

Fiscal Note

BILL # SB 1498

TITLE: insurance; lienholder; third-party liability

SPONSOR: Mesnard

STATUS: As Introduced

PREPARED BY: Ethan Scheider

Description

Workers' compensation insurance carriers may offset the amount of their payment to injured workers to the extent that the latter has benefited from a claim against a third party for the accident. The bill states that "total recovery" of the insurance carrier is the portion of the settlement that represents payment to an employee for past and future medical expenses and past and future lost wages.

Estimated Impact

We estimate that the bill may generate additional expenses for the Industrial Commission of Arizona (ICA) and the Arizona Department of Administration Risk Management program. We cannot determine the magnitude of the cost in advance.

ICA is responsible for the payment of private sector workers' compensation claims in some instances and ADOA administers the state's self-insured workers' compensation program. We anticipate that the bill may reduce the level of third-party liability offsets and thereby increase the amount of workers' compensation paid out by the ICA and ADOA.

ICA estimates the bill will generate \$126,000 in annual costs from the ICA Administrative Fund to hire an additional administrative law judge. ICA states this position would litigate how the attorney fees are to be directed at different items in an award (i.e. medical/lost wage expenses vs. non-medical/non-lost wage expenses).

Analysis

The ICA currently pays workers' compensation claims from their Special Fund in several circumstances, including if a worker is insured by a bankrupt insurer or self-insured employer. ADOA pays workers' compensation claims of state employees out of its Risk Management Fund. Using their own fund sources (General Fund and/or non-General Fund), state agencies pay premiums into the Risk Management Fund.

By changing the definition of "amount actually collectable", this legislation may increase the amount of workers' compensation that the workers' compensation carrier is liable to pay, as the amount that they ultimately recover is limited to medical and wage expenses. The ICA anticipates that this bill would increase workers' compensation payments from the Special Fund, but they as well did not have an estimate of that impact.

Local Government Impact

There may also be a local government impact resultant from SB 1498, as this legislation may increase the amount of workers' compensation paid by a city or town. Several cities and towns are authorized by the ICA as self-insured employers.

2/21/24

