

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1228 (Delegate Qi)
Ways and Means and Health

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

This bill exempts the premiums paid on lawfully procured captive insurance by a nonprofit health care system or a nonprofit hospital located in the State from (1) the 3% insurance premium receipts tax imposed on unauthorized insurers or insureds who procure unauthorized insurance and (2) certain penalty provisions related to nonpayment of the insurance premium receipts tax. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund revenues decrease significantly beginning in FY 2027, potentially by over \$2.0 million annually, as discussed below. Expenditures are not affected.

Local Effect: The bill does not materially affect local government operations or finances.

Small Business Effect: None.

Analysis

Bill Summary/Current Law: Insurance Law includes various policies and procedures to govern and regulate insurance policies issued by insurers and other persons that are not authorized to do insurance business in the State. These policies and procedures are specified by Title 4 of the Insurance Article, and generally subject these unauthorized insurers, and the policies they issue, to the regulatory authority of the Maryland Insurance Administration (MIA).

Directly related to the bill, if an unauthorized insurer effect, continues, or renews insurance on a subject resident, located, or to be performed in the State, the unauthorized insurer must pay a premium receipts tax of 3% of the gross premiums charged for the insurance, and the tax owed must be calculated in a specified manner. Additionally, if an insured procures, continues, or renews insurance from an unauthorized insurer, a premium receipts tax of 3% of the gross premiums charged for the insurance is levied on the obligation under specified circumstances. The bill exempts the premiums paid on lawfully procured captive insurance by a nonprofit health care system or nonprofit hospital located in the State from both of these taxes.

State Revenues: General fund revenues decrease significantly beginning in fiscal 2027 due to fewer entities paying premium taxes; based on information provided by MIA, approximately 16 hospitals in the State are exempt from paying premium taxes under the bill. A precise estimate of the impact depends on the premiums paid by each of these hospitals, which is currently unknown and, therefore, cannot be reliably estimated at this time.

For illustrative purposes only, a preliminary analysis by MIA estimates that the bill's exemption decreases general fund revenues by approximately \$2.1 million annually. According to MIA, this is a conservative estimate, and does not include, among other things, penalties collected for late payments. MIA's analysis assumes that each exempt hospital pays roughly the same amount in premiums and that half of the exempt hospitals would be subject to the premium tax absent the bill.

Additional Comments: According to the National Association of Insurance Commissioners, [captive insurance](#) is a type of self-insurance where a business or entity creates a wholly owned subsidiary to provide insurance to its non-insurance parent company.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 890 (Senator Gile) - Finance.

Information Source(s): Comptroller's Office; Maryland Insurance Administration; National Association of Insurance Commissioners; Department of Legislative Services

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Analysis by: Kayvon Samadani

Direct Inquiries to:
(410) 946-5510
(301) 970-5510