



INDUSTRIAL COMMISSION OF **ARIZONA**

Substantive Policy Statement

Title: Arizona Department of Administration's exemption from Title 20, Chapter 5, Article 15 of the Arizona Administrative Code	Effective: May 1, 2025
Approved by the Industrial Commission: May 1, 2025	Issued: May 1, 2025

This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes section 41-1033 for a review of the statement.

Arizona Department of Administration's (ADOA) exemption from Title 20, Chapter 5, Article 15 of the Arizona Administrative Code

Arizona Revised Statute (A.R.S.) § 23-962 (A) reads in part:

Any county, city, town, municipal corporation or school district shall insure in any manner prescribed by the terms of section 23-961. Effective July 1, 1983, this state through the department of administration shall self-insure its liability, if any, under chapter 5 of this title and this chapter without the necessity of complying with section 23-961...

Arizona Revised Statute (A.R.S.) § 23-961 (A) reads:

A. Employers shall secure workers' compensation to their employees in one of the following ways:

1. By insuring and keeping insured the payment of such compensation with an insurance carrier authorized by the director of the department of insurance and financial institutions to write workers' compensation insurance in this state.

2. By furnishing to the commission satisfactory proof of financial ability to pay the compensation directly or through a workers' compensation pool approved by the commission in the amount and manner and when due as provided in this chapter. The requirements of this paragraph may be satisfied by furnishing to the commission satisfactory proof that the employer is a member of a workers' compensation pool approved by the commission pursuant to section 23-961.01. The commission may require a deposit or any other security from the employer for the payment of compensation liabilities in an amount fixed by the commission, but not less than \$100,000 dollars for workers' compensation liabilities. If the employer does not fully comply with the provisions of this chapter relating to the payment of compensation, the commission may revoke the authority

ADOA has broad authority and discretion for the purchase of insurance and the ability to self-insure pursuant to A.R.S. Sec. 41-621 and more specifically subsection (G) regarding workers' compensation insurance.

A.R.S. Sec. 41-621 (G) states in part:

In carrying out this chapter, the department of administration shall establish and provide the state with some or all of the necessary risk management services, or shall contract for risk management services pursuant to chapter 23 of this title, as the director of the department of administration deems necessary in the best interest of the state, and in addition to other specifications of such coverage as deemed necessary, may determine self-insurance to be established. Chapter 23 of this title does not apply to the department of administration's procurement of insurance to cover losses arising out of state property or liability claims prescribed in this section or excess loss insurance for the state's workers' compensation liability for individual or aggregate claims, or both, in such amounts and at such primary retention levels as the department of administration deems in the best interest of this state....

Additionally, A.R.S. Sec. 23-962 states that ADOA need not comply with the self-insurance requirements set forth in A.R.S. Sec. 23-961(A)(2), which grants authority to employers to self-insure for workers' compensation. A.R.S. Sec. 41-621(G) grants ADOA the authority to directly provide risk management services on the State's workers' compensation claims.

Given this, the requirements of A.A.C. R20-5-1510 do not apply to the State. The Industrial Commission of Arizona finds that the Arizona Department of Administration is exempt from Title 20, Chapter 5, Article 15 of the Arizona Administrative Code.