

**OPENING STATEMENT OF
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,
AND GOVERNMENT SPONSORED ENTERPRISES
HEARING ON REFORMING INSURANCE REGULATION:
MAKING THE MARKETPLACE MORE COMPETITIVE FOR CONSUMERS
WEDNESDAY, NOVEMBER 5, 2003**

Mr. Chairman, we meet today for the second time in the 108th Congress to consider insurance issues. Today's hearing will focus on the latest modernization efforts announced by the National Association of Insurance Commissioners and the prospects for achieving state-based regulatory reforms. Before we hear from our experts, I believe that it is important to review some observations about the insurance industry that I have raised at our previous hearings on these matters.

Insurance, as my colleagues already know, is a product that transfers risk from an individual or business to an insurance company. Every single American family has a need for some form of insurance, especially products like auto, renters and homeowners insurance. The vast majority of these families also has or wants other insurance products like life, health and long-term care policies.

The McCarran-Ferguson Act authorized the states to regulate the insurance business, and four years ago this month the Congress reaffirmed this system in approving the law to modernize the financial services industry. As a result, each state currently has its own set of statutes and rules governing the insurance marketplace. Traditionally, the states have highly regulated the insurance industry. Many states, however, have begun to experiment with their regulatory models in recent years.

In the last several sessions of Congress, our Committee has held regular hearings about the need for regulatory reform in the insurance industry. During these debates we have heard from a variety of viewpoints on the need for reform and the options for achieving it. These hearings have also helped to educate us generally about the mechanics of the insurance industry and the latest regulatory developments in it.

As a whole, however, the federal government continues to lag behind in its knowledge of insurance issues. As our witness from Mass Mutual will point out later today, the insurance business is the only portion of the financial services industry that does not have a regulatory presence in Washington.

At times, this lack of expertise has caused difficulties for us. For example, although many Members of Congress had concerns about the insurance industry's ability to respond to the 2001 terrorist attacks, they had difficulty in immediately identifying federal experts to advise them in these matters. The deficiency of federal knowledge about the insurance industry might have also impeded our efforts to adopt expeditiously the terrorism reinsurance backstop law.

Everyone involved in the debate on the future of insurance regulation agrees on the need for reform. From my perspective, promoting competition through fair and effective regulation should ultimately result in better and more affordable insurance products for consumers. While I

am pleased that the National Association of Insurance Commissioners recently released an action plan for pursuing further modernization efforts for regulating the insurance marketplace, this proposal was developed three-and-a-half years after the release of its paper calling for the efficient, market-regulation of the insurance business. Absent demonstrated advances in these state insurance regulatory efforts going forward, the Congress may need to consider altering these statutory arrangements through the creation of an optional federal chartering system or the adoption of other reforms.

In closing, Mr. Chairman, I want to commend you for bringing these matters to our attention. I believe it important that we learn more about the views of the parties testifying before us today and, if necessary, work to further refine and improve the legal structures governing our nation's insurance system. I yield back the balance of my time.
