

to stand in the place of the section so repealed and to be under the new subheading "Coerced and Tie-in Sales Prohibited", to provide that it shall be unlawful to require any person as a condition to the receipt of a loan or any other consideration to buy insurance from any given agent, broker or insurer; to prohibit any insurance transaction or plan which is tied in with some other consideration; to prohibit the public solicitation of combination plans, and providing generally for the free choice of insurance.

May 4, 1967.

Honorable William S. James
President of the Senate
State House
Annapolis, Maryland

Dear Mr. President:

In accordance with Section 17 of Article II of the Maryland Constitution, I have vetoed today Senate Bill 637 and am returning it to you.

This bill would substantially alter the provisions of the Annotated Code of Maryland governing the writing of insurance coverages in connection with loans and sales.

Present law prohibits lenders and vendors from requiring as a condition to a loan or sale that insurance coverages be written by a particular agent, broker or type of insurer, but does not prevent "... the reasonable exercise by any such lender or vendor of the right to approve or disapprove of the insurer selected to underwrite the insurance on a reasonable non-discriminatory basis."

The effect of the bill would be to deprive a lender or vendor completely of any voice in establishing reasonable qualifications for the strength of insurance coverages to protect the security of his loan or sale.

In requesting that I veto this measure, then Insurance Commissioner Polovoy, in a letter dated March 27, 1967, stated:

"It seems to me entirely proper for a lender or seller who retains an interest to have the right to require that a borrower place insurance in a company which meets certain minimal non-discriminatory standards. For example, it is not unusual for one lending money on property to require that the insurance company insuring the risk shall have a capital and surplus of at least ten million dollars. In view of the fact that there are over one hundred companies licensed to do business in Maryland which possess such a qualification, it would certainly seem to represent a selection made on a reasonable non-discriminatory basis.

"Simply stated, if I were lending money on property I would certainly expect to have something to say concerning the strength of the company insuring the property which is the sole security for my loan. To deprive a lender of any voice in the selection of an insurer in effect deprives him to some extent of the security for his loan.

"As you know, Maryland has in the past had four insolvent insurance companies and each of these companies wrote a limited amount of insurance on mortgaged properties. Under Senate Bill 637