

*Statement*

*Insurance Association of Connecticut*

*Insurance and Real Estate Committee*

March 3, 2011

HB 6469, An Act Concerning Notification To Insurers Upon A Foreclosure  
And Confidentiality Of Underwriting Guidelines

The Insurance Association of Connecticut, IAC, supports HB 6469, An Act Concerning Notification To Insurers Upon A Foreclosure And Confidentiality Of Underwriting Guidelines.

Section 1 of HB 6469 simply seeks to require that a mortgagee send a copy of the certificate of foreclosure to the property or casualty insurer providing such coverage on the foreclosed property at the time the certificate is filed. Currently insurers do not receive such notice. Foreclosure is a substantial change in the risk that affects an insurer's risk exposure. As such, an insurer should receive timely notice of a foreclosure. Section 1 of HB 6469 simply rectifies that situation by giving insurers the proper notice needed regarding the risk underwritten.

Section 2 of HB 6469, seeks to correct a scenario unique to Connecticut, in that Connecticut does not recognize underwriting guidelines as trade secrets. Insurers spend significant amount of resources, developing, testing, implementing, monitoring and maintaining their underwriting systems. Insurers are required to file their underwriting guidelines with the Insurance Department as supporting documents. Sec. 38a-688(5)(a) states that all supporting documents filed with the department shall be "open to public inspection at any reasonable time." This is direct conflict with the Connecticut Uniform Trade Secrets Act, Sec. 35-50 to 35-58, inclusive, which protects trade secrets from being disclosed and made readily available to any party that may gain economic value from such disclosure or use. Pursuant to the trade secret act, underwriting guidelines fall within the definition of those documents deemed to be trade secrets. By not affording such documents protected status, competitors are free to access and unfairly benefit from such filings. The possible disclosure of this proprietary information hampers product innovation and development as insurers are reluctant to

dedicate significant financial resources for the benefit of competitors. HB 6469 does nothing to change the department's authority to review such documents, but simply protects the disclosure of proprietary information to potential competitors and removes the conflict between the two laws.

The IAC respectfully requests your support for HB 6469.