

HOUSE BILL 1205

C4

3lr1923

By: **Delegate Rudolph**

Introduced and read first time: February 8, 2013

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Task Force to Study Captive Insurers**

3 FOR the purpose of establishing the Task Force to Study Captive Insurers; providing
4 for the purpose, membership, cochairs, and staffing of the Task Force; providing
5 that the members of the Task Force may not receive compensation, but may be
6 reimbursed for certain expenses; requiring the Task Force to study and report
7 on certain matters to the Governor and certain committees on or before a
8 certain date; providing for the termination of this Act; and generally relating to
9 the captive insurance industry.

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

12 (a) There is a Task Force to Study Captive Insurers.

13 (b) The purpose of the Task Force is to examine methods to establish and
14 properly regulate a captive insurer industry in the State.

15 (c) The Task Force consists of the following members:

16 (1) one member of the Senate Finance Committee, appointed by the
17 President of the Senate of Maryland;

18 (2) one member of the House Economic Matters Committee, appointed
19 by the Speaker of the House of Delegates;

20 (3) the Maryland Insurance Commissioner, or the Commissioner's
21 designee;

22 (4) the People's Insurance Counsel, or the Insurance Counsel's
23 designee; and

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (5) the following members, appointed by the Governor:

2 (i) an insurer that underwrites risk for large commercial
3 business in the State;

4 (ii) a reinsurer that operates in the State;

5 (iii) an independent insurance producer in the State;

6 (iv) a representative of a large business that would be a
7 potential customer for a captive insurer in the State;

8 (v) a representative of a small- or medium-sized business that
9 would be a potential customer for a captive insurer in the State;

10 (vi) an attorney with significant knowledge and experience in
11 the corporate structure of insurance companies and related tax law; and

12 (vii) a member of the public.

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

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

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

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

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

24 (1) study:

25 (i) the models of regulation of captive insurance industries in
26 other states, including the mechanisms for funding those regulatory models;

27 (ii) the potential benefits of hosting a captive insurance industry
28 in the State to different classes of insureds, and the associated costs of captive
29 insurance compared with insurance procured through traditional insurance
30 underwriting and brokerage;

1 (iii) the impact on the State and the domestic insurance
2 industry, both as to the potential expansion of the insurance industry and related
3 professions and activities in the State, and the effect of newly available captive
4 insurance on existing traditional insurance underwriting and brokerage in the State;

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

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

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

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

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

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
21 June 1, 2013. It shall remain effective for a period of 1 year and, at the end of May 31,
22 2014, with no further action required by the General Assembly, this Act shall be
23 abrogated and of no further force and effect.