

1 **State of Arkansas**  
2 **79th General Assembly**  
3 **Regular Session, 1993**

# A Bill

**HOUSE BILL**

4 **By: Representatives McGinnis, Thicksten**

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## **For An Act To Be Entitled**

8 "AN ACT TO AMEND ARKANSAS CODE ANNOTATED §§ 6-17-1103, 6-  
9 17-1108, AND 6-17-1109 TO REORGANIZE THE PUBLIC SCHOOL  
10 EMPLOYEES INSURANCE ADVISORY COMMITTEE, TO REQUIRE THAT  
11 THE COMMITTEE EMPLOY AN ACTUARY AND AUTHORIZE AN ANNUAL  
12 AUDIT OF THE LIFE AND DISABILITY INSURANCE PROGRAM, AND TO  
13 REQUIRE THAT BID CONTRACTS BE FOR FIVE (5) YEARS; AND FOR  
14 OTHER PURPOSES."

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## **Subtitle**

17 "TO REORGANIZE THE PUBLIC SCHOOL EMPLOYEES INSURANCE  
18 ADVISORY COMMITTEE AND REQUIRE THAT THE COMMITTEE EMPLOY  
19 AN ACTUARY."

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21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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23 SECTION 1. Arkansas Code § 6-17-1103(a) is hereby amended to read as  
24 follows:

25 "(a) (1) The committee shall consist of nine (9) members, three (3) of  
26 whom shall be classroom teachers, one (1) of whom shall be a school  
27 administrator, one (1) of whom shall be a noncertified school employee, three  
28 (3) of whom shall be from the business community with insurance experience,  
29 and one (1) of whom shall be the State Insurance Commissioner.

30 (2) All members shall be appointed by the Governor, and the five  
31 (5) members who are school personnel shall be employees of Arkansas public  
32 schools, with no more than one (1) of the five (5) an employee of the same  
33 school district.

34 (3) The Chairman of the House Education Committee or designee and  
35 the Chairman of the Senate Education Committee or designee shall serve as ex-

1 officio, nonvoting members of the committee."

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3 SECTION 2. Arkansas Code § 6-17-1108 is hereby amended to read as  
4 follows:

5 "6-17-1108. Committee - Powers and duties.

6 It shall be the function, power, and duty of the committee to:

7 (1) Consider and establish the policies which shall govern the  
8 institution and management of uniform life or disability insurance programs,  
9 including hospitalization and medical services, for the benefit of all  
10 eligible employees of public school districts as defined by this subchapter.  
11 The program will be administered by the Public School Employees Section,  
12 Department of Education, in accordance with §§ 23-86-101 - 23-86-109 and  
13 23-86-112.

14 (2) Employ an actuary to advise the committee on the implementation of  
15 insurance programs provided for in this subchapter. Such actuary shall be  
16 knowledgeable in the health and life insurance field but shall not be an  
17 employee of a company selling group health insurance in Arkansas, an employee  
18 of the State Department of Education, or an employee of the State Insurance  
19 Department.

20 (3) Institute a plan of self-insurance which will provide for  
21 hospitalization and medical services which will best serve the needs of  
22 participating employees and establish monthly premiums sufficient to pay  
23 claims, establish adequate reserves, and pay the cost of an insurance company  
24 or service agency for the processing of claims. The insurance company or  
25 service agency shall be selected by the bid process outlined in this  
26 subchapter. Bid specifications shall include the stipulation that the  
27 insurance company or service agency shall provide consultant services to the  
28 committee as a part of the bid quotation;

29 (4) In selecting the insurance carrier for a life or disability  
30 insurance program, other than the self-insurance in subdivision (2) of this  
31 section, select the policy with an insurance company authorized to do business  
32 in the state which will best serve the needs of participating employees,  
33 provided however, that the policy selected shall include criteria for uniform  
34 evaluation, the coverage and benefits to be provided, as established by the  
35 State Insurance Commissioner, to assure that there is a uniform basis for

1 interpreting and evaluating the policy coverage and the financial advantages  
2 of each of the respective bid proposals based on the premiums to be charged  
3 for the benefits in order to enable the committee to select the most  
4 advantageous policy in terms of coverage and benefits commensurate with  
5 premiums to be paid. Two (2) or more companies may join together for the  
6 purpose of bidding. For the purpose of administration, one (1) paymaster must  
7 be established for paying benefits under a bid by two (2) or more companies;

