

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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HOUSE BILL 184\*  
Committee Substitute Favorable 3/6/95

Short Title: St. Employee Liab. Trust Fund.

(Public)

Sponsors:

Referred to:

February 15, 1995

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE CREATION OF SELF-INSURANCE TRUST FUNDS  
TO PROVIDE PROFESSIONAL LIABILITY INSURANCE COVERAGE FOR  
STATE EMPLOYEES AND TO APPROPRIATE FUNDS TO A RESERVE FUND  
TO PROVIDE THE INITIAL FUNDING IF THE TRUST IS CREATED.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-32-15 reads as rewritten:

"§ 58-32-15. Professional liability insurance for State ~~officials.~~ officials and employees.

(a) The Commission may ~~acquire~~ provide professional liability insurance covering the officers and employees, or any group thereof, of any State department, institution or agency or any community college or technical ~~college.~~ college, through the purchase of contracts of insurance or the creation of self-insurance trusts, or through a combination of insurance and self-insurance trusts, as coverage in excess of the protection provided for in Article 31 and Article 31A of Chapter 143 of the General Statutes. Subject to the other provisions of this Article, the coverage to be provided through insurance or self-insurance trusts, or both, may include provisions for the payment of litigation expenses, attorneys' fees, civil judgments, or settlement amounts for claims or actions to which this Article applies. Premiums for ~~such~~ insurance or amounts necessary to fund self-insurance trusts

1 shall be paid by the ~~requesting~~ covered department, institution, agency, or community  
2 college or technical college at rates established by the Commission, from funds made  
3 available to ~~such~~ that department, institution, agency, or community college or technical  
4 college for the ~~purpose~~ purpose, as provided in G.S. 58-32-17.

5 (b) ~~The Commission, pursuant to this section, may acquire professional liability~~  
6 ~~insurance covering the officers and employees, or any group thereof, of a department,~~  
7 ~~institution or agency of State government or a community college or technical college~~  
8 ~~only if the coverage to be provided by the insurance policy is in excess of the protection~~  
9 ~~provided by Articles 31 and 31A of Chapter 143 of the General Statutes, other than the~~  
10 ~~protection provided by G.S. 143-300.9.~~

11 (c) ~~The purchase, by any State department, institution, agency, community college~~  
12 ~~or technical college of professional liability insurance covering the law enforcement~~  
13 ~~officers, officers or employees of such department, institution, agency, community~~  
14 ~~college or technical college shall not be construed as a waiver of any defense of~~  
15 ~~sovereign immunity by such department, institution, agency, community college or~~  
16 ~~technical college. The purchase of such insurance shall not be deemed a waiver by any~~  
17 ~~employee of the defense of sovereign immunity to the extent that such defense may be~~  
18 ~~available to him.~~

19 (d) ~~The payment, by any State department, institution, agency, community college~~  
20 ~~or technical college of funds as premiums for professional liability insurance through the~~  
21 ~~plan provided herein, covering the law enforcement officers or officials or employees of~~  
22 ~~such department, institution, agency, community college or technical college is hereby~~  
23 ~~declared to be for a public purpose."~~

24 Sec. 2. Article 32 of Chapter 58 of the General Statutes is amended by adding  
25 the following new sections to read:

26 "**§ 58-32-16. Establishment and administration of self-insurance trust funds;**  
27 **defense of actions against covered persons.**

28 (a) In the event the Commission elects to act as self-insurer of a program of  
29 liability insurance, it may establish one or more insurance trust accounts to be used only  
30 for the purposes authorized by this Article. Any insurance trust account established by  
31 the Commission shall be interest bearing, with interest accrued returned to the account.  
32 Such a program of liability insurance is not subject to regulation by the Commissioner of  
33 Insurance, but shall be subject to audit as provided in Article 5A of Chapter 147 of the  
34 General Statutes. The Commission may receive and appropriate or transfer funds made  
35 for the purposes of this section and deposit these funds in the insurance trust accounts.  
36 All expenses incurred in collecting, receiving, and maintaining these funds and in  
37 otherwise administering the self-insured program of liability insurance shall be paid from  
38 the insurance trust accounts.

39 (b) Subject to this Article, the Commission may adopt rules for the establishment  
40 and administration of the self-insured program of liability insurance, including, but not  
41 limited to, rules concerning the eligibility for and terms and conditions of participation in  
42 the program, the assessment of charges against participants, the management of the  
43 insurance trust accounts, and the payment of claims. The Attorney General shall

1 negotiate, settle, and litigate claims under this section as provided in Article 31A of  
2 Chapter 143 of the General Statutes.

