

January 29, 2019

Members of the House Committee on Commerce and Economic Development
Vermont State House, Room 35
Montpelier, VT 05633

Re: H.1 – An act relating to agreements not to compete

Dear Members of the House Committee on Commerce and Economic Development:

The Vermont Insurance Agents Association (VIAA) is a trade association for independent insurance agents established in 1906. VIAA membership includes virtually every independent agency in Vermont. Our agencies employ nearly 1,000 individuals in the state with an estimated payroll of more than \$42 million dollars annually. VIAA members work in cities, towns, and villages throughout the state, providing coverage for Vermonters everywhere. Our member agencies contribute 7.4% of Vermont's corporate tax revenue.

When an employee is hired by an independent insurance agency, the agency incurs significant costs to develop and maintain invaluable business relationships. Agencies acquire and establish valuable, competitively sensitive confidential information. It is necessary that such information remains confidential. Employees have access to, become familiar with, and may develop information that would cause irreparable harm to the agency if it were disclosed or used outside of the agency.

Such information includes proprietary knowledge about customers and clients, financial and pricing data, business negotiations, business techniques, marketing, and other strategies.

In the independent insurance agent industry, what is called goodwill by accountants is an agency's "book of business." There is only one legal device to prevent employees from taking goodwill: a non-compete. Non-competes in our industry are reasonably limited to the purpose of protecting a company's book of business with its existing customers. In general, our members' non-competes are for a two-year period. The two-year period gives employers sufficient time to re-establish relationships with the clients. Once the non-compete period is completed, the employer and employee are considered on a relatively level playing field and competition is again fair.

If this bill passes it could cause irreversible economic harm to independent insurance agents in Vermont by significantly devaluing their books of business.

For these reasons, we respectfully request that you oppose H.1.

Sincerely,



Mary A. Eversole
Executive Director