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Date: March 10, 2026

Bill # / Title: House Bill 1228 - Insurance - Premium Receipts Tax - Exemption for Captive Insurance Procured by Nonprofit Hospitals and Health Care Systems

Committee: House Ways and Means Committee

Position: Letter of Information

The Maryland Insurance Administration (MIA) appreciates the opportunity to share this Letter of Information relating to House Bill 1228.

House Bill 1228 concerns taxes imposed on insurance premiums paid by nonprofit hospitals and health care systems under Title 4, Subtitle 2 of the Insurance Article, which addresses general requirements for unauthorized insurers. An “unauthorized insurer” is an insurer that operates in the State and does not have a certificate of authority from the MIA. A captive insurer is a type of insurer that is usually a wholly owned subsidiary of a parent organization created for the purpose of insuring risks of the parent organization or its affiliates. Captive insurers are usually also unauthorized insurers as they do not have a certificate of authority from the MIA, though they are often licensed in other jurisdictions. Captive insurance allows organizations to reduce costs, gain coverage tailored to their needs, and access reinsurance markets. There are usually also tax advantages associated with use of a captive insurer, as opposed to a traditional insurance provider.

Both authorized insurers and unauthorized insurers pay a premium receipts tax in lieu of State corporate income taxes. The MIA collects premium receipts taxes from insurers and deposits that tax revenue into the State General Fund. Section 4-209 of the Insurance Article requires that an unauthorized insurer (including a captive insurer) that effects, continues, or renews insurance on a subject located in the State pay a premium receipts tax of 3% of gross premiums charged for the insurance. Section 4-211 provides that if an unauthorized insurer fails to pay premium receipts tax due under § 4-209, the insured is responsible for paying it.

House Bill 1228 would amend §§ 4-209 and 4-211 of the Insurance Article to exempt premiums on captive insurance procured by nonprofit hospitals and health care systems located in Maryland from the 3% insurance premium receipts tax imposed on unauthorized insurers and persons insured

by unauthorized insurers. Additionally, uncodified language in the bill would prohibit the MIA from taking action to collect unpaid captive insurance premium tax liabilities that such entities should have paid in prior years, as well as any resultant penalties or interest that may be assessed pursuant to current law. Although the exact figure is unknown, the bill as introduced would result in a reduction in premium tax revenues that the MIA deposits to the State General Fund each year.

The MIA is working with the sponsor and the Maryland Hospital Association to develop amendments to the bill that would more clearly define captive insurance premium tax liabilities and what constitutes insurance business for nonprofit hospitals and health care systems. These amendments may mitigate the future fiscal impact of the bill.

The MIA thanks the Committee for the opportunity to share this information concerning House Bill 1228.