

STATEMENT OF THE HONORABLE SUE KELLY

Thank you Chairman Baker for holding this important hearing.

The McCarran-Ferguson Act enshrined the principle of state regulation of our national insurance market. State regulation of insurance ensured that customers receive the best protection quickly, and that developers of insurance products were meeting the needs of all consumers in the market.

In the 60 years since McCarran-Ferguson was passed financial markets have changed immensely, and competition within the insurance industry and between insurers, banks and securities firms has become fierce. While national and international standards exist or are emerging, insurance largely retains the same regulatory patterns.

Several years ago this committee took the lead in passing NARAB, to encourage states to adopt uniform licensing standards or face a National Association of Retail Agents and Brokers. This measure has worked to bring the states together, but has not eliminated duplicative regulation.

I support states rights, and oppose federal preemption for preemptions sake. Consumers, however, are the ones harmed by the inability of the insurance industry to compete nationwide on financial products. The sick and elderly need access to new products that recognize changes in medicine and retirement savings. Homeowners and small businesses need new products to match their growth in equity and opportunity. I urge the current and former commissioners present to work with each other, the industry, and this committee to develop an insurance market for the 21st century.

The SMART Act is only the second most important insurance issue facing this committee. TRIA, the Terrorism Risk Insurance Act, expires at the end of this year. Millions of policy holders around the country are already being notified that terrorism insurance will not be available for them next year if this Congress does not act. Our economy cannot afford to be slowed down by the fear of loss from terrorism. While some have

said that the private market for terrorism insurance is robust, no less an authority than Chairman Alan Greenspan has told his committee that without government assistance there cannot be a functioning market for terrorism insurance.

I am pleased to see New York's former Insurance Commissioner, Greg Serio here, who has been a tireless advocate for TRIA and for insurance consumers in New York and nationwide. I look forward to hearing from him and all of our witnesses today.