

STATEMENT OF PURPOSE

RS19196C2

This proposal repeals Idaho's existing laws governing third party administrators (Chapter 9, Title 41, Idaho Code) and replaces them with a statutory scheme consistent with a model law adopted by the National Association of Insurance Commissioners (NAIC). Third party administrators (TPAs) contract with insurers and self-funded health plans to handle administrative functions that include underwriting, collecting premiums and paying claims. Because these entities handle large amounts of funds relating to the policies they administer and are in a position to determine which claims are paid and when, most states regulate and require licensing of TPAs. By adopting relevant provisions of the NAIC model law, nonresident TPAs whose home states have also adopted the model law will be able to obtain licensing in Idaho simply by submitting a uniform application and relevant financial information. Under the current law, nonresident TPAs must complete an application process in the same manner as resident TPAs and all TPAs are required to post a bond with the Department. The proposed changes will eliminate the bonding requirement, except in limited circumstances, and will require instead that TPAs provide annual financial reports to the Department. In addition to benefiting nonresident TPAs, adoption of the model law will allow resident TPAs to enjoy streamlined nonresident licensing in other states that have enacted laws substantially similar to the model law.

The TPA requirements apply only to persons who administer life, annuities and health plans. Insurance companies that act as TPAs are not subject to the law.

FISCAL NOTE

No fiscal impact.

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