

SB 954 Final Testimony.pdf

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Position: FAV

CHARLES E. SYDNOR III, ESQ.
Legislative District 44
Baltimore County

DEPUTY MAJORITY WHIP

Judicial Proceedings Committee
Executive Nominations Committee

Joint Committees

Administrative, Executive, and
Legislative Review

Children, Youth, and Families

Senate Chair, Legislative Ethics

Chair

Baltimore County Senate Delegation



James Senate Office Building
11 Bladen Street, Room 216
Annapolis, Maryland 21401
410-841-3612 · 301-858-3612
800-492-7122 Ext. 3612
Charles.Sydnor@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Testimony for Senate Bill 954
Corporations and Associations– Transparency– Beneficial Ownership
March 6, 2024

Good afternoon Chair Smith, and members of the Judicial Proceedings Committee,

Senate Bill 954 introduces various amendment to the Corporations and Associations title of the Maryland Code. These proposed changes will align Maryland law with the Federal Corporate Transparency Act (“CTA”) which requires certain business entities to file “beneficial owner” information with the Financial Crimes Enforcement Network and the Department of Treasury.¹ The CTA created a database of beneficial ownership information within the Financial Crimes Enforcement Network, and the database’s purpose is to provide resources to “crack down on anonymous shell corporations.”² The CTA, in placing the burden on business, intends to detect, prevent, and punish “terrorism, money laundering, and other misconduct accomplished through business entities[.]”³ SB 954 has the same goal.

First, SB 954 introduces definitions to “Acceptable Identification Document,” “Applicant,” “Beneficial Owner” and “Reporting Entity.” SB 954’s definition of “beneficial owner” and “reporting entity” pull language from the CTA’s definition thereof.

Second, similarly to the CTA, this legislation mandates that a Reporting Entity must file a report containing the full legal name, a current residential or business address, and an acceptable identification document, within 30 days of filing the documents that formed the entity. However, if the Beneficial Owner is a minor, the report need not include the minor’s information, but must include the minor’s parent or guardian’s required information.

¹ Robert Wilson Downes, et al., American Bar Association, *The Corporate Transparency Act—Preparing for the Federal Database of Beneficial Ownership Information* (Apr. 16, 2021). [The Corporate Transparency Act – Preparing for the Federal Database of Beneficial Ownership Information \(americanbar.org\)](https://www.americanbar.org/publications/whitepapers/corporate-transparency-act-preparing-for-the-federal-database-of-beneficial-ownership-information/).

² *Id.*

³ *Id.*

Third, SB 954 makes failing to submit a report, or filing a report that a person knows contains false information is a violation of this law and the State Department of Assessments and Taxation may impose a civil penalty for each day the violation continues. This legislation permits the State Department of Assessments and Taxation to adopt regulations to carry out this law.

Finally, under the General Provisions Article, SB 954 states a custodian must allow inspection of a report by a unit of government, in the performance of that unit's official duties. This provision also follows the CTA which permits disclosure of beneficial ownership information in specified circumstances.⁴

SB 954 contains safeguards to prohibit the information from public disclosure and is a law enforcement tool that requires transparency to allow the government to solve problems. Ultimately, this legislation mimics the Federal CTA in requiring beneficial ownership information to detect, prevent, and punish business entity misconduct such as money laundering, and terrorism. For these reasons I respectfully request a favorable report for SB 954.

⁴ *Id.*

SB 954_IAB_FWA.pdf

Uploaded by: Bryson Popham

Position: FWA

Bryson F. Popham, P.A.

Bryson F. Popham, Esq.

191 Main Street
Suite 310
Annapolis, MD 21401
www.papalaw.com

410-268-6871 (Telephone)
443-458-0444 (Facsimile)

March 5, 2024

The Honorable William C. Smith, Jr.
Chairman, Senate Judicial Proceedings Committee
2 East, Miller Senate Office Building
Annapolis, Maryland 21401

RE: Amendments to Senate Bill 954 - Corporations and Associations - Transparency - Beneficial Ownership
FAVORABLE W/AMENDMENT

Dear Chairman Smith and Members of the Committee,

Our client, the Insurance Agents and Brokers of Maryland (IA&B), is a trade association comprised of nearly 200 independent agencies, employing approximately 1,800 licensed Maryland insurance producers, which are located in and doing business throughout the State of Maryland and surrounding states.

IA&B wishes to note the current uncertainty surrounding the federal Corporate Transparency Act (CTA), and especially the enforcement questions arising after a federal court declared the CTA unconstitutional. Senate Bill 954 is closely aligned to the CTA.

