

Publications

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Florida Regulatory Action Highlights Need for Insurers to Use Licensed TPAs

Key Takeaways:

- A Florida-based Health Maintenance Organization (HMO) was fined for contracting with a Third Party Administrator (TPA) that was not licensed in Florida, violating its statutory obligation to ensure competent administration under Florida law.
- The HMO entered into a Consent Order with the Florida Office of Insurance Regulation (OIR), was fined \$10,000 and agreed that any future violations would be considered willful and could lead to more severe regulatory action.
- This case underscores the importance of insurers and HMOs verifying the licensure status of all TPAs before entering into business arrangements.

A licensed HMO domiciled in Florida recently entered into a Consent Order with the OIR for doing business with an unlicensed Insurance Administrator in Florida.

On September 12, 2023, a Delaware incorporated TPA submitted its application to become licensed as an Insurance Administrator to the OIR. As a part of the application process, the TPA submitted an in-force Master Software Service Agreement between itself and the HMO, which disclosed the TPA had been administering business for the HMO in Florida for several years prior to the TPA's submission of its Insurance Administrator application to the OIR.

The OIR found that the HMO was receiving administrative services for Florida residents from the TPA prior to the TPA becoming licensed as an Insurance Administrator in Florida. Based on this information, the OIR determined the HMO violated Section 626.8817(2), Florida Statutes, which provides that it is the sole responsibility of an HMO to provide for competent administration of its programs. Pursuant to the Consent Order the HMO entered into with the OIR, the OIR assessed the HMO with a \$10,000 fine, pursuant to Section 641.25. Florida Statutes and the HMO agreed that any future violations of Section 626.8817(2) would be considered a willful violation and subject to action by the OIR pursuant to all administrative remedies provided by the Florida Insurance Code.

For More Information on Our TPA Team

Related People

- Steven L. Imber
- Justin T. Liby
- Jennifer L. Osborn
- Zachary R. Dyer

Related Capabilities

- Insurance
- Third Party Administrator (TPA) Licensing & Compliance Services

Polsinelli's TPA team provides a number of services to TPAs, including licensing, regulatory and compliance services, assistance with audits, government examinations and investigations, drafting administrative services agreements and a myriad of other services. Our TPA team includes former state insurance regulators, former in-house counsel for TPAs and attorneys who are currently members of the Federation of Regulatory Counsel, which provides our TPA clients with significant experience to help navigate complex regulatory challenges efficiently.

By leveraging its extensive experience representing TPAs, our TPA team helps clients avoid the learning curve and related cost implications that can be experienced by working with companies or attorneys less familiar with the regulatory and compliance needs of TPAs.

For questions regarding this regulatory action in Florida or other TPA regulatory and compliance matters, please contact one of the authors, a member of Polsinelli's TPA team or your Polsinelli attorney.