

House Bill No. 1037

AN ACT concerning

Insurance - Agency Terminations

~~FOR---the---purpose---of---protecting---insurance---agents---and
policyholders---from---severe---hardships---caused---by---agency
terminations.~~

FOR the purpose of providing that an insurer may not
terminate an agent for certain reasons; and relating
generally to the cancellation of written agreements
with insurance agents or brokers.

May 27, 1980

Honorable Benjamin L. Cardin
Speaker of the House of Delegates
State House
Annapolis, Maryland 21404

Dear Mr. Speaker:

In accordance with Article II, Section 17 of the Maryland Constitution, I have today vetoed House Bill 1037.

This measure would amend the Insurance Code to prohibit an insurer from terminating a written agreement with an independent agent regarding certain kinds of insurance.1/ Specifically, the insurer could terminate an agent neither "on the basis of an adverse loss ratio of policyholders for less than three years duration" nor "on the grounds of volume of business placed or mix of business" for any duration.

The proponents of the bill assert that such legislation is necessary in order to protect both independent agents and their insurers from unfair action on the part of the companies. The opponents, which significantly include the National Association of Independent Insurers and the Independent Insurance Agents of Maryland, Inc., strongly represent that such legislation will be detrimental to insurance consumers and independent agents, as well as to insurers; they also suggest that independent agents and their clients are amply protected from unfair agent cancellation under current Maryland law.

Section 234B(d) of the Insurance Code presently protects independent agents from a contract cancellation or amendment which is "arbitrary, capricious, unfair, discriminatory, or based in whole or in part upon the race, creed, color, sex, religion, national origin, place of residency of the agent or broker, his applicants or policyholders." Section 234B also prohibits an insurer from cancelling or refusing "to renew the policy of the insured