Equally important to the 42,000 licensed insurance producers in Maryland and nearly 3,000 corporate entities that may hold such licenses, IA&B further notes an extensive regulatory regime for the conduct of insurance producers, all under the authority of the Maryland Insurance Administration (MIA). The fundamental purpose of Senate Bill 954 – to identify individual owners of certain business entities – is already regulated and enforced by the MIA. Therefore, the additional filing requirements under this legislation will be both costly and duplicative. For those reasons, IA&B respectfully requests an exemption from the application of Senate Bill 954 to licensed insurance producers in the State.

A proposed amendment is attached for the Committee's review.

Very truly yours,



Bryson F. Popham

Enclosure

By: Senator _____

AMENDMENT TO Senate Bill 954
(First Reading File Copy)

Amendment No. 1:

On page 3, in line 1, after "INCLUDE" insert:

"AN INSURER LICENSED IN THE STATE, OR"

Rationale:

Insurance producers are extensively regulated in Maryland by the Office of the Insurance Commissioner, and the information sought under Senate Bill 954 should be available from the Maryland Insurance Administration (MIA).

The fundamental purpose of Senate Bill 954 – to identify individual owners of certain business entities – is already regulated and enforced by the MIA. Therefore, the additional filing requirements under this legislation will be both costly and duplicative.

SB 954_MAMIC_FWA.pdf

Uploaded by: Bryson Popham

Position: FWA

Bryson F. Popham, P.A.

Bryson F. Popham, Esq.

191 Main Street
Suite 310
Annapolis, MD 21401
www.papalaw.com

410-268-6871 (Telephone)
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March 5, 2024

The Honorable William C. Smith, Jr.
Chairman, Senate Judicial Proceedings Committee
2 East, Miller Senate Office Building
Annapolis, Maryland 21401

RE: Amendments to Senate Bill 954 - Corporations and Associations - Transparency - Beneficial Ownership
FAVORABLE W/AMENDMENTS

Dear Chairman Smith and Members of the Committee,

I am writing on behalf of the Maryland Association of Mutual Insurance Companies (MAMIC) to respectfully request an amendment on Senate Bill 954, should it move forward in your Committee.

MAMIC is comprised of 12 mutual insurance companies that are headquartered both in Maryland and in neighboring states. While the number of MAMIC members is small relative to the total number of licensed insurers, all such insurers are currently subject to a significant degree of regulation by the Maryland Insurance Administration and in the Maryland Insurance Article.

As one example of this regulation, attached please find a list of reports due from insurers and related entities to the Maryland Insurance Administration. The list was prepared by the MIA. You will note that the chart is seven pages long. This is merely one example of the State's ability to secure and review necessary information on the insurance industry, and we offer it to demonstrate that imposing an additional filing requirement on insurers, to a different department of State government, is unnecessary.

Therefore, MAMIC respectfully requests that insurers be exempted from the requirements of Senate Bill 954, the same as financial institutions are exempted under the bill as drafted. A proposed amendment is attached for your review.

Very truly yours,



Bryson F. Popham

Enclosures

cc: Jeane Peters, President, MAMIC

By: Senator _____

AMENDMENT TO Senate Bill 954
(First Reading File Copy)

Amendment No. 1:

On page 3, in line 1, after "INCLUDE" insert:

"AN INSURER LICENSED IN THE STATE, OR"

Rationale:

The insurance industry is extensively regulated in Maryland by the Office of the Insurance Commissioner, and the information sought under Senate Bill 954 should be available from the Maryland Insurance Administration.

REPORTS DUE FROM REGULATED ENTITIES TO THE MARYLAND INSURANCE ADMINISTRATION

The Maryland Insurance Administration has compiled this listing of reporting requirements for regulated entities as a guide. It is broken down by the kinds of companies subject to these requirements, and provides the specific citation for these requirements, as well as due dates and agency contacts responsible for these filings.

Please note that this summary, for insurers, nonprofit health service plans, health maintenance organizations, dental plan organizations, pharmacy benefit managers, producers and other “regulated entities” authorized to conduct business in Maryland, is meant to provide notice of certain reporting requirements that are enforced by the Maryland Insurance Administration (MIA). The following chart is intended only as a convenient reference and is not a statement of the MIA’s interpretation or enforcement of these reporting requirements. This summary is not to be considered inclusive of all reporting requirements and is not a substitute for full knowledge and compliance with Maryland law and regulations. All regulated entities should refer to the Annotated Code of Maryland on the Maryland General Assembly’s website at megalleg.maryland.gov and/or to the Code of Maryland Regulation (COMAR) at the Maryland Division of State Documents website at www.dsd.state.md.us for the specific details of these requirements.

