

State of Arkansas
94th General Assembly
Regular Session, 2023

A Bill

HOUSE BILL 1713

By: Representative Perry

For An Act To Be Entitled

AN ACT TO AMEND THE SELF-INSURED FIDELITY BOND
PROGRAM; AND FOR OTHER PURPOSES.

Subtitle

TO AMEND THE SELF-INSURED FIDELITY BOND
PROGRAM.

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

SECTION 1. Arkansas Code § 19-5-954 is amended to read as follows:
19-5-954. Self-Insured Fidelity Bond Trust Fund.

(a) There is established on the books of the Treasurer of State, the Auditor of State, and the Chief Fiscal Officer of the State a fund to be known as the "Self-Insured Fidelity Bond Trust Fund".

(b) The fund shall consist of bond premiums collected under § 21-2-701 et seq., there to be administered and disbursed by the Governmental Bonding Board for the use and benefit of participating governmental entities for bond claims and board expenses.

SECTION 2. Arkansas Code § 21-2-702(5)(A), concerning the definition of "fidelity bond" used under the Self-Insured Fidelity Bond Program, is amended to read as follows:

(5)(A) "Fidelity bond" means coverage for ~~actual~~ direct pecuniary loss of value sustained as defined in subdivisions (6), (10), and (13) of this section, that is incurred as a result of any fraudulent or dishonest act, whether or not the result of a single act or series of acts committed against a participating government entity by officials or



employees.

SECTION 3. Arkansas Code § 21-2-703 is amended to read as follows:
21-2-703. Coverage in lieu of statutory fidelity bonds.

(a)(1) The fidelity bond coverage provided under this subchapter shall be in lieu of all statutorily required fidelity bonds for any fraudulent or dishonest act or acts committed by the various public officers, officials, and employees of a participating governmental entity participating in the Self-Insured Fidelity Bond Program.

(2) The various laws specifically requiring fidelity bonds or fidelity blanket bonds for the respective public officials, officers, and employees shall not be applicable so long as the fidelity bonds as provided in this subchapter are in effect covering the officials, officers, and employees.

(b) In the event coverage ceases to be provided for any fraudulent or dishonest act or acts committed by any public officials, officers, or employees pursuant to this subchapter, the laws currently in effect providing for fidelity bonds or fidelity blanket bonds shall again become applicable to the public officials, officers, and employees.

SECTION 4. Arkansas Code § 21-2-704(a) and (b), concerning the establishment of and coverage under the Self-Insured Fidelity Bond Program, are amended to read as follows:

(a) There is established the Self-Insured Fidelity Bond Program for ~~a fraudulent or dishonest act committed by any state officials and employees, county officials and employees, municipal officials and employees, and school district officials and employees~~ the State of Arkansas and the counties, municipalities, and school districts of this state, to be administered by the Governmental Bonding Board.

(b)(1) The fidelity bond coverage provided by the program shall cover ~~actual~~ direct pecuniary losses sustained by a participating governmental entity only when the loss is sustained through any fraudulent or dishonest act or acts committed by any official or employee of the participating governmental entity acting alone or in collusion with another, during the bond period to an amount not exceeding the lesser of three hundred thousand dollars (\$300,000) or the amount of the bond.

(2) Coverage for loss of property other than money and securities, the loss of which is caused by theft or by a dishonest or fraudulent act or acts, shall be limited to the actual cash value of the property on the day the loss was discovered.

(3) No coverage shall be provided for any claim in which a participating governmental entity through fraudulent means takes money or other property from another participating governmental entity.

SECTION 5. Arkansas Code § 21-5-705(b)(2), concerning the expenses of the Governmental Bonding Board, is amended to read as follows:

(2) The expense reimbursement of members of the board shall be paid from the Self-Insured Fidelity Bond Trust Fund.

SECTION 6. Arkansas Code § 21-5-709(a)(2)(A), concerning loss payments under the Self-Insured Fidelity Bond Program, is amended to read as follows:

(A) The Insurance Commissioner shall authorize fidelity bond loss payments from the Self-Insured Fidelity Bond Trust Fund to the participating governmental entity on a timely basis; and

SECTION 7. Arkansas Code § 21-2-710(b), concerning the funds received from the Insurance Commissioner, is amended to read as follows:

(b) Upon receipt of these funds, the Insurance Commissioner shall deposit them ~~in~~ into the Self-Insured Fidelity Bond Trust Fund.

SECTION 8. Arkansas Code § 21-2-711 is amended to read as follows:

21-2-711. Self-Insured Fidelity Bond Trust Fund.

(a) There is established on the books of the Treasurer of State, the Auditor of State, and the Chief Fiscal Officer of the State a separate fund to be known as the "Self-Insured Fidelity Bond Trust Fund".

(b)(1) No money shall be appropriated from the fund for any purpose except for the use and benefit of participating governmental entities for bond claims and for Governmental Bonding Board expenses, including, ~~but not limited to,~~ without limitation travel, actuarial, consultant, and service contract fees.

(2) The fund shall be administered by and disbursed at the direction of the Governmental Bonding Board.

(c)(1)(A) The assets of the fund may be invested and reinvested as the Governmental Bonding Board may determine with the advice of the State Board of Finance.

(B) All incomes derived through investment of the fund shall be credited as investment income to the fund.

(C) For the purposes of investment, fund moneys invested and interest earned on fund moneys invested shall be administered as trust funds ~~pursuant to the provisions of § 19-3-219(a)[repealed]~~ under § 19-3-518.

(2) Further, all moneys deposited to the fund shall not be subject to any deduction, tax, levy, or any other type of assessment.

(d) All moneys received by the Governmental Bonding Board for the Self-Insured Fidelity Bond Program, including premiums collected by the Governmental Bonding Board under this subchapter, restitution, interest payments, grants, gifts, and refunds shall be deposited into the fund.

SECTION 9. DO NOT CODIFY. Any funds that are appropriated and payable from the Fidelity Bond Trust Fund, § 21-2-711, shall also be deemed to be appropriated and payable from the Self-Insured Fidelity Bond Trust Fund, § 21-2-711.

APPROVED: 4/13/23