

1 **State of Arkansas**
2 **78th General Assembly**
3 **Regular Session, 1991**
4 **By: *Joint Budget Committee***

A Bill

HOUSE BILL 1956

For An Act To Be Entitled

8 "AN ACT TO AUTHORIZE THE WORKERS' COMPENSATION COMMISSION
9 TO FUND FINANCIAL OBLIGATIONS OF THE DEATH AND PERMANENT
10 TOTAL DISABILITY TRUST FUND THROUGH THE PURCHASE OF
11 STRUCTURED ANNUITY CONTRACTS; TO PROVIDE THAT THE
12 COMMISSION SHALL PURCHASE ANNUITIES ONLY FROM INSURANCE
13 COMPANIES WHICH MEET SPECIFIED FINANCIAL STANDARDS AND
14 RATINGS; TO APPROPRIATE FUNDS FOR THE PURCHASE OF SUCH
15 ANNUITIES; AND FOR OTHER PURPOSES."

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

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19 SECTION 1. (a) The Workers' Compensation Commission is hereby
20 authorized to fund financial obligations of the Death and Permanent Total
21 Disability Trust Fund through the purchase of structured annuity contracts.
22 Provided, the Commission shall purchase such annuity contracts only when the
23 Commission determines that it is financially advantageous to the trust fund
24 involved.

25 (b) Structured annuity contracts shall be purchased only from insurance
26 companies (1) licensed to do business in Arkansas and authorized to write
27 annuities as regulated by the Arkansas Insurance Department; (2) experienced
28 in the business of writing and administering structured annuities; (3)
29 determined to be financially sound and having an A.M. Best rating of A+ and
30 category size VIII or greater
31 or equivalent independent industry rating; and (4) be rated AA+ or better by
32 Standard and Poors, Moody's or an equivalent rating by an equivalent rating
33 service.

34 (c) Structured annuity contracts purchased by the Commission shall (1)
35 include a separate contract for each claimant or beneficiary covered, (2)

1 require that the payments to the claimant or beneficiary be sent to the
2 Workers' Compensation Commission so that the Commission can maintain
3 administrative control over the payments; and the Workers' Compensation
4 Commission will distribute the payments in full to the claimants or
5 beneficiaries, and (3) provide for return of principal to the appropriate fund
6 in the event that the obligations of the Death and Permanent Total Disability
7 Fund to any claimant or beneficiary cease prior to the end of the period
8 certain guarantee in the contract.

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10 SECTION 2. It is the intent of the General Assembly that the term
11 "person" as defined in Arkansas Code 23-96-104(10) shall include a claimant or
12 beneficiary who is receiving annuity benefits as provided herein; that the
13 coverage provided through the Arkansas Life and Disability Guaranty
14 Association for any annuity contract executed pursuant to this act shall be
15 the lesser of the contractual obligations of the insurer or one hundred
16 thousand dollars (\$100,000) in the present value of annuity benefits including
17 net cash surrender and net cash withdrawal values as provided in Arkansas Code
18 23-96-114(a); that an annuity contract as provided for herein shall not be an
19 "unallocated annuity contract" as defined in Arkansas Code 23-96-104(14); that
20 coverage provided by the Arkansas Life and Disability Guaranty Association for
21 annuity contracts executed pursuant to this act shall not be affected by the
22 fact that the annuity payments are sent to the Workers' Compensation
23 Commission for distribution to the claimants and beneficiaries; and, that any
24 funds provided by the Arkansas Life and Disability Guaranty Association for
25 payment to claimants or beneficiaries for whom annuity contracts are executed
26 under this act shall be sent to the Workers' Compensation Commission for
27 distribution to claimants or beneficiaries.

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29 SECTION 3. The Workers' Compensation Commission shall adopt such
30 appropriate rules and regulations consistent with the provisions of this act
31 as it deems necessary to enable it to efficiently and effectively administer
32 the provisions of this act and any structured annuity arrangement it may enter
33 into pursuant to the authority granted herein.

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35 SECTION 4. APPROPRIATIONS. There is hereby appropriated, to the

1 Workers' Compensation Commission, to be payable from the Death and Permanent
2 Total Disability Trust Fund, for death and permanent total disability claims
3 and for the purchase of structured annuity contracts for the biennial period
4 ending June 30, 1993, the following:

5 ITEM	FISCAL YEARS	
6 <u>NO.</u>	<u>1991-92</u>	<u>1992-93</u>
7 (1) Claims and Purchase of Structured Annuity		
8 Contracts, as authorized by law	\$ 52,000,000	\$ 52,000,000

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

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14 SECTION 6. If any provision of this act or the application thereof to
15 any person or circumstance is held invalid, such invalidity shall not affect
16 other provisions or applications of the act which can be given effect without
17 the invalid provision or application, and to this end the provisions of this
18 act are declared to be severable.

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

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23 */s/John E. Miller*
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