

# TPA CLIENT DISCLOSURE

### Issue

TPA attempts to override a carrier's agreement with a contractor on the price and/or scope of a restoration project.

### Peer-Reviewed Position Statement

TPAs should explicitly disclose whether they consider insurance carriers to be their clients.

## 1. THE NATURE OF CONTRACTOR/TPA RELATIONSHIP

Third party administrators (TPAs), also referred to as "managed repair networks," exist to aid in the orderly administration of property insurance claims and repairs, for the mutual benefit of the carrier, contractor, and policyholder.

Although the networks make no guarantees, contractors join these networks in hopes of increasing job volume and reducing business development expenses. They join by executing a contract, generically referred to here as a Service Level Agreement (SLA), with the TPA.

## 2. DUTIES OF THE TPA

As a party to an SLA, the contractor is owed duties of due care and good faith by the TPA. This duty requires the TPA to exert its best efforts to help foster the contractor's success, and refrain from any action that would interfere with the contractor's ability to enjoy the benefits of a project administered by the TPA or thwart the purpose of the contractor's payment of the Network Referral Fee (NRF).

## 3. TRANSPARENCY AND DISCLOSURE

To become eligible for a network, the contractor must demonstrate a high level of transparency and disclose a wide array of sensitive information, including financial data. Fairness requires a reasonable degree of reciprocity when it comes to disclosure. The contractor places its trust in the TPA to safeguard this information and act upon it appropriately. In return, contractors expect TPAs to treat the contractors as partners in a common goal.

Many TPAs hold themselves out as unbiased neutral facilitators between the carrier and the contractor. Many network contractors feel that TPAs treat them as adversaries by acting as advocates for insurance companies. This is especially prevalent with respect to a contractor's price and scope. This causes confusion for contractors who expect a reasonable amount of protection from TPAs in exchange for the NRFs. If the TPA's loyalty is to the insurance company, or other factors incentivize the TPA to be biased against the contractor, good faith requires the TPA to unequivocally and unambiguously disclose these circumstances to its contractor members. Otherwise, the contractors cannot make an informed decision about which network, if any, to join. Contractors who make uninformed decisions are likely to encounter unpleasant surprises that will negatively impact the industry's trust and confidence in the TPA industry, and result in negative reviews, and low scores in TPA surveys.

**Therefore, TPAs should explicitly disclose whether they consider insurance carriers to be their clients.**