REPORT – AUTHORITY	DUE DATE	INSURERS REQUIRED TO FILE REPORT	CONTACT INFORMATION	ALTERNATIVE CONTACT INFORMATION
ALL INSURERS AS DESCRIBED				
Annual Statements/Related Filings (Related filings are detailed on the MIA website For Insurer tab- Company Filing Requirements- Annual Statement Filing)	March 1, or as noted on annual statement filing requirements	All Maryland domestic companies	Lynn Beckner 410-468-2126 cafilings.mia@maryland.gov	Elizabeth Muscedere 410-468-2136 elizabeth.muscedere@maryland.gov
Premium Tax Forms (online), Ocean Marine Profits Tax Forms (online) and Payments	Annual March 15 Quarterly: April 15, June 15, Sept. 15, Dec. 15	All Maryland licensed companies and risk retention groups	Pamela Wheaden 410-468-2395 pamela.wheaden@maryland.gov	Financial Regulation 410-468-2109
Supplemental Filing Form for Insurance Regulatory Fund Assessment and Health Care Regulatory Fund Assessment (attached to premium tax return form)	March 15	All Premium Tax Filers	Spencer Harris 410-468-2107 spencer.harris@maryland.gov	Fiscal Services 410-468-2205
Unauthorized Premium Tax Payments	Annual March 15 Quarterly: April 15, June 15, Sept. 15, Dec. 15	As specified in Title 6 of the Insurance Article	Pamela Wheaden 410-468-2395 pamela.wheaden@maryland.gov	Financial Regulations 410-468-2109

REPORT - AUTHORITY	DUE DATE	INSURERS REQUIRED TO FILE REPORT	CONTACT INFORMATION	ALTERNATIVE CONTACT INFORMATION
Holding Company Filings – Forms A, B, C, D and E	As specified in Title 7 of the Insurance Article	As specified in Title 7 of the Insurance Article	Lynn Beckner 410-468-2126 holdingcompanyfiling.mia@maryland.gov	Financial Regulation 410-468-2104
Custodial Agreements	At origination of agreement	All domestic insurance companies and foreign companies subject to retaliatory deposit requirements	Matt Kozak 410-468-2146 matt.kozak@maryland.gov	Financial Regulation 410-468-2104
Insurance Regulation Fund Assessment §2-501, et al. Insurance Article	August/September	All insurers except surplus lines, risk retention groups, fraternal organizations, motor clubs, certified reinsurers, accredited reinsurers and Chesapeake Employers' Insurance Co.	Spencer Harris 410-468-2107 spencer.harris@maryland.gov	Fiscal Services 410-468-2205
Certificates of Compliance for Advertising COMAR 31.15.02.18	March 1	Each insurer filing an annual statement FORM	Salama Karim-Camara 410-468-2393 coca.mia@maryland.gov	Raymond Guzman 410-468-2322 coca.mia@maryland.gov
Contact Information in the Event of a Disaster or Catastrophic Event §2-115, Insurance Article and COMAR 31.01.02.04	April 15	All fully licensed insurers, the Maryland Automobile Insurance Fund, the Joint Insurance Association, and premium finance companies	Joy Hachette 410-468-2029 joy.hachette@maryland.gov	Consumer Education and Outreach – Disaster Response Joyce Peach 410-468-2360 ceau.mia@maryland.gov
Anti-Fraud Plans §§27-803, §27-804, 8-321.1, Insurance Article and §19-706(v), Health - General Article	Within 30 days after instituting or amending an insurance antifraud plan	Insurers, HMOs, TPAs and Viatical Settlement Providers	Derreck Johnson 410-468-3968 fraud_plans.mia@maryland.gov	Insurance Fraud Division 410-468-3904
Fraud-Related Data Annual Report COMAR 31.04.15.06 and §27-803, Insurance Article	March 31	Insurers, HMOs, TPAs	Derreck Johnson 410-468-3968 data_reports.mia@maryland.gov	Insurance Fraud Division 410-468-3904

