



**Testimony to the House Ways and Means Committee**  
**SB890 Insurance - Captive Insurers - Premium Receipts Tax Moratorium and Study**  
**Position: Oppose**

April 8, 2026

The Honorable Jheanelle K. Wilkins, Chair  
Ways and Means Committee  
130 Taylor Office Building  
Annapolis, MD 21401  
Cc: Members of the Committee

Chair Wilkins and members of the Ways and Means Committee,

Economic Action Maryland Fund opposes SB890 which, as amended, establishes a two-year moratorium for hospitals to pay premium receipt taxes and related fees, penalties, and interest. As amended, SB890 requires the Maryland Insurance Administration (MIA) to conduct a study on captive insurance in Maryland.

The legislation stems from the fact that sixteen Maryland nonprofit hospitals, which receive significant tax breaks, have established for-profit insurance subsidiaries in the Cayman Islands. Under Maryland law, businesses with captive insurance subsidiaries must pay a 3% premium receipt tax on the gross premiums charged for the insurance. This tax comes out of the premiums paid to the insurance company. The taxes paid go into the General Fund.

These 16 for-profit insurance companies have not paid their 3% tax for decades. By law, if the for-profit captive insurance company fails to pay their taxes, the nonprofit hospital systems are responsible for the taxes<sup>1</sup>. **Cumulatively, these hospitals are holding more than \$3 billion dollars offshore and have failed to pay taxes on these assets. A whistleblower estimates the hospitals owe \$20-\$25 million in back taxes to the state. (See chart on last page.)**

**Problems with SB890 as Amended**

SB890 was amended substantially before it passed the Senate. As drafted it would have exempted hospitals from paying these taxes retroactively and prospectively.

Yet, as amended, the bill is still extremely problematic.

---

<sup>1</sup> Section 4-211

*Economic Action (formerly the Maryland Consumer Rights Coalition) champions economic rights and housing justice through advocacy, research, consumer education, and direct service. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.*



- **It rewards Maryland hospitals for breaking the law.**
  - The legislation creates a two-year moratorium for any MIA collection action toward nonprofit hospitals' captive insurance premium receipts tax.
  - Specifically it prohibits MIA from charging and collecting premium receipts tax and related fees, penalties and interest accrued for failure to pay from Maryland nonprofit hospitals.
  - The prohibition applies to any existing and retroactive tax liabilities.
  - **No other state has taken an action like this.** While other states are actively working to collect hospitals' premium receipts tax, Maryland would establish that our nonprofit hospitals are above the law.
  - This is unfair to both the companies that did the right thing and paid these taxes all along as well as to the companies that reached a settlement with MIA and paid their back taxes.
  - It is silent on what happens to the back taxes at the end of the two years. Given the predetermined proposal outlined in the study, it seems as if the hospitals will not have to pay the back taxes
- **It deprives Maryland of critically needed revenue for at least two years.**
  - While it is extremely difficult to estimate the amount of taxes that the General Fund would lose, the fiscal and policy note found that the most conservative estimate was a loss of \$2 million a year.
  - It is fiscally irresponsible given the structural deficit and cuts to critical programs this legislative session to forgo a minimum of \$4 million (likely much more) for the next two years.
- **The proposed study language is deeply flawed and skews toward one outcome which will benefit hospitals bottom line.**
  - The MIA is supposed to consult with relevant stakeholders but no stakeholders are identified. In crafting this rewrite of the bill, the Senate sponsor consulted with [industry](#), MHA, and MIA but there was no consultation with the OAG's office, with consumer or patient advocates. **We recommend that consumer advocates, labor unions representing health care workers, patients advocates, budget, and transparency advocates as well as the OAG should be part of any consultation and work group.**
  - The study is tasked with looking at the creation of a state registry for captive insurance in lieu of the long-established practice of taxing premium receipts. Most states currently operate in a way similar to Maryland and tax these

