



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony

Insurance and Real Estate Committee

March 4, 2014

Raised Bill No. SB 277 AN ACT CONCERNING THE ISSUANCE OF CLOSING PROTECTION LETTERS.

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to provide written testimony regarding SB 277: An Act Concerning the Issuance of Closing Protection Letters. The Insurance Department respectfully requests that the Committee oppose this bill as it believes the fees charged to consumers in residential real estate transactions are already substantial and more than adequate to cover lender and title insurer closing costs. As a practical matter, the Department believes that costs for the issuance of closing protection letters permitted by this bill will ultimately be absorbed by an already-burdened consumer as part of the real estate closing process.

Generally, Section 1 requires a closing protection letter to be issued for any loan insurance policy protecting the lender's interest in the mortgage and further allows a fee to be charged by the title insurer in connection with the issuance. The Department does not see the need for mandated closing protection letters since they have not been statutorily required in the past. As previously stated, we believe this fee ultimately will be passed on to the consumer which we do not support.

Section 1 of the bill also gives the Insurance Commissioner authority to approve the amount of any fee to be charged for the issuance of closing protection letters without any standards for making such a determination. If this bill proceeds, the Department would at a minimum suggest that the legislature determine and set forth in statute the specific amount of any fee it believes should be charged for a closing protection letter or provide standards to the Department that can be used to arrive at an appropriate fee. The determination of such fees is not similar to property/casualty rating-making where actuarial expertise can be used to arrive at a justified rate.



While we understand the title industry would like to have these letters which lenders are requiring to protect against defalcation of their loan proceeds, the Department does not believe that a fee for this coverage is warranted since these letters are already being provided to insureds in Connecticut at no cost. Additionally, Connecticut is unique versus most other states in that only lawyers can sell title insurance. It is our understanding that in many other states third party vendors are allowed to sell title insurance and that it is in these states the title industry is experiencing a greater level of defalcation. No information has been brought to the Department's attention which shows there is a defalcation problem in this state.

The Department appreciates the opportunity to provide testimony on S.B. 277. Thank you for your consideration.

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. Each year, the Department returns an average of \$100 million a year to the state General Fund in license fees, premium taxes, fines and other revenue sources to support various state programs, including childhood immunization.