REPORT – AUTHORITY	DUE DATE	INSURERS REQUIRED TO FILE REPORT	CONTACT INFORMATION	ALTERNATIVE CONTACT INFORMATION
PROPERTY AND CASUALTY INSURERS including Medical Liability				
Office of the People’s Counsel Assessment §6-304, et al. State General	30 days from date of invoice	Insurers that offer medical malpractice insurance and homeowners	Spencer Harris 410-468-2107 spencer.harris@maryland.gov	Fiscal Services 410-468-2205
Computer Models for Homeowners’ Insurers §19-211, Insurance Article	At initial utilization & any time the model or vendor or version used is changed	Property & casualty homeowners’ insurers	Shirley Corbin 410-468-2316 shirley.corbin@maryland.gov	Property and Casualty Rates and Forms 410-468-2312
Certification of Private Passenger Automobile Rating Territories §11-216, Insurance Article, and COMAR 31.07.03	Whenever an insurer changes its territories or every three (3) years if no changes made	Property & casualty automobile insurers	Marsha Hall 410-468-2314 marsha.hall@maryland.gov	Property and Casualty Rates and Forms 410-468-2312
Medical Professional Liability Closed Claim Reporting	90 days after close of each quarter	Insurers that offer medical professional liability coverage	Linas Glemza 410-468-2044 linas.glemza@maryland.gov	Property and Casualty Rates and Forms 410-468-2312
SURPLUS LINE BROKERS				
Surplus Lines Premium Tax Returns and Payments §3-325, Insurance Article	Semi-Annual March 15, Sept. 15	Surplus lines brokers	Gorina Moody 410-468-2106 gorina.moody@maryland.gov	Financial Regulation 410-468-2104
Surplus Lines Broker Affidavits and Quarterly Reports §3-307, Insurance Article	45 days after end of calendar quarter	Surplus lines brokers	Gorina Moody 410-468-2106 gorina.moody@maryland.gov	Financial Regulation 410-468-2104
Self-Procured Premium Tax Forms and Payments	Semi-Annual March 15, Sept. 15	Insureds – Surplus Lines	Gorina Moody 410-468-2106 gorina.moody@maryland.gov	Financial Regulation 410-468-2104
CREDIT INSURERS				
Credit Insurance Experience Reports – for credit life, disability, and unemployment COMAR 31.13.01.06A and 31.13.03.06B(1)	June 30	Insurers who have credit life, health, or involuntary unemployment insurance in force in MD	Nour Benchaaboun 410-468-2222 nour.benchaaboun@maryland.gov	Life and Health 410-468-2170

REPORT - AUTHORITY	DUE DATE	INSURERS REQUIRED TO FILE REPORT	CONTACT INFORMATION	ALTERNATIVE CONTACT INFORMATION
CHARITABLE GIFT ANNUITIES				
Charitable Gift Annuity Annual Financial Report – §16-114(d)(3), Insurance Article	90 days after close of fiscal year	Entities authorized to issue charitable gift annuities in Maryland	Vondalear Mack 410-468-2109 vondalear.mack@maryland.gov	Financial Regulation 410-468-2104
LIFE AND HEALTH INSURERS				
Regulatory Asset Adequacy Issues Summary	March 15	All domestic licensed companies for which a statement of actuarial opinion based on asset adequacy is required	Lynn Beckner 410-468-2126 lynn.beckner@maryland.gov	Financial Regulation 410-468-2104
LIFE INSURERS				
Annual Illustration Certification by the Illustration Actuary of any insurer who has policies that have been designated as illustrated COMAR 31.09.09.11D(1)(a)	Annually – One year since the previous annual certification, or one year since the form was initially approved or designated as illustrated.	Each insurer who has an approved policy form that has been designated as illustrated	Life and Health Rates and Forms 410-468-2170 lifeandhealthreports.mia@maryland.gov	Nour Benchaaboun 410-468-2222 nour.benchaaboun@maryland.gov Life and Health Rates and Forms
Life Certification of Valuation COMAR 31.05.02.01	30 days after issuance	Life Insurance Companies licensed in Maryland	Craig Prem 410-468-2046 craig.prem@maryland.gov	Nancy Muehlberger 410-468-2050 nancy.muehlberger@maryland.gov
Business in-Force List and Valuation COMAR 31.05.02.01	February 15	Maryland domestic life insurance companies	Craig Prem 410-468-2046 craig.prem@maryland.gov	Nancy Muehlberger 410-468-2050 nancy.muehlberger@maryland.gov
LONG-TERM CARE (LTC) INSURERS				
LTC Policies Rescission Report COMAR 31.14.01.09C and 31.14.01.29	March 1	Long-term care insurers	Life and Health Rates and Forms 410-468-2170 lifeandhealthreports.mia@maryland.gov	Fawn Greenstein 410-468-2203 fawn.greenstein@maryland.gov
LTC Policies Suitability Report COMAR 31.14.01.25H	March 31	Long-term care insurers	Life and Health Rates and Forms 410-468-2170 lifeandhealthreports.mia@maryland.gov	Fawn Greenstein 410-468-2203 fawn.greenstein@maryland.gov
LTC Policies Lapse and Replacement Report COMAR 31.14.01.24A, 31.14.01.24B, 31.14.01.24E and 31.14.01.24F	June 30	Long-term care insurers	Life and Health Rates and Forms 410-468-2170 lifeandhealthreports.mia@maryland.gov	Fawn Greenstein 410-468-2203 fawn.greenstein@maryland.gov

