
467 just cause, caused covered individuals to accept less than the amount
468 due or caused covered individuals to employ attorneys or bring suit
469 against the third-party administrator or a payor that it represents to
470 secure full payment or settlement of such claims; (4) is required,
471 pursuant to sections 1 to 11, inclusive, of this act, to have a license and
472 fails at any time to meet any qualification for which issuance of a
473 license could have been refused had the failure then existed and been
474 known to the commissioner, unless the commissioner issued a license
475 with knowledge of the ground for disqualification and had the
476 authority to waive it; (5) has any individual who is responsible for the
477 conduct of its affairs, including (A) members of the board of directors,
478 board of trustees, executive committee or other governing board or
479 committee; (B) the principal officers in the case of a corporation or the
480 partners or members in the case of a partnership, association or limited
481 liability company; (C) any shareholder or member holding directly or
482 indirectly ten per cent or more of its voting stock, voting securities or
483 voting interest; and (D) any other person who exercises control or
484 influence over its affairs, who has been convicted of or has entered a
485 plea of guilty or nolo contendere to a felony, without regard to
486 whether adjudication was withheld; (6) is under suspension or
487 revocation in another state; or (7) has failed to file a timely annual
488 report pursuant to section 13 of this act. The provisions of this
489 subsection shall not apply to a third-party administrator that is an
490 insurer that is exempt pursuant to subsection (b) of section 2 of this act.
491 In addition to or in lieu of suspension or revocation of the license of a
492 third-party administrator and in addition to any other penalties
493 provided by law, the commissioner may impose a civil penalty not to
494 exceed fifty thousand dollars for each violation set forth in this
495 subsection.

496 (c) (1) The commissioner may, without advance notice and before a
497 hearing, issue an order immediately suspending the license of a third-
498 party administrator, or may issue a cease and desist order if the third-

499 party administrator does not have a license, if the commissioner finds
500 that one or more of the following circumstances exist: (A) The third-
501 party administrator is insolvent or impaired; (B) a proceeding for
502 receivership, conservatorship, rehabilitation or other delinquency
503 proceeding regarding the third-party administrator has been
504 commenced in any state; or (C) the financial condition or business
505 practices of the third-party administrator otherwise pose an imminent
506 threat to the public health, safety or welfare of the residents of this
507 state.

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

517 (d) If the commissioner finds that one or more grounds exist for the
518 suspension or revocation of a license issued under sections 1 to 11,
519 inclusive, of this act, or for a cease and desist order, the commissioner
520 may, in lieu of or in addition to the suspension, revocation or cease
521 and desist order, impose a fine upon the third-party administrator.

522 Sec. 15. Subsection (a) of section 38a-15 of the general statutes is
523 repealed and the following is substituted in lieu thereof (*Effective*
524 *October 1, 2009*):

525 (a) The commissioner shall, as often as [he] the commissioner deems
526 it expedient, undertake a market conduct examination of the affairs of
527 any insurance company, health care center, third-party administrator
528 or fraternal benefit society doing business in this state.

529 Sec. 16. (NEW) (*Effective October 1, 2009*) The Insurance
530 Commissioner may adopt regulations, in accordance with chapter 54

531 of the general statutes, to implement the provisions of sections 1 to 14,
532 inclusive, of this act.

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

536 (a) The commissioner shall demand and receive the following fees:
537 (1) For the annual fee for each license issued to a domestic insurance
538 company, one hundred dollars; (2) for receiving and filing annual
539 reports of domestic insurance companies, twenty-five dollars; (3) for
540 filing all documents prerequisite to the issuance of a license to an
541 insurance company, one hundred seventy-five dollars, except that the
542 fee for such filings by any health care center, as defined in section 38a-
543 175, shall be one thousand one hundred dollars; (4) for filing any
544 additional paper required by law, fifteen dollars; (5) for each certificate
545 of valuation, organization, reciprocity or compliance, twenty dollars;
546 (6) for each certified copy of a license to a company, twenty dollars; (7)
547 for each certified copy of a report or certificate of condition of a
548 company to be filed in any other state, twenty dollars; (8) for
549 amending a certificate of authority, one hundred dollars; (9) for each
550 license issued to a rating organization, one hundred dollars. In
551 addition, insurance companies shall pay any fees imposed under
552 section 12-211; (10) a filing fee of twenty-five dollars for each initial
553 application for a license made pursuant to section 38a-769; (11) with
554 respect to insurance agents' appointments: (A) A filing fee of twenty-
555 five dollars for each request for any agent appointment, except that no
556 filing fee shall be payable for a request for agent appointment by an
557 insurance company domiciled in a state or foreign country which does
558 not require any filing fee for a request for agent appointment for a
559 Connecticut insurance company; (B) a fee of forty dollars for each
560 appointment issued to an agent of a domestic insurance company or
561 for each appointment continued; and (C) a fee of twenty dollars for
562 each appointment issued to an agent of any other insurance company
563 or for each appointment continued, except that no fee shall be payable
564 for an appointment issued to an agent of an insurance company

