

1 State of Arkansas  
2 94th General Assembly  
3 Regular Session, 2023  
4

# A Bill

HOUSE BILL 1713

5 By: Representative Perry  
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## For An Act To Be Entitled

8 AN ACT TO AMEND THE SELF-INSURED FIDELITY BOND  
9 PROGRAM; AND FOR OTHER PURPOSES.  
10

### Subtitle

11 TO AMEND THE SELF-INSURED FIDELITY BOND  
12 PROGRAM.  
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17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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19 SECTION 1. Arkansas Code § 19-5-954 is amended to read as follows:  
20 19-5-954. Self-Insured Fidelity Bond Trust Fund.

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

24 (b) The fund shall consist of bond premiums collected under § 21-2-701  
25 et seq., there to be administered and disbursed by the Governmental Bonding  
26 Board for the use and benefit of participating governmental entities for bond  
27 claims and board expenses.  
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29 SECTION 2. Arkansas Code § 21-2-702(5)(A), concerning the definition  
30 of "fidelity bond" used under the Self-Insured Fidelity Bond Program, is  
31 amended to read as follows:

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



1 employees.

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3 SECTION 3. Arkansas Code § 21-2-703 is amended to read as follows:

4 21-2-703. Coverage in lieu of statutory fidelity bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26           21-2-711. Self-Insured Fidelity Bond Trust Fund.

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

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

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

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

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

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

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

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

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 16 SECTION 9. DO NOT CODIFY. Any funds that are appropriated and payable  
 17 from the Fidelity Bond Trust Fund, § 21-2-711, shall also be deemed to be  
 18 appropriated and payable from the Self-Insured Fidelity Bond Trust Fund, §  
 19 21-2-711.