REPORT – AUTHORITY	DUE DATE	INSURERS REQUIRED TO FILE REPORT	CONTACT INFORMATION	ALTERNATIVE CONTACT INFORMATION
Qualified LTC Policies Report for Denied Claims COMAR 31.14.01.24G and 31.14.01.32	June 30	Long-term care insurers	Life and Health Rates and Forms 410-468-2170 lifecandhealthreports.mia@maryland.gov	Fawn Greenstein 410-468-2203 fawn.greenstein@maryland.gov
LTC Partnership Policies Report COMAR 31.14.03.10	October 1	Long-term care insurers	Life and Health Rates and Forms 410-468-2170 lifecandhealthreports.mia@maryland.gov	Jamie St. Clair 410-468-2213 jamie.stclair@maryland.gov
MEDICARE SUPPLEMENT INSURERS				
Medicare Supplement Policies Credit or Refund Report COMAR 31.10.06.11B	May 31	Medicare supplement insurers	Keith Harper 410-468-2285 keith.harper@maryland.gov	Craig Prem 410-468-2046 craig.prem@maryland.gov
Medicare Select Policies Grievance Procedure COMAR 31.10.06.25D(9)	March 31	Medicare select insurers	Life and Health Rates and Forms 410-468-2170 lifecandhealthreports.mia@maryland.gov	Fern Thomas 410-468-2254 fern.thomas@maryland.gov
Medicare Supplement Multiple Policy Report COMAR 31.10.06.17	March 1	Medicare supplement insurers	Life and Health Rates and Forms 410-468-2170 lifecandhealthreports.mia@maryland.gov	Fern Thomas 410-468-2254 fern.thomas@maryland.gov
HEALTH INSURERS including HMOs and MCOs				
Health Finance				
Health Regulation Fund Assessment §2-112.1, et al., Insurance Article	August	Insurers who write health, except MCOs	Spencer Harris 410-468-2107 spencer.harris@maryland.gov	Fiscal Services 410-468-2205
Downstream Risk Segregated Fund and Plan Filings §19-713.2, Health General Article	Prior to entering into an administrative services provider contract	All HMOs and MCOs	Lynn Beckner 410-468-2126 lynn.beckner@maryland.gov	Financial Regulation 410-468-2102
Segregated Fund Quarterly Review and Inspection Reports §19-713, Health General Article	60 days after quarter end	HMOs and MCOs participating in administrative service provider contracts	Lynn Beckner 410-468-2126 lynn.beckner@maryland.gov	Financial Regulation 410-468-2102
Health Claims				
Semi-Annual Claims Data Filing – COMAR 31.10.11.14	Sept. 1 for 1 st half data; March 1 for 2 nd half data	Insurers, HMOs, MCOs, and nonprofits paying health benefit claims	Salama Karim-Camara 410-468-2393 mc_filings.mia@maryland.gov	Raymond Guzman 410-468-2322 mc_filings.mia@maryland.gov

REPORT – AUTHORITY	DUE DATE	INSURERS REQUIRED TO FILE REPORT	CONTACT INFORMATION	ALTERNATIVE CONTACT INFORMATION
Quarterly Report by Carrier to Commissioner for Adverse and Grievance Decisions §15-10A-06, Insurance Article	30 days after close of each quarter	Insurers, nonprofit health service plans, HMOs, and dental plan organizations with health benefit plans in MD	Louis S. Butler, Jr. 410-468-2271 lbutler@maryland.gov	Carol Liggins 410-468-2275 carol.liggins@maryland.gov
Health – Actuarial				
Maryland Covered Lives Report – §15-133, Insurance Article	Sept. 15	Insurers, nonprofit health service plans, HMOs, and TPAs with health benefit plans for under age 65 in MD on a fully insured or on a self-insured basis	Craig Prem 410-468-2046 craig.prem@maryland.gov	Nancy Muehlberger 410-468-2050 nancy.muehlberger@maryland.gov
Maryland Health Benefit Plans Annual Report §15-605, Insurance Article	March 1	Insurers, nonprofit health service plans, and HMOs, with health benefit plans in MD on a fully insured basis	Craig Prem 410-468-2046 craig.prem@maryland.gov	Nancy Muehlberger 410-468-2050 nancy.muehlberger@maryland.gov
Subrogation Report §19-713(b)(2)(ii), Insurance Article	Sept. 24	HMOs that offer fully insured small group coverage in MD	Craig Prem 410-468-2046 craig.prem@maryland.gov	Nancy Muehlberger 410-468-2050 nancy.muehlberger@maryland.gov
Small Group Actuarial Certification §15-1206(d), Insurance Article	March 15	Insurers, nonprofit health service plans, and HMOs that offer fully insured small group coverage in MD	Craig Prem 410-468-2046 craig.prem@maryland.gov	Nancy Muehlberger 410-468-2050 nancy.muehlberger@maryland.gov Office of the Chief Actuary
Other Health				
Certification regarding annual rating schedule for providers COMAR 31.12.08.04D	Dec. 31	HMOs participating in the individual or group markets in Maryland	Life and Health Rates and Forms 410-468-2170 lifeandhealthreports.mia@maryland.gov	Karen T. Lam 410-468-2212 Karen.lam@maryland.gov
Physician Rating System Report §15-1704(c), Insurance Article Bulletin 15-08	Oct. 1	Insurers, nonprofit health service plans and HMOs using physician rating systems in MD	Life and Health Rates and Forms 410-468-2170 lifeandhealthreports.mia@maryland.gov	Karen T. Lam 410-468-2212 Karen.lam@maryland.gov

