

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 millions 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 the agent placing the insurance would have more to say than the person lending the money on the property. As a practical matter it would seem that this would have the effect of further restricting an already tight money market in Maryland."

Moreover, the Commissioner, in subsequently informing me that he was not consulted, nor were his views requested, on the bill, raised the further question that the measure is subject to an interpretation that might permit placement of insurance with companies not authorized to do business in Maryland.

Similar objections have been voiced by the Division of Investments of the State Retirement Systems and the State Department of Building, Savings and Loan Associations.

I am strongly opposed to the practice that I am certain the proponents of this bill feel it is designed to eliminate—requiring a borrower or purchaser to obtain insurance from a particular agent or company—and will work to strengthen laws for that purpose.

Nevertheless, I feel just as strongly that this bill is not an adequate answer to the problem. And since we have now a provision that many deem adequate to cover the situation, there seems to be