

**THIRD PARTY ADMINISTRATOR ACT (EXCERPT)**  
**Act 218 of 1984**

**550.940 Prohibited conduct generally.**

Sec. 40.

A TPA or manager, in processing claims, shall not do any of the following:

- (a) Misrepresent pertinent facts relating to coverage.
- (b) Fail to make a good faith effort to acknowledge promptly or to act reasonably and promptly upon communications with respect to a claim for benefits.
- (c) Fail to adopt and implement reasonable standards for the prompt investigation of a claim for benefits.
- (d) Refuse to process claims without conducting a reasonable investigation based upon the available information.
- (e) Fail to communicate affirmation or denial of coverage of a claim for benefits within a reasonable time after a claim has been received.
- (f) Fail to make a good faith effort to promptly, fairly, and equitably process a claim for benefits.
- (g) Fail to promptly provide a reasonable explanation of the basis for denial or partial denial of a claim for benefits.
- (h) Refuse to process claims because of race, color, creed, marital status, sex, national origin, residence, age, disability, or lawful occupation.
- (i) Knowingly compel individuals covered by the plan to institute litigation to recover amounts due under a benefit plan by offering substantially less than the amounts due unless the amounts due are reasonably in dispute.
- (j) For the purpose of coercing an individual covered by the plan to accept a settlement or compromise of a claim, inform the individual of a policy of the TPA of appealing judicial, arbitration, or administrative hearing decisions which are in favor of individuals covered by the plan.
- (k) Delay the investigation or processing of a claim by requiring an individual covered by the plan, or the provider of services to the individual covered by the plan, to submit a preliminary claim and then requiring subsequent submission of a formal claim, seeking solely the duplication of a verification. This subdivision does not apply to the predetermination or precertification of benefits.

**History:** 1984, Act 218, Eff. Jan. 1, 1985 ;-- Am. 1998, Act 79, Imd. Eff. May 4, 1998