



Maryland
Hospital Association

Senate Bill 890- Insurance - Captive Insurers - Premium Receipts Tax Study

Position: Support as Amended

April 8, 2026

House Ways & Means Committee

MHA Position

On behalf of the Maryland Hospital Association's (MHA) member hospitals and health systems, we appreciate the opportunity to comment in support of Senate Bill 890 as amended.

SB 890, as amended, provides the proper framework to resolve ambiguity about how nonprofit hospital captives are treated under state law by mandating a dedicated study to be published by December 1, 2027.

The regulation of captive insurance is a complex and nuanced issue. While large commercial corporations often leverage captives for financial optimization and tax advantages, non-profit health systems use them strictly for mission-critical risk management. Hospitals are forced to utilize these entities because there is currently no widely available commercial liability insurance market in Maryland capable of serving all the unique risks health systems face.

By self-funding through a captive, hospitals legally set aside their own internal funds into dedicated reserves. Captives simply allow hospitals to maximize the use of their existing and limited financial resources. If a hospital kept this same cash in a standard savings account to cover future liabilities, it would be unreasonable to assert those funds should be taxed as commercial insurance premiums. However, because hospitals must utilize a captive insurance structure to access critical the reinsurance market, our non-profit safety net hospitals could be potentially punished by the state for prudent financial management.

Currently, it is not clear how captive insurers wholly owned by non-profit hospitals and health systems should be treated under state law. This lack of clarity is well documented. In 2013, the Maryland Insurance Administration (MIA) conducted a comprehensive evaluation of captive insurance, resulting in a detailed approximately 160-page report. While that extensive report thoroughly analyzed the landscape, it made no mention that out-of-state captives serving Maryland organizations should be subject to the State's unauthorized insurers premium tax. Given the historical lack of clarity, it's important to study how these entities should be treated before pursuing enforcement.

For these reasons, the MHA strongly supports the measured, study-based approach of the amended bill and respectfully requests a favorable report on SB 890 as amended.

For more information, please contact:

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