8         (5) Review the performance of the insurance company to insure that the  
9 best interests of the employees covered are being served, and such review  
10 shall include a determination that the insurance company meets minimum  
11 financial standards for solvency and ability to provide services in accordance  
12 with evaluation criteria to be promulgated by the State Insurance Commissioner  
13 as requirements to be met by insurance companies to be eligible to furnish  
14 life or disability insurance coverage for public school employees under this  
15 subchapter;

16         (6) Approve and review the proposals and recommend them to  
17 participating public school employees;

18         (7) Authorize an annual audit of the life and disability insurance  
19 program to be conducted by an auditor independent of the group insurance  
20 carrier and using procedures prescribed by the Division of Legislative Audit.  
21 Findings of the audit shall be reported to the Joint Committee on Legislative  
22 Audit;

23         (8) If deemed in the best interest of the participating employees,  
24 institute a plan of self-insurance in life or disability insurance for  
25 participating employees."

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27         SECTION 3. Arkansas Code § 6-17-1109 is hereby amended to read as  
28 follows:

29         "6-17-1109. Life and disability insurance - Notice, evaluation, and  
30 approval of bid proposals.

31         (a) Before selecting any policy or entering into any agreement with an  
32 insurance company for the providing of life or disability insurance for public  
33 school employees as authorized in this subchapter, the committee shall  
34 publicize, by inserting in one (1) or more newspapers having a general  
35 circulation in the State of Arkansas, notice that bid proposals for the

1 providing of life or disability insurance for public school employees will be  
2 received by the committee on the date and at the place stated in the notice.

3 (b) Such notice shall be published by two (2) insertions with the first  
4 insertion to be at least thirty (30) days prior to the date for receiving  
5 bids, with the second insertion to be not later than two (2) weeks prior to  
6 the date for receiving bids.

7 (c) At the time and place established in the notice for receiving bid  
8 proposals, the committee shall, in a public meeting, open all bids, and all  
9 bids so opened shall be made available for public inspection.

10 (d) Each bid proposal shall be evaluated in accordance with the uniform  
11 criteria established by the State Insurance Commissioner for evaluating  
12 benefits in relation to premiums to be charged therefor, and the committee  
13 shall also make a determination that each insurance company submitting a bid  
14 meets the minimum standards for financial solvency and ability to provide  
15 services as promulgated by the State Insurance Commissioner.

16 (e) After reviewing all bids, the committee may approve the policy  
17 proposal with the insurance company which the committee determines has  
18 submitted the bid with the best benefit coverage in relation to the premiums  
19 to be paid as the committee determines to be in the best interest of the  
20 public school employees life or disability program.

21 (f) A bid contract shall be for a minimum of five (5) years.

22 (g) However, the committee may reject any and all bids and readvertise  
23 for bids in the manner herein set forth."

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25 SECTION 4. The provisions of this act shall be effective July 1, 1993,  
26 and the terms of all current members of the Public School Employees Insurance  
27 Advisory Committee shall expire on that date, and the members of the Committee  
28 as reconstituted by this act shall be appointed by the Governor for terms  
29 beginning on July 1.

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31 SECTION 5. All provisions of this act of a general and permanent nature  
32 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code  
33 Revision Commission shall incorporate the same in the Code.

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35 SECTION 6. If any provision of this act or the application thereof to

1 any person or circumstance is held invalid, such invalidity shall not affect  
2 other provisions or applications of the act which can be given effect without  
3 the invalid provision or application, and to this end the provisions of this  
4 act are declared to be severable.

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6 SECTION 7. All laws and parts of laws in conflict with this act are  
7 hereby repealed.

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9 SECTION 8. EMERGENCY. It is hereby found and determined by the General  
10 Assembly of the State of Arkansas that the current law relating to the Public  
11 School Employees Insurance Program are in need of revision to protect the  
12 soundness of the program and there is an urgent need to reconstitute the  
13 Advisory Committee to assure that various interests are represented on the  
14 Committee; and that this act is designed to effectuate such urgently needed  
15 changes and should be given effect immediately. Therefore, an emergency is  
16 hereby declared to exist and this act being necessary for the immediate  
17 preservation of the public peace, health, and safety, shall be in full force  
18 and effect from and after its passage and approval.

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