STATE OF MICHIGAN
DEPARTMENT OF ENERGY, LABOR AND ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE REGULATION

Bulletin 2010-09-INS

In the matter of

Filing Alien Third Party
Administrator Applications

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Issued and entered
this 4th day of May 2010
By Ken Ross
Commissioner

The Office of Financial and Insurance Regulation (OFIR) is receiving an increasing number of alien Third Party Administrator (TPA) applications. An "alien TPA" is a TPA formed under the laws of any country other than the United States of America, its states, districts, commonwealths and possessions. This bulletin clarifies how OFIR processes alien TPA applications for a certificate of authority.

A TPA cannot operate in Michigan without obtaining and maintaining a certificate of authority pursuant to the Third Party Administrator Act (the Act), 1984 PA 218, as amended, MCL 550.901 *et seq.* Section 12(1) of the Act states, in pertinent part, that an application for a certificate of authority shall include all of the following:

- Basic organizational documents of the TPA.
- List of all owners, partners, officers or directors, or managers or members of a limited liability company or shareholders of 10% or more.
- A description of the TPA, its services, facilities, and personnel.
- A power of attorney duly executed by the TPA, if not domiciled in Michigan.
- Recent financial statements substantiating financial viability.
- Other information as the Commissioner may require.

In accordance with Section 12(1)(f), the Commissioner may require additional information as needed in order to determine the applicant's ability to act as a TPA. The Commissioner has determined that alien TPA applicants must submit the following additional information with an application:

- The TPA Plan of Operations (plan) with a notarized cover letter attesting to the accuracy of the information within the plan and a statement agreeing to submit to OFIR all changes made to the plan for review and approval. At a minimum the plan must include:

  - Fiduciary and claims processing account guidelines which require that all premiums collected and all premium collecting and claim processing accounts will be deposited into and held within a federally insured financial institution within the United States.
  - Guidelines for the maintenance and storage of files which require that insured's files be maintained and stored in the United States with the alien TPA having "view only" access from a computer database without the authority to print. An insured's social security number and other personal information must be safeguarded and access shall be limited to the staff necessary to fulfill the alien TPA's obligations. Additionally, regulators are to have access to all accounts, records, and files in the United States, as well as access to officers in order to obtain information regarding the affairs of the alien TPA and to ensure compliance.
  - Privacy standards which require the establishment and documentation of procedures and mechanisms to protect and safeguard an insured's medical and confidential information.
  - An explanation of how effective compliance monitoring will be accomplished including how the oversight of the alien TPA by compliance offices located in the United States will be performed.
  - A listing of all job functions and work related activities to be conducted by the alien TPA. Alien TPA shall not perform underwriting, collect any type of charges or fees for claim processing and cannot bind contracts.
  - Employment qualification standards which include a list of qualifications that alien TPA employees must meet before they are hired and documentation of the initial and ongoing training that alien TPA employees will receive during their employment.

Any questions regarding this bulletin should be directed to:

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