

**SUBSTITUTE FOR
SENATE BILL NO. 897**

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 the
2 contrary, any 2 or more municipal corporations, by
3 intergovernmental contract, may form a group self-insurance pool to
4 provide for joint or cooperative action relative to their financial
5 and administrative resources for the purpose of providing to the
6 participating municipal corporations risk management and coverage

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

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

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

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

13 (d) Surety and fidelity insurance coverage.

14 (e) Umbrella and excess insurance coverages.

15 (2) ~~Except as otherwise provided in this subsection, a~~ A
16 group self-insurance pool may not provide for hospital, medical,
17 surgical, or dental benefits to the employees of the member
18 municipalities in the pool except ~~when those benefits~~ **AS FOLLOWS:**

19 **(A) IF THE MUNICIPAL CORPORATION IS PROVIDING HOSPITAL,**
20 **MEDICAL, SURGICAL, OR DENTAL BENEFITS AS PERMITTED UNDER THE SCHOOL**
21 **EMPLOYEES HEALTH BENEFIT ACT.**

22 **(B) IF THE MUNICIPAL CORPORATION HAS FORMED A MULTIPLE**
23 **EMPLOYER WELFARE ARRANGEMENT UNDER CHAPTER 70 OF THE INSURANCE CODE**
24 **OF 1956, 1956 PA 218, MCL 500.7001 TO 500.7090, FOR HOSPITAL,**
25 **MEDICAL, SURGICAL, OR DENTAL BENEFITS.**

26 **(C) IF THE HOSPITAL, MEDICAL, SURGICAL, OR DENTAL BENEFITS**
27 arise from the obligations and responsibilities of the pool in

1 providing automobile insurance coverage, including motor vehicle
2 liability insurance coverage and security for motor vehicles owned
3 or operated, as required by section 3101 of the insurance code of
4 1956, 1956 PA 218, MCL 500.3101, and protection against other
5 liability and loss associated with the ownership of motor vehicles.
6 ~~This subsection does not preclude municipal corporations from~~
7 ~~forming a multiple employer welfare arrangement under chapter 70 of~~
8 ~~the insurance code of 1956, 1956 PA 218, MCL 500.7001 to 500.7090,~~
9 ~~for hospital, medical, surgical, or dental benefits.~~

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

18 (4) A group self-insurance pool, for the purposes of carrying
19 on the business of the group self-insurance pool whether or not a
20 body corporate, shall have the power to sue and be sued; to make
21 contracts; to hold and dispose of real and personal property; and
22 to borrow money, contract debts, and pledge assets in the name of
23 the group self-insurance pool.

24 (5) In addition to any other powers granted by this act, the
25 power to enter into intergovernmental contracts under this section
26 specifically includes the power to establish the pool as a separate
27 legal or administrative entity for purposes of effectuating group

1 self-insurance pool agreements.

2 (6) The legislature hereby finds and determines that insurance
3 protection is essential to the proper functioning of municipal
4 corporations; that the resources of municipal corporations are
5 burdened by the securing of insurance protection through standards
6 carriers; that proper risk management requires spreading risk to
7 minimize fluctuation in insurance needs; and that, therefore, all
8 contributions of financial and administrative resources made by a
9 municipal corporation pursuant to an intergovernmental contract
10 authorized under this act are made for a public and governmental
11 purpose, and that those contributions benefit each contributing
12 municipal corporation.

13 (7) Two or more municipal corporations shall not form a group
14 self-insurance pool to provide the coverages described in
15 subsection (1) other than pursuant to sections 5 to 12b.

16 Enacting section 1. This amendatory act does not take effect
17 unless all of the following bills of the 93rd Legislature are
18 enacted into law:

19 (a) Senate Bill No. 895.

20 (b) Senate Bill No. 896.

21 (c) Senate Bill No. 898.