

Testimony of
Commissioner of Insurance
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State of Kansas

before the
Committee on Financial Services
Subcommittee on Oversight and Investigations
U.S. House of Representatives

**“Empowering Consumers: Can Financial Literacy Education
Prevent Another Financial Crisis?”**

August 24, 2010

Good morning Chairman Moore, members of the committee, distinguished guests and audience members. I am Sandy Praeger, and I am the elected Commissioner of Insurance for the State of Kansas. I have served in that capacity since being elected in 2002. I am pleased today to testify before this subcommittee on empowering consumers with financial literacy education in order to prevent another financial crisis, and especially on the necessity of including insurance information for consumers in any initiatives in regard to this.

The Kansas Insurance Department's mission is to **Regulate** insurance companies, **Educate** consumers about insurance issues and **Advocate** for consumers when needed. It is the educational aspect of our current mission that I am here to help promote.

The need for financial education among youth is always important. The earliest segments of those activities often focus on saving money and spending it wisely, which are both parts of sound financial freedom.

Those segments embody tangible financial ideas: Teach a child to save his or her money early, and money will be available when he or she needs it. Teach them to shop wisely and compare quality, price and need, and the money-saving cycle is repeated.

Going one step further, it's long been my belief that any educational component of financial literacy has to contain a segment on insurance. However, the idea of spending money to avert risk is a more abstract concept. It's hard for younger people to understand that you spend money buying insurance without receiving immediate gratification for your expenditure. The need for immediacy in gratification often carries over to adulthood, with unfortunate consequences when it comes to understanding insurance.

Surveys from the National Association of Insurance Commissioners (NAIC) have shown that 60 percent of adults can't answer basic insurance questions correctly. ¹

¹ National Association of Insurance Commissioners, 2010

Add to that the ever-increasing bombardment of unclear and unsound financial offers to the general public, and it's no wonder that money-management skills, especially when it comes to insurance topics, are misunderstood and misused.

The NAIC, of which I am a member, past officer and current committee chair, has responded to the need for increased consumer insurance awareness through its Insure U program. Insure U is an online educational curriculum customized for consumers in eight different life stages.

At the website InsureUonline.org, the curriculum includes a basic introduction to the four major types of insurance—auto, home, health and life—as they pertain to people at different ages and in different situations. Consumers can test their knowledge about insurance by taking an online quiz. Since its inception in 2006, Insure U has achieved national media and website attention, with millions of viewing impressions, and has been promoted heavily by state insurance departments.

On the state level, our own Kansas Insurance Department, as part of our continuing consumer education priority, has made its insurance expertise available throughout the state through speaker presentations and exhibits. My staff and I have been to more than half of our state's counties in the last two years, making presentations on insurance issues to a variety of audiences. Annually, our state fair booth in Hutchinson in September, throughout the 10 days of the fair, gives our department instant access to fairgoers, their questions and concerns.

Assistant Commissioner Bob Tomlinson, a former teacher, has made understanding insurance for young people a personal project. He has developed many presentations for high school youth on insurance, and he has spoken to dozens of high school classes.

Finally, our Government and Public Affairs Division within the department is responsible for producing and maintaining more than 30 publications and brochures on all aspects of consumer insurance information. We even have an educational coloring book that we make available to children that explains basic insurance concepts.

The Kansas Insurance Department and the NAIC are working to help Kansas consumers of all ages become literate in insurance matters. Still, there's more work to be done, and if we can collaborate with other agencies and organizations in "getting the word out," we are certainly open to it.

Successful financial literacy education needs to be available through designated lifelong learning environments. Emphasis on basics in the elementary school classroom, followed by advanced high school curriculum and continuing "refresher" courses in adult life would be ideal. Increased public/private partnerships could be emphasized. There are many insurance education foundations in the United States, established by consumer groups and by insurance companies, but they could use a coordinated effort in order to achieve the consumer success we all desire.

Thank you, Chairman Moore and subcommittee members, for the opportunity to be a part of this hearing. Please call on me and the Kansas Insurance Department staff to assist you in any way to promote successful consumer financial literacy.