

Testimony of a Protected Whistleblower

SB 890 – Premium Receipts Tax Exemption

I offer this testimony as a whistleblower protected under Maryland’s Whistleblower Rewards Program, [Maryland Tax-General Code §1-401](#), et seq. Maryland adopted this first-of-its-kind state tax whistleblower program effective October 1, 2021. As the first whistleblower under this program, I have provided the State with evidence that at least ten nonprofit hospitals established offshore for-profit subsidiaries selling unlicensed and unlawfully untaxed insurance in the State of Maryland.

Having been caught red-handed by the Maryland’s Whistleblower Rewards Program, these hospitals now shamelessly demand that the legislature retroactively exempt them from a tax they have strategically evaded for years.

SB 890 Undermines the Credibility of the State’s Whistleblower Rewards Program

The legislature established the Whistleblower Reward Program to encourage citizens to investigate and report tax cheats. Based on the promise of a reward for success, I invested thousands of hours into research and tens of thousands of dollars to purchase corporate records from all over the world which I used to track down these and other tax scofflaws. Having done my part under the program, SB 890’s retroactive exemption threatens to steal the reward promised to whistleblowers. No rational person would participate in Maryland’s whistleblower program again if this legislature permits such a precedent to be set.

SB 890 Directly Benefits Cash-Rich Cayman Islands Insurance Companies

In the first instance, the premium receipts tax is supposed to come out of the premium paid to the insurance company. Only if the insurance company fails to pay, does the tax fall on the insured – in this case the hospitals. [Ins. Code § 4-211\(c\)](#). Accordingly, SB 890 first and foremost is a tax break lavished on for-profit Cayman Islands insurance companies (and one Bermuda insurance company) each of which holds a mountain of cash:

	Off-Shore For-Profit Insurance Company	Domicile	Offshore Assets
1	Christiana Care Insurance Company Ltd.	Cayman Islands	\$100.8 million
2	Cottage Insurance Company, Ltd.	Cayman Islands	\$66 million
3	Greenleaf Insurance Company, Ltd.	Cayman Islands	\$215.7 million
4	Greenspring Financial Insurance, Ltd.	Cayman Islands	\$299 million
5	Lifefridge Insurance Company, Ltd.	Cayman Islands	\$134 million
6	Meritus Insurance Company, Ltd.	Cayman Islands	\$29 million
7	Monocacy Insurance Ltd.	Cayman Islands	\$28.1 million
8	Ruxton Insurance Company, Ltd.	Bermuda	\$78 million
9	Sheppard Pratt Assurance Company Ltd.	Cayman Islands	\$7.2 million
10	Trinity Assurance Ltd.	Cayman Islands	\$804.9 million
11	Western Maryland Insurance Company Ltd.	Cayman Islands	\$23.7 million
		TOTAL	\$1,786,400,000

Maryland Hospitals Already Protect \$1.8 Billion from Maryland Tax

My investigation has revealed that Maryland's non-profit hospitals have spirited down to the Islands at least \$1.8 billion which they stash in their for-profit captive insurance subsidiaries. This is money outside of the reach of Maryland's corporate income tax, already delivering the hospitals a massive tax savings on the profits derived from their for-profit activities. SB 890 is just an additional tax give-away on top of the taxes breaks these hospitals already engineered by setting up offshore subsidiaries to conceal their profits from corporate income tax.

SB 890 Damages the Maryland Insurance Market

Perversely, SB 890 rewards hospitals for locating their for-profit insurance subsidiaries (and the money they hold) offshore. If these insurance companies operated from Maryland, they would pay a 2% premium tax. [Ins. Code § 6-102](#). If SB 890 becomes law, these Cayman Islands insurance company subsidiaries would owe a 0% premium tax. The current law imposes a mere 1% "surcharge" for the taking their for-profit insurance companies (and their hundreds of millions of Maryland-earned dollars) down to the Cayman Islands. If the hospitals want their for-profit insurance subsidiaries to pay a lower rate, they should bring them (and their money) back to Maryland.

The Hospitals Have Been Well Aware of their Tax Obligations for Years

It is implausible to assume the hospitals decided to set up their for-profit insurance businesses in the Cayman Islands without thinking through the tax implications. Indeed, in 2018 the Cayman Islands Captive Forum specifically advised its captive owners that:

- "State premium tax – known as (i) 'direct placement' tax or (ii) 'self-procurement tax' or (iii) 'independently procured insurance' tax would apply (about 30 states impose this type of tax) with a 3% typical rate." ([page 17](#))
- "As states look for more revenue, auditors are assessing self-procurement taxes on captive arrangements at an increasing rate." ([page 49](#))

The time for the hospitals to ask for a tax exemption was ten years ago when they indisputably knew of their obligation to pay the premium receipts tax, not today after they have been caught. And certainly, a retroactive exemption such as that proposed in SB 890 would encourage other Maryland businesses to violate the law and ask for a handout from the legislature later. Other states such as [Florida](#) and [Washington](#) aggressively enforce this tax – and [Minnesota](#) has rejected a bill similar to that proposed here.

Maryland Faces Substantial Lost Revenue if SB 890 becomes Law

Maryland does not have the extra revenue available to favor offshore for-profit enterprises that have operated in the state without a license and without paying the taxes they owe.

For these reasons, SB 890 should not become law.

Hospital System	For-Profit Captive Insurance Company Subsidiary	Domicile	Formed	Assets
Bon Secours Mercy Health	Bon Secours Mercy Health Insurance Company/Ltd.	Cayman Islands	1999	\$ 532,000,000
UPMC Western Maryland	Cathedral Insurance Company Limited	Cayman Islands	1985	\$ 163,000,000
Christiana Care Health System	Christiana Care Insurance Company, Ltd	Cayman Islands	2019	\$ 100,000,000
Luminis Health.	Cottage Insurance Company, Ltd	Cayman Islands	2005	\$ 66,000,000
TidaHealth	Delmarva Peninsula Insurance Company	Cayman Islands	2013	\$ 32,000,000
Mercy Medical Center	Greenleaf Insurance Company, Ltd.	Cayman Islands	1997	\$ 216,000,000
Medstar Health	Greenspring Financial Insurance, Ltd	Cayman Islands	2004	\$ 299,000,000
Johns Hopkins Health System	Health Enterprises Insurance Company, Ltd.	Cayman Islands	2005	\$ 200,000,000
Lifebridge Health	Lifebridge Insurance Company, Ltd	Cayman Islands	2002	\$ 134,000,000
Meritus Medical Center	Meritus Insurance Company, Ltd	Cayman Islands	2003	\$ 29,000,000
Frederick Regional Health System	Monocacy Insurance LTD	Cayman Islands	2011	\$ 28,000,000
GBMC HealthCare	Ruxton Insurance Company, Ltd	Bermuda	2003	\$ 78,000,000
Sheppard Pratt Health System, Inc.	Sheppard Pratt Assurance Company	Cayman Islands	2022	\$ 7,000,000
University of Maryland Medical System	Terrapin Insurance Company	Cayman Islands	1991	\$ 460,000,000
Trinity Health Corporation	Trinity Assurance Ltd	Cayman Islands	1989	\$ 805,000,000
Tenet Health (for profit)	USP Assurance Company	Vermont	2006	\$ -
Western Maryland Health System Corporation	Western Maryland Insurance Company Ltd.	Cayman Islands	2004	\$ 24,000,000
				\$ 3,173,000,000