

Third Party Administrators

General Information

Basic Business Rules Applicable to TPAs

- NCGS 58-56-51(a) - "No person shall act as, offer to act as, or hold himself or herself out as a TPA in this State without a valid TPA license issued by the Commissioner."
- Licensed TPA - Third Party Administrator is a person who directly or indirectly solicits or effects coverage of, underwrites, collects charges or premiums from, or adjusts or settles claims on residents of this State, or residents of another state from offices in this state, in connection with life or health insurance or annuities, with certain exceptions. Refer to NCGS 58-56-2(5).
- Registered TPA - A TPA which provides services exclusively to one or more bona fide employee benefit plans each of which is established by an employer, an employee organization, or both, and for which the insurance laws of this State are preempted pursuant to the Employee Retirement Income Security Act of 1974, must register with the state and annually verify their status. Also this includes a TPA that administers only the spending accounts associated with Section-125 Flexible Benefit plans.
- Intermediary Contractors - Because of the broad definition of the term "third party administrator" as defined in NCGS 58-56-2(5), questions have arisen as to whether IPAs, provider networks, and other intermediary contractors are acting as a TPA when they receive payment directly from an HMO (either on a capitated or fee-for-service basis) or insurer and distribute funds to their own contracted providers (either on a capitated or fee-for-service basis). Refer to [Bulletin 97-B-1](#) and [Bulletin 97-B-3](#). Basically, intermediaries may not make payment to providers for services rendered to HMO members or insureds unless such provider has a written contract with the intermediary. If an intermediary makes payment to a provider without such a contract, the intermediary will be deemed to have made claims payment, which requires a TPA license. If the intermediary pays such a claim to a non-contracting provider out of a capitation pool, it will be deemed to be engaged in the business of insurance, and must be licensed as and HMO.
- A TPA license and registration must be renewed annually. Refer to NCGS 58-56-51(a).
- Notices of upcoming renewals will be sent by the Department approximately 45 days prior to the expiration of the current license/registration.

- TPAs are asked to review internal controls and business practices to ensure that the company does not become an unwitting supporter of unlicensed (illegal) health insurance plans in the State of North Carolina. Unlicensed (illegal) health plans have left millions in unpaid claims. Moreover, a TPAs failure to establish or strengthen appropriate internal controls may lead to substantial liability. A violation of the Uniform Unauthorized Insurers Act is a Class 3 felony. Furthermore, your company may be liable for all unpaid claims under G.S. §58-33-95. Refer to [Bulletin 03-B-2](#) for more information.

Licensing Instructions

➤ **Application**

- The Initial and Renewal TPA licensing application process is the same.
- License application fee Three-hundred dollars (**\$300.00**) in a check made payable to the North Carolina Department of Insurance. This applies to initial as well as renewal license applications.

- Complete the following forms:

- [TPA License Transmittal Form](#)
- [TPA License Application Form](#)
- [TPA License Questionnaire](#)
- [TPA Power of Attorney Form \(Partnership\)](#)
- [TPA Power of Attorney Form \(Company\)](#)
- [Biographical Affidavit Form](#)
- [Administrator's Internal Control Form](#)

➤ **Application Enclosures/Required Material**

- A list of the current officers and directors and their positions (required each year).
- Biographical affidavits must be completed for each officer and director.
- Current evidence of fidelity bond, errors and omissions liability insurance or other security.

- Current letter of good standing or evidence of TPA license from TPA's domestic state.
- Administrative agreements signed between TPA and insurers
- Evidence that TPA employs or has contracted with an agent licensed by NC, if the TPA manages the solicitation of new or renewal business.
- Articles of incorporation
- The by-laws of company
- Financial statement for the TPA prepared by an independent CPA for the last 2 fiscal years. If the financial statements are for the parent company, there must be a breakout of the TPA that has been prepared by the independent CPA. The financial statement must include a Balance Sheet, a Statement of Income, and a Statement of Cash Flows and must be presented in the form of an audit, a review, or a compilation prepared by an independent CPA. For a new or "start up" company, an inception to date balance sheet prepared by an independent CPA will be accepted.
- A narrative discussing the internal controls over company operations and administered plans addressing the applicable topics outlined in the Administrators Internal Control Form.
- A general description of the business operations including information on staffing levels and activities proposed in this state and nationwide.
- **Basic Rules**
 - Initial application
 - Fee – Three hundred dollars (**\$300.00**) in a check made payable to the North Carolina Department of Insurance.
 - All application forms and enclosures/required materials outlined above must be included in the submission of the initial application.
 - Renewal application
 - Fee – Three hundred dollars (**\$300.00**) in a check made payable to the North Carolina Department of Insurance.
 - A TPA renewal license application must contain the following:
 - [TPA License Transmittal Form](#)
 - [TPA License Application Form](#)

- [TPA License Questionnaire](#)
 - List of current officers and directors and their descriptions
 - Biographical affidavits for any new officers and directors
 - Current evidence of fidelity bond, errors and omissions liability insurance or other security.
 - Current letter of good standing or evidence of TPA license form TPA's domestic state.
 - Copies of any changes, updates, or amendments in the Articles of Incorporation, By-laws, administrative agreement, internal controls, and general business description.
- Our office will send notice of upcoming renewals approximately 45 days prior to the expiration of the current license.
 - Please include the NCDOL WU Number from your current renewal notice on your submission.

Registration Instructions

- **Initial Application**
 - Filing fee - none
 - Complete the following forms:
 - [TPA Registration Transmittal Form](#)
 - [TPA Registration Application](#)
 - [TPA Registration ERISA Qualified Plans Internal Control](#)
- **Renewal Application**
 - Filing fee - none
 - Complete updated application forms, if there has been any material change
 - Submit a letter confirming that the TPA is continuing to provide ONLY the administrative services to single employer, self-funded ERISA qualified benefit plans or Section 125 Flexible spending accounts.

- Include the Federal Employer Identification Number (FEIN) of the TPA and the NCDOI WU Number from your current renewal notice.
- The Department will send a notice about 45 days prior to the renewal date. The TPA must verify that its status has not changed during the prior year.
- **Enclosures/Required Material**
- Initial Application
 - Application forms
 - General description of the business operations
 - Evidence that the applicant employs or has contracted with an agent licensed by NC for soliciting and taking applications, if applicable.
 - Internal Controls Narrative
 - Non-domestic TPA must provide evidence of domestic state TPA license.
- Renewal Application
 - Complete updated application forms, if there has been any material change
 - If no material change has been made, a letter verifying that there has been no change in the types of plans being administered is all that is required. Include the Federal Employer Identification Number (FEIN) of the TPA and the NCDOI WU Number from your current renewal notice.

[List of Licensed and Registered TPAs](#)