565 domiciled in a state or foreign country which does not require any fee
566 for an appointment issued to an agent of a Connecticut insurance
567 company; (12) with respect to insurance producers: (A) An
568 examination fee of seven dollars for each examination taken, except
569 when a testing service is used, the testing service shall pay a fee of
570 seven dollars to the commissioner for each examination taken by an
571 applicant; (B) a fee of forty dollars for each license issued; (C) a fee of
572 forty dollars per year, or any portion thereof, for each license renewed;
573 and (D) a fee of forty dollars for any license renewed under the
574 transitional process established in section 38a-784; (13) with respect to
575 public adjusters: (A) An examination fee of seven dollars for each
576 examination taken, except when a testing service is used, the testing
577 service shall pay a fee of seven dollars to the commissioner for each
578 examination taken by an applicant; and (B) a fee of one hundred
579 twenty-five dollars for each license issued or renewed; (14) with
580 respect to casualty adjusters: (A) An examination fee of ten dollars for
581 each examination taken, except when a testing service is used, the
582 testing service shall pay a fee of ten dollars to the commissioner for
583 each examination taken by an applicant; (B) a fee of forty dollars for
584 each license issued or renewed; and (C) the expense of any
585 examination administered outside the state shall be the responsibility
586 of the entity making the request and such entity shall pay to the
587 commissioner one hundred dollars for such examination and the
588 actual traveling expenses of the examination administrator to
589 administer such examination; (15) with respect to motor vehicle
590 physical damage appraisers: (A) An examination fee of forty dollars
591 for each examination taken, except when a testing service is used, the
592 testing service shall pay a fee of forty dollars to the commissioner for
593 each examination taken by an applicant; (B) a fee of forty dollars for
594 each license issued or renewed; and (C) the expense of any
595 examination administered outside the state shall be the responsibility
596 of the entity making the request and such entity shall pay to the
597 commissioner one hundred dollars for such examination and the
598 actual traveling expenses of the examination administrator to
599 administer such examination; (16) with respect to certified insurance

600 consultants: (A) An examination fee of thirteen dollars for each
601 examination taken, except when a testing service is used, the testing
602 service shall pay a fee of thirteen dollars to the commissioner for each
603 examination taken by an applicant; (B) a fee of two hundred dollars for
604 each license issued; and (C) a fee of one hundred twenty-five dollars
605 for each license renewed; (17) with respect to surplus lines brokers: (A)
606 An examination fee of ten dollars for each examination taken, except
607 when a testing service is used, the testing service shall pay a fee of ten
608 dollars to the commissioner for each examination taken by an
609 applicant; and (B) a fee of five hundred dollars for each license issued
610 or renewed; (18) with respect to fraternal agents, a fee of forty dollars
611 for each license issued or renewed; (19) a fee of thirteen dollars for
612 each license certificate requested, whether or not a license has been
613 issued; (20) with respect to domestic and foreign benefit societies shall
614 pay: (A) For service of process, twenty-five dollars for each person or
615 insurer to be served; (B) for filing a certified copy of its charter or
616 articles of association, five dollars; (C) for filing the annual report, ten
617 dollars; and (D) for filing any additional paper required by law, three
618 dollars; (21) with respect to foreign benefit societies: (A) For each
619 certificate of organization or compliance, four dollars; (B) for each
620 certified copy of permit, two dollars; and (C) for each copy of a report
621 or certificate of condition of a society to be filed in any other state, four
622 dollars; (22) with respect to reinsurance intermediaries: A fee of five
623 hundred dollars for each license issued or renewed; (23) with respect
624 to life settlement providers: (A) A filing fee of thirteen dollars for each
625 initial application for a license made pursuant to section 38a-465a; and
626 (B) a fee of twenty dollars for each license issued or renewed; (24) with
627 respect to life settlement brokers: (A) A filing fee of thirteen dollars for
628 each initial application for a license made pursuant to section 38a-465a;
629 and (B) a fee of twenty dollars for each license issued or renewed; (25)
630 with respect to preferred provider networks, a fee of two thousand five
631 hundred dollars for each license issued or renewed; (26) with respect
632 to rental companies, as defined in section 38a-799, a fee of forty dollars
633 for each permit issued or renewed; (27) with respect to medical
634 discount plan organizations licensed under section 38a-479rr, a fee of

635 five hundred dollars for each license issued or renewed; (28) with
 636 respect to pharmacy benefits managers, an application fee of fifty
 637 dollars for each registration issued or renewed; (29) with respect to
 638 captive insurance companies, as defined in section 38a-91aa, a fee of
 639 three hundred dollars for each license issued or renewed; [and] (30)
 640 with respect to each duplicate license issued a fee of twenty-five
 641 dollars for each license issued; and (31) with respect to third-party
 642 administrators, as defined in section 1 of this act, (A) a fee of five
 643 hundred dollars for each license issued, (B) a fee of three hundred fifty
 644 dollars for each license renewal, and (C) a fee of one hundred dollars
 645 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>	38a-15(a)
Sec. 16	<i>October 1, 2009</i>	New section
Sec. 17	<i>October 1, 2009</i>	38a-11(a)

INS *Joint Favorable Subst.*

JUD *Joint Favorable*

FIN *Joint Favorable*