

SENATE BILL No. 1385

September 14, 2004, Introduced by Senator BIRKHOLZ and referred to the Committee on
Banking and Financial Institutions.

A bill to amend 1951 PA 35, entitled

"An act to authorize intergovernmental contracts between municipal corporations; to authorize any municipal corporation to contract with any person or any municipal corporation to furnish any lawful municipal service to property outside the corporate limits of the first municipal corporation for a consideration; to prescribe certain penalties; to authorize contracts between municipal corporations and with certain nonprofit public transportation corporations to form group self-insurance pools; and to prescribe conditions for the performance of those contracts,"

by amending section 5 (MCL 124.5), as amended by 1999 PA 83.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 5. (1) Notwithstanding any other provision of law to
2 the contrary, any 2 or more municipal corporations, by
3 intergovernmental contract, may form a group self-insurance pool
4 to provide for joint or cooperative action relative to their
5 financial and administrative resources for the purpose of
6 providing to the participating municipal corporations risk
7 management and coverage for pool members and employees of pool

1 members, for acts or omissions arising out of the scope of their
2 employment, including any or all of the following:

3 (a) Casualty insurance, including general and professional
4 liability coverage.

5 (b) Property insurance, including marine insurance and inland
6 navigation and transportation insurance coverage.

7 (c) Automobile insurance, including motor vehicle liability
8 insurance coverage and security for motor vehicles owned or
9 operated, as required by section 3101 of the insurance code of
10 1956, 1956 PA 218, MCL 500.3101, and protection against other
11 liability and loss associated with the ownership of motor
12 vehicles.

13 (d) Surety and fidelity insurance coverage.

14 (e) Umbrella and excess insurance coverages.

15 **(f) Hospital, medical, surgical, or dental insurance**
16 **coverage.**

17 ~~(2) Except as otherwise provided in this subsection, a group~~
18 ~~self insurance pool may not provide for hospital, medical,~~
19 ~~surgical, or dental benefits to the employees of the member~~
20 ~~municipalities in the pool except when those benefits arise from~~
21 ~~the obligations and responsibilities of the pool in providing~~
22 ~~automobile insurance coverage, including motor vehicle liability~~
23 ~~insurance coverage and security for motor vehicles owned or~~
24 ~~operated, as required by section 3101 of the insurance code of~~
25 ~~1956, 1956 PA 218, MCL 500.3101, and protection against other~~
26 ~~liability and loss associated with the ownership of motor~~
27 ~~vehicles. This subsection does not preclude municipal~~

1 ~~corporations from forming a multiple employer welfare arrangement~~
2 ~~under chapter 70 of the insurance code of 1956, 1956 PA 218, MCL~~
3 ~~500.7001 to 500.7090, for hospital, medical, surgical, or dental~~
4 ~~benefits.~~

5 (2) ~~—(3)—~~ A group self-insurance pool may assume, cede, and
6 sell risk for coverages set forth in subsection (1). If a group
7 self-insurance pool obtains reinsurance, the reinsurance contract
8 shall be made available to the commissioner upon request. If the
9 reinsurance contract is not available to the group self-insurance
10 pool, the group self-insurance pool shall provide the
11 commissioner with written documentation of coverage as is
12 requested by the commissioner.

13 (3) ~~—(4)—~~ A group self-insurance pool, for the purposes of
14 carrying on the business of the group self-insurance pool whether
15 or not a body corporate, shall have the power to sue and be sued;
16 to make contracts; to hold and dispose of real and personal
17 property; and to borrow money, contract debts, and pledge assets
18 in the name of the group self-insurance pool.

19 (4) ~~—(5)—~~ In addition to any other powers granted by this
20 act, the power to enter into intergovernmental contracts under
21 this section specifically includes the power to establish the
22 pool as a separate legal or administrative entity for purposes of
23 effectuating group self-insurance pool agreements.

24 (5) ~~—(6)—~~ The legislature ~~hereby~~ finds and determines that
25 insurance protection is essential to the proper functioning of
26 municipal corporations; that the resources of municipal
27 corporations are burdened by the securing of insurance protection

1 through standards carriers; that proper risk management requires
2 spreading risk to minimize fluctuation in insurance needs; and
3 that ~~—, therefore,—~~ all contributions of financial and
4 administrative resources made by a municipal corporation
5 ~~—pursuant to—~~ **under** an intergovernmental contract authorized
6 under this act are made for a public and governmental purpose,
7 and ~~that~~ those contributions benefit each contributing municipal
8 corporation.

9 (6) ~~—(7)—~~ Two or more municipal corporations shall not form a
10 group self-insurance pool to provide the coverages described in
11 subsection (1) other than ~~—pursuant to—~~ **under** sections 5 to 12b.