

State of Arkansas
76th General Assembly
Regular Session, 1987
By: Senator Allen

SENATE BILL 297

"AN ACT TO PROVIDE FOR A SELF-INSURED PROPERTY INSURANCE PROGRAM FOR THE STATE OF ARKANSAS; TO PROVIDE FOR A STATE PROPERTY INSURANCE BOARD; AND FOR OTHER PURPOSES."

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

SECTION 1. It is hereby found and determined that the State of Arkansas is expending large sums of money each year for premiums on property insurance; that considerable savings might be effected by the establishment of a self-insured State property insurance program; that this Act is designed to establish a State Property Insurance Board to develop a self-insured State Property Insurance Program; and to thereby effectuate substantial savings in the cost of property insurance for State property.

SECTION 2. For purposes of this Act, the term: (a) "State" means the State of Arkansas.

(b) "State Property" subject to the provisions of this Act means real or personal property owned by, leased by, or in the care, custody or control of the State of Arkansas or its Offices, Departments, Agencies, Boards, and Commissions as determined by the State Property Insurance Board; and

(c) "Commissioner" means the Insurance Commissioner of the State of Arkansas.

SECTION 3. There is hereby established a self-insured State Property Insurance Program for State property, to be administered by the State Property Insurance Board, and requiring participation of the State of Arkansas and its Offices, Departments, Agencies, Boards and Commissions at the discretion of the State Property Insurance Board for the orderly administration of the Program.

SECTION 4. The self-insured Property Insurance Program shall provide coverage including but not limited to fire and extended coverage designated for State property, and such other coverages as deemed necessary by the State Property Insurance Board. Such coverage shall not include punitive or exemplary damages, and no penalty amounts shall accrue on property claims made pursuant to this Act.

SECTION 5. There is hereby created the State Property Insurance Board ("Board") which shall be composed of the following three (3) members: (a) The Director of State Building Services;

- (b) The Director of the Department of Finance and Administration; and
- (c) The Arkansas Insurance Commissioner, who shall serve as chairman.

SECTION 6. The State Property Insurance Board shall receive no compensation for their service. The State Property Insurance Board shall meet at such times as necessary to carry out the responsibilities and duties of the Board, at the call of the chairman of the Board, or upon the request of a majority of the Board.

All action of the Board shall be by majority vote of the membership in attendance.

SECTION 7. It shall be the responsibility of the State Property Insurance Board to develop and administer the self-insured State Property Insurance Program for State property. Duties and responsibilities of the Board shall include but shall not be limited to: (a) Develop appropriate premium amounts, reserve requirements, retention limits, deductible amounts, policy periods, and aggregate limits;

(b) Secure reinsurance if excess property insurance is deemed necessary by the Board;

(c) Establish operational procedures for program enrollments, for preparation of loss histories, loss reporting and loss payments, and for annual review of income, balances and expenditures;

(d) Prepare invitations for bid and service contracts, as necessary;

(e) Provide for issuance of billing certificates for premium collections and administrative expenses of the Board to all participating governmental

entities subject to the provisions of this Act; and

(f) Secure services of a third party administrator, servicing carrier, attorneys, adjusters, actuaries and consultants, as necessary to implement and maintain the self-insured State Property Insurance Program.

SECTION 8. (a) There is hereby established on the books of the State Treasurer, the State Auditor, and the Chief Fiscal Officer of the State a separate fund to be known as the State Property Insurance Trust Fund ("Fund"). No money shall be appropriated from this Fund for any purpose except for the use and benefit of participating governmental entities for property claims and for Board expenses including, but not limited to, third party administrator, servicing carrier, adjuster, attorney, actuarial, consultant, and service contract fees, as provided in this Act at the direction of the Board. The Fund established herein shall be administered by and disbursed at the direction of the Board.

(b) The assets of the Fund may be invested and reinvested as the Board may determine with the advice of the State Board of Finance. All incomes derived through investment of the Fund as established herein shall be credited, as investment income, to the Fund. For the purposes of investment, Fund monies invested and interest earned thereon shall be administered as Trust Funds pursuant to the provisions of Subsection B of Section 9 of Act 12 of 1965 (First Extraordinary Session), as amended, the same being Ark. Stat. Ann. §13-429 (B). Further, all monies deposited to the Fund shall not be subject to any deduction, tax, levy, or any other type of assessment.

(c) The premiums and administrative expense monies collected by the Board under the provisions of this Act shall be deposited in the Fund created in Subsection (a) of this Section.

SECTION 9. The Commissioner shall receive and disburse funds necessary for the establishment and operation of the self-insured State Property Insurance Program. The State Risk Manager shall assist with the operations of the program and shall submit to the Board recommendations for the establishment of:

- (a) Premium schedules for all participating governmental entities;
- (b) Schedules for deductible amounts;
- (c) Loss histories, loss reporting, and loss payment procedures;
- (d) Program enrollment, and safety programs;

- (e) Annual review of funds income, balances, and expenditures;
- (f) Proposed invitations to bid, service contracts and retention levels, if the Board determines that excess insurance or reinsurance is necessary; and
- (g) Such other information required by the Board for efficient operation of the self-insured State Property Insurance Program.

SECTION 10. The Commissioner at the direction of the Board shall: (a) Prepare a billing certification to be remitted to the Department of Finance and Administration and upon receipt thereof the Director of the Department of Finance and Administration shall pay the same from funds specifically appropriated therefor by the General Assembly or from other funds available therefor and funds so appropriated or otherwise made available for such purpose shall not be subject to reduction as a result of any shortfall of projected revenues, for premiums for State property insurance and administrative expenses of the Board.

(b) Upon receipt of such funds, the Commissioner shall deposit such funds in the Fund created in Section 8 of this Act.

SECTION 11. All laws and part of laws in conflict with this Act are hereby repealed.

SECTION 12. If any provision of this Act or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of this Act which can be given effect without the invalid provision or application, and to this end the provisions of this Act are declared to be severable.

SECTION 13. The General Assembly hereby determines that by establishing a system for the termination, study, review, continuation, or re-establishment of the self-insured State Property Insurance Program, it will be in a better position to evaluate the need for the continued existence of this Program. Therefore, the self-insured State Property Insurance Program shall terminate on June 30, 1991. The self-insured State Property Insurance Program shall be reviewed by the Joint Interim Committee on Insurance and Commerce, to enable the General Assembly to have the benefit of such Committee's recommendation for the continuation of this Program.

