



**House
Legislative
Analysis
Section**

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House Bill 4901 as introduced
First Analysis (10-12-89)

Sponsor: Rep. Mary C. Brown
Committee: Insurance

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THE APPARENT PROBLEM:

The act that governs boards of county commissioners 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 42-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 permit a county with at least 100 employees to self-insure to provide group disability insurance. The term "disability insurance" would replace "health, and accident and hospitalization insurance," and the bill would adopt the definition of that term found in the Insurance Code.

(The code defines a policy of disability insurance as one that includes "any policy or contract of insurance against loss resulting from sickness or from bodily injury or death by accident, or both, including also the granting of specific hospital benefits and medical, surgical and sick-care benefits.")

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 bills 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.

POSITIONS:

The Insurance Bureau supports the bill. (10-10-89)

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