



Testimony in Support of Senate Bill 509: Commercial Financing - Small Business Truth in Lending Act

February 14th, 2024

Chair Beidle and distinguished members of the Finance Committee, it is my pleasure to come before you and offer testimony in favor, with an amendment, of **Senate Bill 509: Commercial Financing - Small Business Truth in Lending Act**. If enacted, this bill would regulate commercial financing transactions, by establishing requirements related to disclosures, calculations of annual percentage rates, terms of repayments, and other related items, including the extension of specific offers.

The National Premium Finance Association (NPFA) is the national trade organization for insurance premium finance lenders, many of which are registered with the Maryland Insurance Commissioner and transact business in the State of Maryland.

Insurance premium financing is a short-term secured loan for businesses to use specifically to pay for insurance coverage. Businesses of all sizes must obtain commercial, property, casualty, and liability insurance policies to mitigate operational risk and protect their customers. While some businesses can pay for these policies' premiums in full at the time of purchase, others either do not have sufficient funds to cover the premium or prefer to finance the premium to permit other uses of capital that would otherwise be paid to the insurance company at the inception of an insurance policy period. The financing transactions offered by insurance premium finance lenders may fall within the scope of commercial financial disclosure legislation ("CFDL"), such as this bill.

Insurance premium finance lending is highly regulated in the State of Maryland. Premium finance lenders are required by law to register with the Maryland Insurance Commissioner through the Maryland Insurance Administration (the "MIA"). Nearly every disclosure contemplated under this bill is already required for premium finance loans under existing Maryland law.

The requirements under this bill are largely redundant when applied to premium finance lenders, because of the existing oversight of MIA and laws governing insurance premium finance.

NPFA suggests the following amendment:

On page 5, line 13, after "PROVIDER." Add **(10) A PREMIUM FINANCE AGREEMENT AS DEFINED IN § 23-101 OF THE INSURANCE ARTICLE**

We urge a favorable, as amended, report on Senate Bill 509.