

House Engrossed

workers' compensation; medical-only loss

State of Arizona
House of Representatives
Fifty-fifth Legislature
Second Regular Session
2022

HOUSE BILL 2121

AN ACT

AMENDING SECTION 23-963.01, ARIZONA REVISED STATUTES; RELATING TO WORKERS' COMPENSATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 23-963.01, Arizona Revised Statutes, is amended
3 to read:

4 23-963.01. Policies with deductible coverage; medical-only
5 loss

6 A. Notwithstanding ~~the provisions of~~ section 23-963, an insurance
7 carrier authorized to transact workers' compensation insurance in this
8 state may offer deductible coverage to employers. Deductible coverage
9 shall be effected by attaching a benefits deductible endorsement to the
10 policy. The endorsement shall specify whether loss adjustment expenses
11 are to be treated as advancements within the deductible to be reimbursed
12 by the employer. The policyholder exercising the deductible option shall
13 choose only one deductible amount. Premium reductions for deductibles
14 shall be determined before ~~application of~~ APPLYING any experience
15 modification, premium surcharge or premium discount. If an insurance
16 carrier offers deductible coverage to an employer, the employer shall
17 submit a certified copy of the employer's most recent financial statement
18 to the insurance carrier to justify the deductible amount the employer
19 chooses. The insurance carrier shall retain a copy of the financial
20 statement for three years.

21 B. Any compensable claim for benefits shall be paid by the
22 carrier. The employer shall reimburse the carrier for any deductible
23 amounts paid by the carrier. The employer is liable for reimbursement up
24 to the limit of the chosen deductible. The payment or nonpayment of
25 deductible amounts by the insured employer to the carrier shall be treated
26 under the policy in the same manner as payment or nonpayment of premiums.

27 C. The nonpayment of deductible amounts by the insured employer to
28 the carrier under subsection B of this section shall not relieve the
29 insurance carrier from ~~payment of~~ PAYING compensation for injuries or
30 death sustained by an employee during the period of time the agreement,
31 contract or policy was in effect. No agreements, contracts or policies
32 providing deductible amounts for workers' compensation coverage shall be
33 terminated retroactively for nonpayment of deductible amounts.

34 D. Losses subject to the deductible shall be reported and recorded
35 as losses for purposes of calculating rates for a policyholder on the same
36 basis as losses under policies providing first dollar coverage.

37 E. NOTWITHSTANDING ANY OTHER LAW, FOR ANY CLAIM INVOLVING
38 MEDICAL-ONLY LOSS, ANY EXPERIENCE RATING ADJUSTMENT AS DETERMINED BY A
39 NATIONAL NONPROFIT INSURANCE RATING ORGANIZATION SHALL BE APPLIED TO
40 REDUCE THE IMPACT OF THE LOSS IN THE EMPLOYER'S EXPERIENCE MODIFICATION
41 CALCULATION. FOR THE PURPOSES OF THIS SUBSECTION, "MEDICAL-ONLY LOSS"
42 MEANS LOSS THAT HAS NO INDEMNITY VALUE REFLECTING LOST WAGES.