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Finance Committee

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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Senator Gile - Written Testimony - SB 890

Ways and Means - April 8, 2026

Insurance - Captive Insurers - Premium Receipts Tax Moratorium and Study

Madam Chair, Madam Vice Chair, and Members of the Committee:

Maryland hospitals manage a wide range of risks to keep critical, life-saving care available to patients every day. Some of these risks are extremely costly or difficult to insure through traditional insurance companies, which means hospitals must often set aside their own funds to prepare for future claims. Senate Bill 890 addresses how this longstanding practice is treated under Maryland law. SB 890 passed in the Senate and HB 1228 is being heard before this committee today which is cross-filed by Delegate Queen.

This bill is the product of extensive conversations between the Maryland Insurance Administration, the Maryland Hospital Association, and hospitals across the State. It reflects a measured approach that ensures the fair application of Maryland tax law while preserving the financial stability hospitals need to continue protecting patients.

Many of the risks hospitals face are difficult or extremely expensive to insure through traditional insurance markets. These include medical professional liability in high-acuity areas such as obstetrics, neurosurgery, trauma, and emergency care, as well as cyber risks like ransomware attacks and data breaches. To manage these risks responsibly, hospitals use what is known as a “captive.” A captive is a separate entity created by the hospital to hold its own reserve funds specifically for future liability claims. It functions much like a dedicated emergency fund—if a claim occurs, the captive pays the cost.

As amended, SB 890 provides a targeted, temporary solution to an area of law that is currently unclear and inconsistently applied. The bill establishes a two-year moratorium, in fiscal years 2027 and 2028, on the State’s premium receipts tax as applied to captive insurance lawfully procured by nonprofit hospitals and health systems, including any associated fees, penalties, or retroactive liabilities.

Importantly, this is not a permanent exemption, nor does it expand the use of captive insurance. Instead, it allows the State to pause and ensure that we are applying tax policy correctly and consistently.

To support that goal, the bill requires the Maryland Insurance Administration to conduct a comprehensive study of captive insurance in Maryland. This study will evaluate how these arrangements are used, how other states regulate and tax them, and what a more transparent and consistent framework should look like moving forward.

The bill also includes appropriate safeguards to ensure that sensitive financial information provided during the study process is treated as confidential, allowing for full and candid participation by stakeholders.

While the fiscal note reflects a temporary reduction in revenue during the moratorium period, this approach ensures that Maryland develops a well-informed, durable policy rather than making permanent decisions without a complete understanding of the issue.

SB 890 is about clarity and responsible, data-informed policy-making. It allows us to resolve uncertainty in current law while taking the time to get the long-term policy right.

For these reasons, I respectfully request a favorable report on Senate Bill 890.