

VETOES

TITLES AND MESSAGES

House Bill No. 52—Reciprocal Exchanges in Insurance Laws

AN ACT to add new Section 259 (j) to Article 48A of the Annotated Code of Maryland (1957 Edition), title "Insurance", sub-title "Reciprocal Exchanges and Interinsurers", to follow immediately after Section 257 (i) thereof, relating to the necessity of filing signed insurance applications after a reciprocal insurance company has been licensed to do business in this State.

April 5, 1960

The Honorable Perry O. Wilkinson
Speaker of the House
State House
Annapolis, Maryland

Dear Mr. Speaker:

After a great deal of deliberation, I have decided to veto House Bill No. 52 and in accordance with Article II, Section 17 of the Maryland Constitution, I am returning the same to you, along with my veto message.

This particular Bill was designed to amend the insurance laws of our State governing the operation of Reciprocal Exchanges.

A Reciprocal Exchange is an unincorporated body. It is a group of individuals, partnerships and/or corporations which agree to provide indemnity among themselves for losses covered by contracts of insurance. These organizations have no charter, constitution or by-laws.

The present Maryland law which would be amended by House Bill No. 52, under which these Exchanges now operate, is based on model legislation recommended by the National Association of Insurance Commissioners. It was first adopted in Maryland in 1918 and was re-enacted by the Legislature in 1922 when the insurance laws of Maryland were recodified.

Under the existing State law the cohesive which holds the Exchange together and permits it to do business is the power of attorney which each insurer executes. It is this provision requiring the subscriber to individually execute a power of attorney that House Bill No. 52 is designed to change.

House Bill No. 52 states, "if it shall imprint upon its policies that by the acceptance of the policy and the payment of premium thereunder, the subscriber appoints the Attorney-in-fact for the placing of such policy and accepts the terms and conditions provided in the power of attorney of such policy." Therefore, if this bill becomes a part of the Maryland law it will be unnecessary for each subscriber to sign an individual power of attorney in order for the organization