



**House  
Legislative  
Analysis  
Section**

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**COUNTIES: DISABILITY SELF-INSURANCE**

**RECEIVED**

House Bill 4901 as enrolled  
Second Analysis (6-26-90)

OCT 08 1990

Sponsor: Rep. Mary C. Brown  
House Committee: Insurance  
Senate Committee: Commerce & Technology  
Mich. State Law Library

***THE APPARENT PROBLEM:***

The act that governs county boards of commissioners, Public Act 156 of 1951, permits a board to provide group life, health, and accident and hospitalization insurance for employees and their dependents, retirees, and certain others. Some counties provide these kind of benefits by self-insuring rather than by purchasing coverage from an insurance company. Reportedly, a 1947 opinion by the attorney general said that county boards are not permitted to provide group disability coverage through self-insurance. There are no such restrictions on any other governmental entity, according to the Insurance Bureau, and many government units of various kinds self-insure to provide this coverage. (A 1981 attorney general's opinion said, in fact, that the School Code does not prevent school districts from providing disability benefits on a self-insured basis.) Because some counties are already engaging in this practice, apparently unaware of the 43-year-old opinion, and other counties want to follow suit without violating the law, legislation has been introduced to permit counties to provide group disability through self-insurance, putting them on equal footing with other kinds of governmental units.

***THE CONTENT OF THE BILL:***

The bill would amend Public Act 156 of 1951 to specify that a county with at least 100 employees could self-insure to provide health, accident and hospitalization, and group disability coverage.

MCL 46.12a

***FISCAL IMPLICATIONS:***

The bill has no revenue or budgetary implications to the state, according to the Department of Licensing and Regulation. (10-10-89)

***ARGUMENTS:***

***For:***

The aim of the bill is to legitimize a common practice: the provision by counties of group disability coverage to employees, retirees, and others on a self-insured basis. A 1947 attorney general's opinion said such a practice was not authorized. Apparently, no other kind of governmental body is restricted by law or opinion from providing benefits through self-insurance, and it has become an increasingly common practice. The bill treats counties as other units of government are treated.

***Against:***

Some people have expressed concern about the ability of employees under self-insured disability plans to continue their coverage or convert their coverage when they leave employment. Self-insurance plans are regulated in a

different manner from commercial insurance companies, which is unfair from the standpoint both of insurance companies and people covered under self-insurance plans. Many state regulations that apply to insurance purchased from an insurance company (or similar entity) do not apply to self-insurance plans.

***Response:*** This bill deals only with county boards of commissioners. If action needs to be taken to put self-insured plans and private insurance on a similar regulatory playing field (to the extent the state is able to regulate self-insured plans at all), it should be comprehensive.