

Statement

Insurance Association of Connecticut

Judiciary Committee

February 26, 2007

SB 1246, An Act Concerning Choice Of Law With Respect To Commercial Transactions

The Insurance Association of Connecticut has some concerns regarding SB 1246, An Act Concerning Choice Of Law With Respect To Commercial Transactions.

SB 1246 seeks to alter the choice of applicable state law that governs commercial transactions currently in place by permitting parties to agree to a forum without regard to the relation of the transaction to the forum. Under current law the choice of applicable state law is limited to states that have a "reasonable relation" to the transaction.

SB 1246 does not apply to agreements for personal services or any transaction for personal, family or household services. What is considered "personal, family or household services" for the purpose of this act? Does that include insurance contracts that provide life insurance or insure one's house or auto?

Removal of the "reasonable relation" language will make contract review a more complicated and more costly process. Currently, contract drafters are limited in those states they can choose for a choice of law clause to those states that have a "reasonable" relationship to the parties and the contract. As such, a

party can reasonably presume the state law that will control the contract if a dispute arose. Removing the “reasonable relationship” clause would require detailed negotiations on every contract before the contract is signed. Changing the current nexus requirement could result in the law of a distant state controlling the contract unsettling the very law and democratic values of the state with a nexus to the parties of the contract.