

Chapter 638

(Senate Bill 890)

AN ACT concerning

**Insurance – ~~Premium Receipts Tax – Exemption for Captive Insurance Procured by Nonprofit Hospitals and Health Care Systems~~ Captive Insurers – Premium Receipts Tax ~~Moratorium and Study~~**

FOR the purpose of ~~exempting premiums suspending for a certain period of time the charge and collection of a certain premium receipts tax and related fees, penalties, and interest on lawfully procured captive insurance by nonprofit hospitals and health care systems entities located in the State from the State insurance premium receipts tax imposed on unauthorized insurers and persons insured by unauthorized insurers; prohibiting the Maryland Insurance Administration from charging or collecting a certain tax otherwise payable before the effective date of this Act and certain fees, penalties, or interest accrued for failure to pay a certain tax before the effective date of this Act from certain unauthorized insurers and certain insureds; requiring the Maryland Insurance Administration to conduct a study on the use, regulation, and taxation of captive insurance companies by entities in the State; and generally relating to the State insurance premium receipts tax~~ captive insurers.

~~BY repealing and reenacting, with amendments,  
Article – Insurance  
Section 4-209 and 4-211  
Annotated Code of Maryland  
(2017 Replacement Volume and 2025 Supplement)~~

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
That ~~the Laws of Maryland read as follows:~~

**~~Article – Insurance~~**

~~4-209.~~

~~(a) This section does not apply to:~~

~~(1) premiums on lawfully procured surplus lines insurance;~~

~~(2) premiums on independently procured insurance on which a tax has been paid under § 4-211 of this subtitle; [or]~~

~~(3) PREMIUMS ON LAWFULLY PROCURED CAPTIVE INSURANCE BY:~~

~~(I) A NONPROFIT HEALTH CARE SYSTEM LOCATED IN THE STATE, INCLUDING PREMIUMS PAID BY THE SYSTEM'S PARENT ENTITY, ANY SUBSIDIARY ENTITY, OR ANY CONSTITUENT HEALTH CARE PROVIDER; OR~~

~~(II) A NONPROFIT HOSPITAL LOCATED IN THE STATE; OR~~

~~(4) wet marine and transportation insurance.~~

~~(b) (1) If an unauthorized insurer effects, continues, or renews insurance on a subject resident, located, or to be performed in the State, the unauthorized insurer shall pay to the Commissioner, before March 1 of the next calendar year, a premium receipts tax of 3% of gross premiums charged for the insurance.~~

~~(2) For policies effective before July 21, 2011:~~

~~(i) if the policy covers property, risks, or exposures located or to be performed entirely in the State, the premium receipts tax shall be computed on the entire premium at the rate specified in paragraph (1) of this subsection; and~~

~~(ii) if the policy covers property, risks, or exposures located or to be performed both in and outside the State, the premium receipts tax shall be computed at the rate specified in paragraph (1) of this subsection only on that portion of the premium that is properly allocable to the risks located in the State.~~

~~(3) For policies effective on or after July 21, 2011, if the State is the insured's home state, the premium receipts tax shall be computed on the entire premium at the rate specified in paragraph (1) of this subsection.~~

~~(4) Insurance that an unauthorized insurer effects, continues, or renews on a subject resident, located, or to be performed in the State that is procured through negotiations or an application wholly or partly occurring or made in or from within or outside of the State, or for which premiums wholly or partly are remitted directly or indirectly from in or outside of the State, is deemed to be insurance procured, continued, or renewed in the State.~~

~~(e) The premium receipts tax under this section is instead of all other State taxes.~~

~~(d) If an unauthorized insurer defaults on the payment of the tax under this section, the insured shall pay the tax.~~

~~(e) If the tax is not timely paid under subsection (b) of this section, the amount of the tax due shall be increased by a penalty of:~~

~~(1) 25% of the tax due; and~~

~~(2) an amount computed at the rate of 1% per month or any part of a month after the date the payment was due to the date the payment is made.~~

