

# HOUSE BILL 1205

C4

(3lr1923)

## ENROLLED BILL

— Economic Matters/Finance —

Introduced by **Delegate Rudolph**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

\_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_\_ M.

\_\_\_\_\_  
Speaker.

### CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 ~~Task Force to Study~~ of **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~~  
7 requiring the Maryland Insurance Administration to study and examine  
8 methods to establish and properly regulate a captive insurer industry in the  
9 State; authorizing the Administration to hire a certain consultant to assist in  
10 the study; requiring the Administration to report on certain matters to the  
11 Governor and certain committees on or before a certain date; providing for the  
12 ~~termination of this Act;~~ and generally relating to the captive insurance  
13 industry.

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**EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.

*Italics indicate opposite chamber/conference committee amendments.*



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

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

4 (b) ~~The purpose of the Task Force is to~~ The Maryland Insurance  
5 Administration shall examine methods to establish and properly regulate a captive  
6 insurer industry in the State.

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

8 (1) ~~one member of the Senate Finance Committee, appointed by the~~  
9 ~~President of the Senate of Maryland;~~

10 (2) ~~one member of the House Economic Matters Committee, appointed~~  
11 ~~by the Speaker of the House of Delegates;~~

12 (3) ~~the Maryland Insurance Commissioner, or the Commissioner's~~  
13 ~~designee;~~

14 (4) ~~the People's Insurance Counsel, or the Insurance Counsel's~~  
15 ~~designee; and~~

16 (5) ~~the following members, appointed by the Governor:~~

17 (i) ~~an insurer that underwrites risk for large commercial~~  
18 ~~business in the State;~~

19 (ii) ~~a reinsurer that operates in the State;~~

20 (iii) ~~an independent insurance producer in the State;~~

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

23 (v) ~~a representative of a small or medium sized business that~~  
24 ~~would be a potential customer for a captive insurer in the State;~~

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

27 (vii) ~~a member of the public.~~

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

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

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

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

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

10               (1) study:

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

13                       (ii) the potential benefits of hosting a captive insurance industry  
14 in the State to different classes of insureds, and the associated costs of captive  
15 insurance compared with insurance procured through traditional insurance  
16 underwriting and brokerage;

17                       (iii) the impact on the State and the domestic insurance  
18 industry, both as to the potential expansion of the insurance industry and related  
19 professions and activities in the State, and the effect of newly available captive  
20 insurance on existing traditional insurance underwriting and brokerage in the State;

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

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

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

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

33       ~~(h) (d)~~ On or before December 31, 2013, the ~~Task Force~~ Administration shall  
34 report on its findings and recommendations, including any recommendations for  
35 proposed legislation, to the Governor and, in accordance with § 2-1246 of the State

1 Government Article, the Senate Finance Committee and the House Economic Matters  
2 Committee.

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
4 June 1, 2013. ~~It shall remain effective for a period of 1 year and, at the end of May 31,~~  
5 ~~2014, with no further action required by the General Assembly, this Act shall be~~  
6 ~~abrogated and of no further force and effect.~~

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.