3 (c) The Commission may create a Liability Insurance Trust Fund Council  
4 composed of five members. One member each shall be appointed by the Attorney  
5 General, State Auditor, Commissioner of Insurance, the State Treasurer, and the State  
6 Budget Officer. Subject to this Article and the rules adopted by the Commission  
7 pursuant to this section, the Commission may delegate to this Council the responsibility  
8 and authority for the administration of the self-insured liability insurance program and of  
9 the insurance trust accounts established pursuant to this Article. Council members shall  
10 receive no compensation, but may receive reimbursement as provided in G.S. 58-32-5.

11 (d) Defenses of all suits or actions against an individual who is covered by a self-  
12 insured program of liability insurance established by the Commission under this Article  
13 shall be provided by the Attorney General in accordance with G.S. 143-300.3 or other  
14 counsel in accordance with G.S. 143-300.4A. The cost of other counsel shall be paid  
15 from the self-insured fund.

16 (e) The coverage provided State employees by any self-insured program of  
17 liability insurance established by the Commission pursuant to the provisions of this  
18 Article is not commercial liability insurance coverage within the meaning of G.S. 143-  
19 300.6(c).

20 **"§ 58-32-17. Funding of self-insurance programs.**

21 (a) If the Commission establishes a self-insurance trust fund, the initial  
22 contribution to the fund shall be determined by an independent actuary but shall be no  
23 less than an amount necessary to fully fund current and unreported claims, to ensure  
24 compliance with Governmental Accounting Board requirements. Annual contributions to  
25 the fund shall be made in an amount to be determined each year by the Liability  
26 Insurance Trust Fund Council upon the advice of an independent actuary and shall  
27 include amounts necessary to pay all costs of administration of the self-insurance  
28 program and claims adjustment including litigation in addition to amounts necessary to  
29 pay claims. Contributions from State agencies shall be five dollars (\$5.00) per employee  
30 until such time as the Liability Insurance Trust Fund Council, with the advice of an  
31 independent actuary and the approval of the Commission, determines that an annual  
32 contribution in a lesser amount will not impair the adequacy of the fund to satisfy  
33 existing and potential claims for a period of three years. In the event that the Council  
34 determines the amounts contributed to the fund are inadequate, the Council shall  
35 recommend to the General Assembly whether the per employee cap should be raised or  
36 whether a lump-sum appropriation is needed to assure the adequacy of the fund.

37 (b) Claims certified to be paid from the fund shall be paid in the order of award or  
38 settlement. In the event that the fund has at any time insufficient funds to assure that both  
39 existing and future claims will be paid, the Commission may borrow necessary amounts  
40 from the State Treasurer to replenish the fund.

41 (c) Funds borrowed by the Commission to replenish the trust fund account shall be  
42 repaid from revenues collected from the members. Members are those entities, agencies,

1 departments, or divisions of the State that directly contribute funds to the self-insurance  
2 trust. In no event shall individuals be members for the purposes of this section.

3 **"§ 58-32-18. Termination of fund.**

4 Any fund created under this Article may be terminated by the Commission upon  
5 determination by the Commission that other satisfactory and adequate arrangements have  
6 been made to assure that both existing and future claims or judgments against the  
7 participants in the self-insurance program will be paid and satisfied. Upon the  
8 termination of any fund pursuant to this section, the full amount remaining in the fund  
9 upon termination less any outstanding indebtedness shall be credited to the General  
10 Fund."

11 Sec. 3. Article 32 of Chapter 58 of the General Statutes is amended by adding  
12 a new section to read:

13 **"§ 58-32-35. Sovereign immunity.**

14 Nothing in this Article waives the sovereign immunity of the State."

15 Sec. 4. There is appropriated from the General Fund to a Self-Insurance Trust  
16 Fund Reserve in the Office of State Budget and Management the sum of three million  
17 dollars (\$3,000,000) for the 1995-96 fiscal year and the sum of two million dollars  
18 (\$2,000,000) for the 1996-97 fiscal year. Funds from the reserve shall be used to provide  
19 the initial funding for a self-insurance trust fund if the Public Officers and Employees  
20 Liability Insurance Commission elects to establish such a fund to provide State employee  
21 excess liability coverage in accordance with Article 32 of Chapter 58 of the General  
22 Statutes. Funds in the Reserve shall not revert.

23 Sec. 5. This act becomes effective July 1, 1995.