REPORT – AUTHORITY	DUE DATE	INSURERS REQUIRED TO FILE REPORT	CONTACT INFORMATION	ALTERNATIVE CONTACT INFORMATION
Network Adequacy COMAR 31.10.34	Within 30 days of completing the annual performance assessment	Insurers, nonprofit health service plans and dental plan orgs. who are “prominent carriers”	Pamela O’Brien 410-468-2389 pamela.obrien@maryland.gov	
Specified Disease Policies Report COMAR 31.10.14.05	June 30	Specified disease insurers	Nancy Muehlberger 410-468-2050 nancy.muehlberger@maryland.gov Office of the Chief Actuary	Craig Prem, Actuary 410-468-2046 craig.prem@maryland.gov
Segregation of Funds for Certain Abortion Services – Segregation Plan and Annual Assurance Statement 45 C.F.R. §156.280	March 1	Issuers of Qualified Health Plans	Lynn Beckner 410-468-2126 lynn.beckner@maryland.gov	Financial Regulation 410-468-2104
REINSURERS MAINTAINING TRUST FUND				
Trust Fund Statement COMAR 31.05.08.09	February 28	Companies assuming reinsurance for Maryland domestic companies	Lynn Beckner 410-468-2126 lynn.beckner@maryland.gov	Financial Regulation 410-468-2104

SB 954 Corps Transp SWA APCIA JPR 030624.pdf

Uploaded by: Nancy Egan

Position: FWA

Testimony of
American Property Casualty Insurance Association (APCIA)
Senate Judicial Proceedings Committee
SB 954 -Corporations and Associations - Transparency - Beneficial Ownership
March 6, 2024

Support with Amendments

The American Property Casualty Insurance Association (APCIA) is a national trade organization representing nearly 60 percent of the U.S. property casualty insurance market. Our members write approximately 67.1 percent of all property and casualty insurance sold in Maryland. APCIA appreciates the opportunity to provide written comments regarding Senate Bill 954 and ask the committee to consider amendments. This bill would require certain business entities to file with the State Department of Assessments and Taxation a report including certain information regarding beneficial owners of the entities; and prohibiting the inspection of the reports in certain circumstances.

The federal [Corporate Transparency Act \(CTA\)](#) and Bureau of Insurance (BOI) Rule require certain entities to file reports with FinCEN identifying and providing information about their beneficial owners and applicants. This unprecedented collection of information by the government is intended to curtail the deliberate misuse of legal entities and deter illicit financial activity and national security threats that result therefrom. The BOI Rule includes 23 categories of exemptions from the definition of “reporting company” from the CTA for entities already generally subject to substantial United States federal or state regulation under which beneficial ownership may be known. These exemptions include, among others, banks, **insurance companies**, public companies registered with the Securities and Exchange Commission, broker-dealers, certain investment funds, investment advisers and pooled investment vehicles, certain tax-exempt entities, subsidiaries of certain exempt entities, and a category of “large operating companies.”

Insurance companies are already highly regulated by the Maryland Insurance Administration with financial reporting standardized by the National Association of Insurance Commissioners. APCIA requests that insurance companies be accorded the same exemption as provided in the CTA as follows:

Amendment 1

On line 2, page 3 after **ARTICLE** delete (.) and add (;) **AND INSURER AS DEFINED IN § 1–101 OF THE INSURANCE ARTICLE.**

With this amendment, the APCIA urges the Committee to provide a favorable report on Senate Bill 954.

