

## **Texas Regulatory Action a Reminder that Insurers Cannot Outsource their Regulatory Responsibilities**

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The Texas Insurance Department ("TDI") took regulatory action recently against an insurer which allegedly violated Texas insurance laws related to claims adjudication, claims payment reporting, and prompt payment penalties. The insurer had contracted with several third party administrators ("TPAs") to administer its medical claims. Per the TDI, the insurer violated Tex. Ins. Code § 4151.1042(b) and 28 Tex. Admin. Code § 7.1611 because it did not ensure competent administration of its programs by its TPAs, including its TPAs' compliance with the Texas Insurance Code, related rules, and the provisions of the written administrative services agreements between the insurer and the TPAs, including the performance of claim adjudication and payment. To settle the above alleged violations, the insurer recently entered into a Consent Order with the TDI, in which it was ordered to pay \$527,971 in prompt payment penalties and to pay an administrative penalty of \$250,000 for failure to report claims correctly to the TDI and the Texas Health Insurance Pool.

### **South Dakota Regulatory Action**

Recently, the South Dakota Division of Insurance ("Division") took regulatory action against a company operating in South Dakota based on its failure to be properly licensed as a Third Party Administrator (TPA).

According to the Division, after reviewing the company's application for a TPA license, the Division discovered the Company had been acting as a TPA in South Dakota for a number of years without a valid license or registration in violation of SDCL § 58-29D-21.

As a result, the company entered into a Consent Order with the Division and agreed to pay a \$15,000 monetary penalty. The Division agreed to issue a license to the company pursuant to the company's compliance with the Consent Order.

TPAs not wishing to enter into a Consent to Fine with the Division for failing to timely submit their written agreements with the Division may submit a written application requesting a hearing to the

Division's Legal Department.

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