

# Chapter 407

(House Bill 1205)

AN ACT concerning

## ~~Task Force to Study of~~ Captive Insurers

FOR the purpose of ~~establishing the Task Force to Study Captive Insurers; providing for the purpose, membership, cochairs, and staffing of the Task Force; providing that the members of the Task Force may not receive compensation, but may be reimbursed for certain expenses; requiring the Task Force to study and~~ requiring the Maryland Insurance Administration to study and examine methods to establish and properly regulate a captive insurer industry in the State; authorizing the Administration to hire a certain consultant to assist in the study; requiring the Administration to report on certain matters to the Governor and certain committees on or before a certain date; providing for the termination of this Act; and generally relating to the captive insurance industry.

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That:

- (a) ~~There is a Task Force to Study Captive Insurers.~~
- (b) ~~The purpose of the Task Force is to~~ The Maryland Insurance Administration shall examine methods to establish and properly regulate a captive insurer industry in the State.
- (c) ~~The Task Force consists of the following members:~~
  - (1) ~~one member of the Senate Finance Committee, appointed by the President of the Senate of Maryland;~~
  - (2) ~~one member of the House Economic Matters Committee, appointed by the Speaker of the House of Delegates;~~
  - (3) ~~the Maryland Insurance Commissioner, or the Commissioner's designee;~~
  - (4) ~~the People's Insurance Counsel, or the Insurance Counsel's designee; and~~
  - (5) ~~the following members, appointed by the Governor:~~

- ~~(i) an insurer that underwrites risk for large commercial business in the State;~~
- ~~(ii) a reinsurer that operates in the State;~~
- ~~(iii) an independent insurance producer in the State;~~
- ~~(iv) a representative of a large business that would be a potential customer for a captive insurer in the State;~~
- ~~(v) a representative of a small or medium sized business that would be a potential customer for a captive insurer in the State;~~
- ~~(vi) an attorney with significant knowledge and experience in the corporate structure of insurance companies and related tax law; and~~
- ~~(vii) a member of the public.~~

~~(d) The members appointed from the Senate and House committees shall be the cochairs of the Task Force.~~

~~(e) (1) The Maryland Insurance Administration shall provide staff for the Task Force.~~

~~(2) (b) The Administration may hire an outside consultant as needed to assist the Task Force in the study.~~

~~(f) A member of the Task Force may not receive compensation for serving on the Task Force, but is entitled to reimbursement for expenses under the Standard State Travel Regulations, as provided in the State budget.~~

~~(g) (c) In examining the possibility of establishing a captive insurance industry in the State, the ~~Task Force~~ Administration shall:~~

- (1) study:
  - (i) the models of regulation of captive insurance industries in other states, including the mechanisms for funding those regulatory models;
  - (ii) the potential benefits of hosting a captive insurance industry in the State to different classes of insureds, and the associated costs of captive insurance compared with insurance procured through traditional insurance underwriting and brokerage;
  - (iii) the impact on the State and the domestic insurance industry, both as to the potential expansion of the insurance industry and related

professions and activities in the State, and the effect of newly available captive insurance on existing traditional insurance underwriting and brokerage in the State;

(iv) the need for different or additional consumer protections and financial controls for customers of captive insurers compared with customers of traditional insurers in the State;

(v) the effectiveness, cost, and long-term viability of alternative regulatory or market mechanisms addressing the same or similar markets that have been implemented or are being considered in other states; and

(vi) any additional matters the ~~Task Force~~ Administration considers relevant to assessing the possibility of establishing a captive insurance industry in the State; and

(2) develop recommendations for whether Maryland should establish a captive insurance industry and, if so, how to establish, promote, and regulate the industry.

~~(h)~~ (d) On or before December 31, 2013, the ~~Task Force~~ Administration shall report on its findings and recommendations, including any recommendations for proposed legislation, to the Governor and, in accordance with § 2-1246 of the State Government Article, the Senate Finance Committee and the House Economic Matters Committee.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2013. ~~It shall remain effective for a period of 1 year and, at the end of May 31, 2014, with no further action required by the General Assembly, this Act shall be abrogated and of no further force and effect.~~

**Approved by the Governor, May 2, 2013.**