Nancy J. Egan, State Government Relations Counsel, DC, DE, MD, VA, WV

Nancy.egan@APCIA.org Cell: 443-841-4174

SB0954__MSBA__Business__Law UNF.pdf

Uploaded by: David Cahn

Position: UNF



March 5, 2024

Senator William C. Smith, Jr.
Senate Judicial Proceedings Committee
Miller Senate Office Building, 2 East Wing
11 Bladen Street
Annapolis, MD 21401

Re: MSBA Business Law Section Council
Testimony in **Opposition** of Senate Bill 954 (Corporations and Associations – Transparency – Beneficial Ownership)

Dear Chair Smith and Fellow Committee Members:

The Business Law Section Council (the “Section Council”) of the Maryland State Bar Association (the “MSBA”) annually reviews proposed legislation that may affect Maryland businesses. We are submitting this written testimony concerning Senate Bill 954 (the “Bill” or “SB 954”), which we oppose for the reasons explained below.

However, before identifying our opposition to the Bill, we acknowledge the concerns of numerous parties that limited liability entities have been used by certain residential real estate investors to avoid accountability as lessors, or as enablers of community hazards or nuisances through neglect. For that reason, the Section Council has not opposed Senate Bill 779, or its companion cross-file House Bill 826, each entitled “Real Property – Taxation of Vacant Property, Certification of Company Representatives, and Short-Term Rentals.” (The Senate version was heard in the Budget and Taxation Committee on February 21, 2024.) That bill would require each legal entity to identify to the Maryland State Department of Assessments and Taxation (the “SDAT”) whether it owns residential real estate and, if so, to identify under oath the “correct contact information for a representative of the entity who has the authority to communicate with the public about the entity.” Thus, that bill is narrowly tailored to solve a specific problem perceived to have arisen from the use of limited liability entities.

By contrast, SB 954 would require nearly all Maryland chartered entities to make and update filings with the SDAT that are duplicative of, and more intrusive than, the information being collected at the Federal level, as required by the Corporate Transparency Act (31 U.S.C. § 5336) (the “Federal CTA”), which became effective on January 1, 2024. In summary, the Federal CTA requires entities formed or registered to do business in the United States (including in Maryland), unless exempt, to disclose beneficial ownership information (“BOI”) about its owners, officers, and control persons with the Financial Crimes Enforcement Network of the U.S. Department of Treasury (“FinCEN”). The Section Council is opposed to the Bill for several reasons.

First, SB 954 would mandate filings by nearly all Maryland chartered entities. There is no reasonable basis to require such disclosures for all Maryland chartered limited liability entities, including those formed for non-profit and community purposes, as opposed to those that are involved in specific business endeavors.

Second, under its final rule FinCEN is authorized to disclose BOI under certain circumstances to six categories of recipients, including U.S. State, local and Tribal law enforcement agencies.¹ As the CTA provides a way for our state to obtain Maryland entities' BOI from FinCEN, we don't believe that it makes sense for Maryland to enact a similar requirement now that would require the expenditure of substantial state funds to duplicate a database that the Federal Government has already begun to establish.²

Third, the cost of compliance with the Bill for Maryland businesses would be substantial. New York is the only state that has a statute like the Federal CTA.³ The New York statute generally conforms to the Federal CTA, including its exemptions from coverage, while the Bill does not. The National Small Business Association, a nonpartisan small-business advocacy group based in Washington, D.C., conducted a survey in late 2023 and estimated that the cost of compliance with the Federal CTA will be about \$8,000 on average for each business. Because the Bill does not mirror the Federal CTA in all respects, Maryland businesses can expect a similar cost in complying with the Maryland requirements, to the detriment of Maryland businesses.

Fourth, the Bill would require Maryland businesses to file a copy of an "acceptable identification document" (defined as a passport, State driver's license or identification document) for its beneficial owners with the SDAT in connection with the BOI filing report. ***The filing of such documents containing personally identifiable information about individuals presents substantial data privacy risks.*** The SDAT will need to spend substantial funds to create security systems to avoid security breaches. FinCEN spent years and substantial funds to create what it describes as a *secure, non-public database using rigorous information security methods and controls typically used in the Federal government to protect non-classified yet sensitive information systems at the highest security level.* We question the ability of the SDAT, as currently constructed and with already limited staffing and resources, to create a similarly secure database. There will not only be initial expenditures, but ongoing software development and maintenance costs to maintain such a secure database. Diverting funds, resources, and staff away from the SDAT's current functions would have a negative impact on Maryland businesses and the SDAT.

