

HB1128_RichardKaplowitz_FAV

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TESTIMONY ON HB#1228 - POSITION: FAVORABLE

Insurance - Premium Receipts Tax - Exemption for Captive Insurance Procured by Nonprofit Hospitals and Health Care Systems

TO: Chair Bartlett, Vice Chair Davis and members of the Judiciary Committee

FROM: Richard Keith Kaplowitz

My name is Richard Kaplowitz. I am a resident of District 3, Frederick County. I am submitting this testimony in support of/ HB#/1228, Insurance - Premium Receipts Tax - Exemption for Captive Insurance Procured by Nonprofit Hospitals and Health Care Systems

Captive insurance is a form of self-insurance where a company creates its own licensed insurance subsidiary to cover its own risks, rather than purchasing policies from third-party carriers. It offers businesses greater control over coverage, reduced costs, improved cash flow, and potential tax advantages, allowing them to retain underwriting profits.¹

Key Aspects of Captive Insurance

- **Purpose, Structure** Types: [Single-parent captive](#) or [Group captive](#)
- **Advantages: Cost Savings, Tailored Coverage, Risk Control, Cash Flow**
- **Common Industries:** Often used by companies with unique risks, such as manufacturing, transportation, healthcare, and construction.

This bill will affect premiums on lawfully procured captive insurance by 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 a nonprofit hospital located in the state.

The bill will accomplish this by exempting premiums on lawfully procured captive insurance by nonprofit hospitals and health care systems located in the State from the State insurance premium receipts tax imposed on unauthorized insurers and persons insured by unauthorized insurers; and prohibiting the Maryland Insurance Administration from charging or collecting a certain tax or certain fees, penalties, or interest from certain unauthorized insurers and certain insureds.

I respectfully urge this committee to return a favorable report on HB1228.

¹ Google AI Search "what is captive insurance"