

REFERENCE TITLE: state compensation fund; manager

State of Arizona  
House of Representatives  
Forty-third Legislature  
Second Regular Session  
1998

# HB 2110

Introduced by  
Representatives McGrath, Brimhall

## AN ACT

AMENDING SECTION 23-981, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 1997, CHAPTER 210, SECTION 3; AMENDING SECTION 23-981.01, ARIZONA REVISED STATUTES; RELATING TO WORKERS' COMPENSATION.

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 23-981, Arizona Revised Statutes, as amended by  
3 Laws 1997, chapter 210, section 3, is amended to read:

4 23-981. State compensation fund; purpose; composition;  
5 administration; powers and duties

6 A. There is established the state compensation fund which shall be  
7 maintained for the purpose of insuring employers against liability for  
8 workers' compensation, occupational disease compensation and medical,  
9 surgical and hospital benefits pursuant to the provisions of chapter 5 of  
10 this title and this chapter, and pursuant to the federal longshoremen's and  
11 harbor workers' compensation act, the federal coal mine health and safety act  
12 of 1969, as amended, and other workers' compensation or occupational disease  
13 liability programs imposed upon Arizona employers by the federal government.  
14 The fund may also indemnify an Arizona employer against his liability for  
15 workers' compensation and occupational disease benefits under the laws of any  
16 other state for Arizona employees temporarily working outside of this state  
17 if the fund insures the employer's other employees who work within this  
18 state.

19 B. The assets of the state compensation fund consist of all premiums  
20 paid into the fund, all real and personal property, securities and all income  
21 and interest earned upon monies belonging to the fund.

22 C. A manager shall administer the state compensation fund, ~~subject to~~  
23 ~~the authority of the board of directors,~~ without liability of the state. The

1 fund shall be applied to insurance and to payment of compensation and  
2 expenses as provided in this chapter. The manager has full authority over  
3 the fund and may do all things necessary or convenient in the administration  
4 of the fund, or in connection with the compensation business to be carried  
5 on by the manager under this chapter, may adopt rules for the collection,  
6 maintenance and disbursement of the fund and may perform all other functions  
7 which the laws of this state specifically authorize or which are necessary  
8 or appropriate to carry out the functions so authorized.

9 D. The state compensation fund has the powers and privileges of a  
10 corporation and in its name may sue and be sued. The manager, in the  
11 administration of the fund, may lease or acquire real property and acquire  
12 or construct buildings or other improvements on the property as are necessary  
13 to house, contain and maintain offices and space for its departmental and  
14 operational facilities. Title to the real estate, buildings and improvements  
15 vests in the state compensation fund. The manager may lease or rent space  
16 not needed for the fund's immediate requirements. Any real and personal  
17 property owned by the state compensation fund is subject to ad valorem taxes.

18 E. The operating and capital outlay budget of the state compensation  
19 fund for the two ensuing calendar years, with each year separately  
20 delineated, shall be submitted for review and approval on or before October  
21 1 of each even-numbered year by the joint legislative budget committee.

22 Sec. 2. Section 23-981.01, Arizona Revised Statutes, is amended to  
23 read:

24 23-981.01. Board of directors of state compensation fund;  
25 manager of state compensation fund; appointment  
26 and powers

27 A. The ~~state compensation fund shall be under the direct supervision~~  
28 ~~of a~~ board of directors ~~which~~ OF THE STATE COMPENSATION FUND consists of five  
29 members appointed by the governor for staggered terms of five years. THE  
30 BOARD OF DIRECTORS SERVES IN AN ADVISORY CAPACITY TO THE MANAGER OF THE STATE  
31 COMPENSATION FUND. Each member shall be a policyholder or an employee of a  
32 policyholder of the state compensation fund. Appointment to fill a vacancy  
33 caused other than by expiration of a term is for the unexpired portion of the  
34 term. The term of office of the directors shall begin on January 8 of the  
35 year of appointment. Each member of the board is entitled to receive as  
36 compensation one hundred dollars per day while in actual attendance at  
37 meetings of the board and shall be reimbursed for mileage and subsistence as  
38 allowed by law in traveling from his regular place of residence to meetings  
39 of the board, or to the place where he discharges his duties, with the  
40 compensation and expenses paid out of the state compensation fund. The  
41 ~~governor~~ MANAGER shall annually appoint the chairman from among the members  
42 of the board. ~~The board may adopt rules, not inconsistent with law, as it~~  
43 ~~deems proper for the conduct of its business and, by resolution, may declare~~

1 ~~the payment of dividends to policyholders from the surplus of the state~~  
2 ~~compensation fund. The board may amend or change the rules and may cause~~  
3 ~~them to be published and distributed.~~

4 B. The ~~board of directors of the state compensation fund~~ GOVERNOR  
5 shall appoint a manager of the state compensation fund, who has charge of the  
6 daily operation of the state compensation fund. The manager shall have  
7 proven successful experience as an insurance executive at the general  
8 management level. The manager is entitled to receive compensation ~~as~~  
9 ~~determined by the board~~ PURSUANT TO SECTION 38-611 and may be removed by the  
10 ~~board~~ GOVERNOR. THE MANAGER MAY ADOPT RULES, NOT INCONSISTENT WITH LAW, AS  
11 THE MANAGER DEEMS PROPER FOR THE CONDUCT OF THE FUND'S BUSINESS AND MAY  
12 DECLARE THE PAYMENT OF DIVIDENDS TO POLICYHOLDERS FROM THE SURPLUS OF THE  
13 STATE COMPENSATION FUND. THE MANAGER MAY AMEND OR CHANGE THE RULES AND MAY  
14 CAUSE THEM TO BE PUBLISHED AND DISTRIBUTED. The manager has such powers as  
15 are necessary to carry out the functions of the state compensation fund,  
16 including:

17 1. The formulation and administration of a system of personnel  
18 administration and employee compensation that utilizes principles of  
19 personnel management and includes employee benefits and grievance procedures  
20 to include adequate safeguards for employee representation and hearing and  
21 appeal rights equal to or greater than those provided by the state personnel  
22 board.

23 2. The formulation and administration of an investment policy and the  
24 supervision of the investment activities of the state compensation fund. The  
25 manager may invest and reinvest the surplus or reserves of the state  
26 compensation fund as authorized under title 20, chapter 3, article 2.

27 C. The state compensation fund is exempt from the provisions of title  
28 41, chapter 1, article 5.

29 Sec. 3. Transition

30 A. Notwithstanding section 23-981.01, Arizona Revised Statutes, as  
31 amended by this act, incumbent members of the state compensation fund on the  
32 effective date of this act may continue to serve on the state compensation  
33 fund for the remainder of their terms of appointment.

34 B. The manager, officers and employees of the state compensation fund  
35 on the effective date of this act retain their positions and employment  
36 according to the terms prescribed by this act.

37 C. This act does not affect any administrative rules or proceedings,  
38 contracts or agreements or legal or judicial proceedings of the state  
39 compensation fund adopted, entered into or commenced before the effective  
40 date of this act.

41 Sec. 4. Effective date

42 This act is effective from and after December 31, 1998.