Fifth, there are over 20 categories of exemptions from the Federal CTA, while the Bill includes only a sole exemption for banking institutions, as defined in § 1-101 of the Financial Institutions Article. This means that a Maryland entity that is exempt from the BOI reporting requirements under the Federal legislation will nonetheless be required to comply with the Maryland statutory requirement. Examples of other exempt entities under the Federal CTA include (a) publicly-traded companies, (b) companies that operate in highly-regulated industries (*e.g.*, insurance companies, investment advisers and investment companies, brokers or dealers, and public accounting firms), (c) IRS-recognized tax-exempt entities, and (d) "large operating companies" (*i.e.*, employs more than 20 employees on a full-time basis in the U.S.,

¹ See: [FinCEN fact-sheet-beneficial-ownership-information-access-and-safeguards](#)

² We acknowledge that a U.S. district judge in Alabama ruled that the CTA is unconstitutional on March 1, 2024. That ruling took an aggressive approach towards challenging the authority of the U.S. Congress and will be appealed by the United States. A [FinCEN Press Release on March 4, 2024](#) said that as a result of the case, the government is not currently enforcing the CTA against the plaintiffs in that action: Isaac Winkles, reporting companies for which Isaac Winkles is the beneficial owner, and the members of the National Small Business Association as of March 1, 2024. Thus, the ruling does not prevent the Department of Treasury from fining or prosecuting Maryland chartered entities and their owners who do not file the required reports.

³ The District of Columbia requires limited liability entities to identify all individuals who own 10% or more of the entity but does not require filing of personal identity document such as a passport or a driver's license, which is a major concern about the CTA as addressed below.

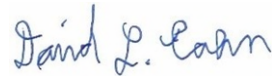
filed a federal income tax return in the previous year demonstrating more than \$5 million in gross receipts or sales in the aggregate, and has an operating presence at a physical office within the U.S.). If Maryland were to adopt the Bill (which we do not think would be in the best interest of Maryland businesses for the reasons set forth in this letter), we believe that the exemptions should be the same as the Federal exemptions so that Maryland businesses would not have to incur an added cost to comply with the Maryland requirements. In addition, Maryland should strongly consider exempting condominium and homeowner associations that are exempt from taxation under Internal Revenue Code Section 528, and perhaps for all non-stock corporations, as they do not have shareholders and do not have any members who exercise substantial control in the sense typical of a beneficial or *de facto* controller of a limited liability entity.

Finally, with New York being the only state to enact such a statute, we believe that the Bill will likely cause potential businesses to choose to organize in a state other than Maryland (such as Delaware) and to have existing Maryland businesses redomicile to another state. We have earned the reputation of a pro-business state in many respects, and passing the Bill would be a step backwards in our progress.

In conclusion, it is the Section Council's strong opinion that Maryland should not become an outlier by adopting the Bill and imposing a state-level corporate transparency statute. It is probable that the state will be able to obtain the same information from FinCEN. If that does not prove to be correct, at that time Maryland then can consider whether it needs to expend substantial state resources to collect such information directly in a secure manner. In the meantime, if the General Assembly believes that some additional information on real estate holding companies must be collected, then Senate Bill 779/House Bill 826 prescribes a more measured and easily implemented requirement for that purpose.

Thank you for your time and consideration of our testimony opposing SB 954.

Sincerely,



David L. Cahn
Chair
Business Law Section Council

cc: Business Law Section Council

MBIA Letter of Opposition SB954.pdf

Uploaded by: Lori Graf

Position: UNF

March 6, 2024

The Honorable William C. Smith Jr.
Chairman, Senate Judicial Proceedings Committee
2 East Miller Senate Office Building
Annapolis, Maryland 21401

RE: SB954 – Corporations and Associations-Transparency- Beneficial Ownership

Dear Chair Smith:

The Maryland Building Industry Association, representing 100,000 employees statewide, appreciates the opportunity to participate in the discussion surrounding **SB954- Corporations and Associations- Transparency- Beneficial Ownership**. MBIA **Opposes** the Act in its current version.

Senate Bill 946 would require businesses to file a report with the State Department of Assessments and Taxation. The report would require information about each applicant and owner. Current law already requires all businesses to have a Resident Agent that is publicly identified. The resident agent is an individual or entity that is designated to accept service of process if the entity is summoned to court. This person also acts as the primary point of contact for the Department.

This bill will be onerous on business and creates an extra layer of paperwork that entities will need to file. Furthermore, this legislation unfairly burdens small businesses by requiring them to provide personal details. This could be, specifically harmful in the Building Industry as there are many in the community that aim to stop development and the production of new housing. The result of having personal information of all the owners could present challenges to those companies and projects.

For these reasons, MBIA respectfully requests an unfavorable report on SB954
For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the Senate Judicial Proceedings Committee