~~4-211.~~

~~(a) This section does not apply to:~~

~~(1) PREMIUMS ON LAWFULLY PROCURED CAPTIVE INSURANCE BY:~~

~~(I) A NONPROFIT HEALTH CARE SYSTEM LOCATED IN THE STATE, INCLUDING PREMIUMS PAID BY THE SYSTEM'S PARENT ENTITY, ANY SUBSIDIARY ENTITY, OR ANY CONSTITUENT HEALTH CARE PROVIDER; OR~~

~~(II) A NONPROFIT HOSPITAL LOCATED IN THE STATE; OR~~

~~(2) wet marine and transportation insurance.~~

~~(b) (1) If an insured procures, continues, or renews insurance from an unauthorized insurer that is subject to a report under § 4-210 of this subtitle, a premium receipts tax of 3% of the gross premiums charged for the insurance is levied on the obligation, chose in action, or right represented by the premium charged for the insurance.~~

~~(2) If an insurance contract subject to the tax is canceled and rewritten, the additional premium, for purposes of the premium receipts tax, is the premium in excess of the unearned premium of the canceled insurance contract.~~

~~(c) If the insured fails to withhold from the premium the amount of the tax levied under this section, the insured is liable for the amount of the tax imposed under subsection (b) of this section and shall pay the tax to the Commissioner.~~

~~(d) If the tax imposed under subsection (b) of this section is not timely paid, the amount of the tax due shall be increased by a penalty of:~~

~~(1) 25% of the tax due; and~~

~~(2) an amount computed at the rate of 1% per month or part of a month after the date the payment is due until the date the payment is made.~~

~~(e) If the tax is not timely paid under this section, on request of the Commissioner, the Attorney General shall proceed in a court of this State or another state or in a federal court or agency to recover the tax:~~

(a) The Maryland Insurance Administration, in consultation with relevant stakeholders, shall study the use, regulation, and taxation of captive insurance companies by entities in the State.

(b) The study conducted under subsection (a) of this section shall examine:

(1) utilization of captive insurance by nonprofit and for-profit entities;

(2) existing federal and state regulatory and taxation frameworks that apply to captive insurance, including states with and without established captive insurance frameworks, focusing on:

(i) mechanisms used for funding regulatory oversight; and

(ii) how other states tax capital contributions and internal reserves, including whether different tax treatments are applied based on the nonprofit or for-profit status of the captive owner;

(3) the feasibility, utility, and potential structure of establishing a State registry for captive insurance companies domiciled in other jurisdictions but used by entities in the State, including an analysis of how a registry framework could provide regulatory transparency and fund oversight operations ~~as an alternative to a premium tax framework~~; and

(4) the aggregate results of any completed investigations regarding the use of captive insurance by nonprofit and for-profit entities in the State.

(c) Any data, documents, or other information provided by a nonprofit health system or hospital to the Administration for the purpose of the evaluation and assessment required under this section:

(1) shall be considered confidential commercial and financial information;

(2) may not be disclosed by the Administration to any third party; and

(3) is not a public record and is not subject to inspection under the Public Information Act.

(d) On or before ~~December~~ *January* 1, 2027, the Administration shall report its findings and recommendations to the Governor and, in accordance with § 2-1257 of the State Government Article, the Senate Finance Committee and the House Health Committee.

~~SECTION 2. AND BE IT FURTHER ENACTED, That the:~~

~~(a) The Maryland Insurance Administration may not charge or collect the premium receipts tax under § 4-209 or § 4-211 of the Insurance Article otherwise payable before the effective date of this Act or a fee, penalty, or interest accrued for failure to pay that tax before the effective date of this Act from an unauthorized insurer exempt from the tax under § 4-209(a)(3) of the Insurance Article, as enacted by Section 1 of this Act, or an~~

~~insured exempt from the tax under § 4-211(a)(1) of the Insurance Article, as enacted by Section 1 of this Act from captive insurance lawfully procured by a nonprofit entity.~~

~~(b) The prohibition established under subsection (a) of this section shall apply to any existing and retroactive tax liabilities under § 4-209 or § 4-211 of the Insurance Article.~~

SECTION ~~3~~ 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2026. ~~Section 2 of this Act shall remain effective for a period of 2 years and, at the end of June 30, 2028, Section 2 of this Act, with no further action required by the General Assembly, shall be abrogated and of no further force and effect.~~

**Approved by the Governor, May 26, 2026.**