

# SENATE BILL No. 114

January 30, 2007, Introduced by Senators BIRKHOLZ, PATTERSON, ALLEN, KUIPERS, GARCIA, HARDIMAN, KAHN, GILBERT, BRATER, VAN WOERKOM and JANSEN 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 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 **(F) HOSPITAL, MEDICAL, SURGICAL, OR DENTAL INSURANCE COVERAGE.**

16 ~~—— (2) Except as otherwise provided in this subsection, a group~~  
17 ~~self insurance pool may not provide for hospital, medical,~~  
18 ~~surgical, or dental benefits to the employees of the member~~  
19 ~~municipalities in the pool except when those benefits arise from~~  
20 ~~the obligations and responsibilities of the pool in providing~~  
21 ~~automobile insurance coverage, including motor vehicle liability~~  
22 ~~insurance coverage and security for motor vehicles owned or~~  
23 ~~operated, as required by section 3101 of the insurance code of~~  
24 ~~1956, 1956 PA 218, MCL 500.3101, and protection against other~~  
25 ~~liability and loss associated with the ownership of motor vehicles.~~  
26 ~~This subsection does not preclude municipal corporations from~~  
27 ~~forming a multiple employer welfare arrangement under chapter 70 of~~

1 ~~the insurance code of 1956, 1956 PA 218, MCL 500.7001 to 500.7090,~~  
2 ~~for hospital, medical, surgical, or dental benefits.~~

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

11 (3) ~~(4)~~—A group self-insurance pool, for the purposes of  
12 carrying on the business of the group self-insurance pool whether  
13 or not a body corporate, shall have the power to sue and be sued;  
14 to make contracts; to hold and dispose of real and personal  
15 property; and to borrow money, contract debts, and pledge assets in  
16 the name of the group self-insurance pool.

17 (4) ~~(5)~~—In addition to any other powers granted by this act,  
18 the power to enter into intergovernmental contracts under this  
19 section specifically includes the power to establish the pool as a  
20 separate legal or administrative entity for purposes of  
21 effectuating group self-insurance pool agreements.

22 (5) ~~(6)~~—The legislature ~~hereby~~ finds and determines that  
23 insurance protection is essential to the proper functioning of  
24 municipal corporations; that the resources of municipal  
25 corporations are burdened by the securing of insurance protection  
26 through standards carriers; that proper risk management requires  
27 spreading risk to minimize fluctuation in insurance needs; and that

1 ~~, therefore,~~ all contributions of financial and administrative  
2 resources made by a municipal corporation ~~pursuant to~~ **UNDER** an  
3 intergovernmental contract authorized under this act are made for a  
4 public and governmental purpose, and ~~that~~ those contributions  
5 benefit each contributing municipal corporation.

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