

because of the termination of the agent's...contract." Both administrative and judicial remedies are available to enforce these safeguards.

In spite of these protections, House Bill 1037, in the name of the agent and consumer protection, would operate so as to enable a multi-company agent to conscientiously carry out a three year campaign "to dump" high-risk, non-profitable business into one of his companies in order to improve his financial and profit sharing picture with his other companies; indeed, he could manipulate his mix and volume of business indefinitely under this bill.^{2/} Clearly, legislation which would authorize such behavior would entice insurers:

- (1) To increase, at the expense of their premium paying policyholders, their in-house underwriting staff in order to monitor the first level underwriting decisions of their agents;
- (2) To curtail or modify, to the detriment of the insurance consuming public, their agents' binding authority; and
- (3) To the detriment of independent agents and the public which benefits from the strength of their numbers, to rely more and more upon company employees and less and less upon independent agents in the writing of their insurance.

Accordingly, against the background of the protections which Maryland law currently furnishes both independent agents and their clients and recognizing the degree of competition which the insurance marketplace requires in order to better serve its consumers, it seems clear to me that House Bill 1037 would be counterproductive.

In addition, since both annuity and wet marine insurance is commonly written through brokers, House Bill 1037, in moving certain exceptions from present subsection (b) to what would have been new subsection (h), would have inadvertently but nevertheless effectively repealed requirements which other subsections of Section 234B presently place upon such insurers. Certainly the Legislature did not intend this result; thus, this consequence alone is sufficient reason for preventing this measure from becoming law.

For these reasons, I have decided to veto House Bill 1037.

Sincerely,
Harry Hughes
Governor
