



# Kansas Department of Insurance

Commissioner Vicki Schmidt

## Third Party Administrator Hardship Exemption

K.S.A. 40-3814(b) permits the Commissioner to grant a hardship exemption from filing the required audited financial statements and allows the submission of unaudited financial statements. The following criteria must be met for the Commissioner to grant a hardship exemption:

- The TPA must submit a written application for submitting unaudited financial statements that includes a cover letter containing the name of the applicant and license number.

- The TPA must show good cause. "Good cause" is not defined in statute or regulation. The TPA's hardship exemption will be evaluated by the Commissioner on a case-by-case basis. Factors that justify a hardship exemption include, but are not limited to:

  - potential adverse impact to a TPA's financial condition due to the cost of the audit; or

  - a major organizational event that temporarily impedes the ability to produce an audit.

The Department does not consider past approval of a hardship as an example of good cause.

- In the event the Department allows a hardship exemption, acceptable formats for unaudited financial statements, that shall include notes, are:

  - Reports compiled or reviewed by a certified public accountant; or

  - internal financial reports prepared in accordance with GAAP, certified by at least two officers, owners, or directors of the TPA.

- Additionally, if unaudited financial statements are submitted, the administrator must secure and maintain a surety bond in a form prescribed by the commissioner for the use and benefit of the commissioner to be held in trust for the benefit and protection of covered persons and any payor or self-funded plan against loss by reason of acts of fraud or dishonesty, for the greater of 10% of funds handled for the benefit of Kansas residents or \$20,000.

Please include the Hardship Exemption letter in the Annual Report submission through SBS for Organizations or, if submitting a new TPA application, you may email your written request to [kdoi.tpa@ks.gov](mailto:kdoi.tpa@ks.gov).

The written application should provide sufficient information to allow the Commissioner to make a determination without further inquiry into the basis for the request.