*Economic Action (formerly the Maryland Consumer Rights Coalition) champions economic rights and housing justice through advocacy, research, consumer education, and direct service. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.*

premiums. In fact the American Bar Association [cautions](#) that ignoring state tax issues is one of the biggest dangers of bad captive arrangements. **We recommend that the study include legal ramifications of moving away from a system most states use.**

- Pre-determining a new model by requiring that it be examined in detail means that the study will not be data driven nor evidence-based. Rather than examining what a new registry will look like, we recommend that the study include **a look at current practices across the country, analyze how long these Maryland hospitals have broken the law, what are the annual assets held in the Cayman Islands, what is the likely loss to the General Fund if Maryland does not collect these taxes, how often Maryland and other states retroactively waive the collection of fees, how the collection of the past due amount would affect the General Fund’s deficit, among other questions.**
- The study suggests aggregating data rather than having disaggregated data which would provide a more nuanced view and analysis of the different entities. We would amend to state: **All data in the study should be disaggregated by hospital and by year.**
- Furthermore, the study notes that any information is not subject to a PIA and will not be made available to the public. This is exactly the kind of information the public should be made aware of. **We would amend to state that all information in the study should be made available to the public as well as the final study and its recommendations.**

#### Hospitals with Offshore Captive Insurance Subsidiaries and their Assets

Hospital System	Offshore Captive Insurance Subsidiary	Domicile	Assets
Bon Secours Mercy Health	Bon Secours Mercy Health Insurance Co.	Cayman Islands	\$532,000,000
UPMC Western Maryland	Cathedral Insurance Company Limited	Cayman Islands	\$163,000,000
Christiana Care Health System	Christiana Care Insurance Company, Ltd.	Cayman Islands	\$100,800,000

*Economic Action (formerly the Maryland Consumer Rights Coalition) champions economic rights and housing justice through advocacy, research, consumer education, and direct service. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.*



Luminis Health	Cottage Insurance Company, Ltd.	Cayman Islands	\$66,000,000
TidalHealth	Delmarva Peninsula Insurance Company	Cayman Islands	\$32,000,000
Mercy Medical Center	Greenleaf Insurance Company, Ltd.	Cayman Islands	\$215,700,000
MedStar Health	Greenspring Financial Insurance, Ltd.	Cayman Islands	\$299,000,000
Johns Hopkins Health System	Health Enterprises Insurance Company, Ltd.	Cayman Islands	\$200,000,000
Lifebridge Health	Lifebridge Insurance Company, Ltd.	Cayman Islands	\$134,000,000
Meritus Medical Center	Meritus Insurance Company, Ltd.	Cayman Islands	\$29,000,000
Frederick Regional Health System	Monocacy Insurance Ltd.	Cayman Islands	\$28,100,000
GBMC	Ruxton Insurance Company, Ltd.	Bermuda	\$78,000,000
Sheppard Pratt Health System	Sheppard Pratt Assurance Company Ltd.	Cayman Islands	\$7,200,000
Univ. of Maryland Medical System	Terrapin Insurance Company	Cayman Islands	\$460,000,000
Trinity Health Corporation	Trinity Assurance Ltd.	Cayman Islands	\$804,900,000
Western Maryland Health System	Western Maryland Insurance Company Ltd.	Cayman Islands	\$23,700,000
<b>Total Combined Offshore Assets</b>			<b>\$3,173,000,000</b>

For all these reasons we oppose SB890 and urge an unfavorable report.

Best,

Marceline White  
Executive Director

*Economic Action (formerly the Maryland Consumer Rights Coalition) champions economic rights and housing justice through advocacy, research, consumer education, and direct service. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.*

2209 Maryland Ave · Baltimore, MD 21218 | [www.econaction.org](http://www.econaction.org)  
Marceline White · [Marceline@EconAction.org](mailto:Marceline@EconAction.org) | Jennifer Bevan-Dangel · [Jennifer@EconAction.org](mailto:Jennifer@EconAction.org)