

**OPENING STATEMENT OF
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE
AND GOVERNMENT SPONSORED ENTERPRISES
HEARING ON INSURANCE REGULATORY REFORM
THURSDAY, JUNE 16, 2005**

Mr. Chairman, we return this morning to a topic that we have often discussed in recent years: the need for insurance regulatory reform.

No matter what side one takes in this long-standing debate on regulatory efficiency, it has become clear to me that this is no longer a question of whether we should reform insurance regulation in the United States. Instead, it has become a question of how we should reform insurance regulation.

As you know, Mr. Chairman, we have begun to develop a growing consensus in the Congress about the need to improve insurance regulation. In an attempt to advance these efforts, you have also crafted a lengthy and complex outline for achieving regulatory reform in the insurance industry. This evolving proposal has, at best, received lukewarm support from the many parties to which I have spoken about the draft reform plan.

Many participants in the insurance community have also expressed strong reservations and deep concerns about this plan. For example, the North Dakota legislature has passed a resolution indicating that the proposal would “impair, erode, and limit the ability of state governments to regulate the business of insurance.” A committee in the Ohio assembly has also urged us to oppose the plan.

The National Association of Realtors has additionally expressed its opposition to efforts to impose “a system of mandatory, uniform national standards for personal and commercial property insurance.” Moreover, consumer groups have determined that the “sweeping proposal would override important state consumer protection laws, sanction anticompetitive practices by insurance companies and incite state regulators...to further weaken insurance oversight.”

After expending considerable time and effort studying these matters, Mr. Chairman, the National Association of Insurance Commissioners has raised its own concerns about your proposal to reform insurance regulation. I am therefore very pleased that we will have before us today the leader of this venerable organization. Diane Koken is a savvy and competent overseer of Pennsylvania’s insurance markets. Because she has also served under Republican and Democratic governors, she can offer us a bipartisan perspective on insurance regulatory reform.

During our previous hearings on insurance reform, we have received extensive testimony from many witnesses advocating the creation of an optional federal charter. Mr. Chairman, although your evolving plan still does not address this important issue, the consensus for creating such a charter continues to grow. Rather than overlaying a federal bureaucracy on top of state regulation, an optional federal charter would, in my view, create a sensible, separate, and streamlined regulatory system.

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Such dual oversight has worked generally well for the banking industry for many decades, and we should now consider applying it to the insurance industry as well. Moreover, because of its standardized products and nationwide marketplace, the life insurance industry, from my perspective, is particularly ready for the adoption of an optional federal charter.

While the issue of insurance regulatory reform is an important one, I am very disappointed that we are meeting on a bill that has yet to be introduced and for which there is no pressing need, before resolving the critical issue of extending the Terrorism Risk Insurance Act. After tomorrow, we will have just nine weeks remaining on the official legislative calendar for the session. The federal backstop to provide economic stability for America's workers and businesses, however, will expire at the end of the year.

We therefore need to move expeditiously on the matters of greatest importance. We need to approve in the Financial Services Committee legislation to extend this important program. We need to write a report. We then need to pass the bill on the House floor. We also may need to work to resolve any differences with the Senate's version of legislation to extend the program. The time is short, and we need to act now to extend the Terrorism Risk Insurance Act.

In closing, Mr. Chairman, I commend you for continuing to focus our committee on the issue of insurance regulation. I, however, also hope that we will henceforth get our priorities in order and resolve the issue of extending the Terrorism Risk Insurance Act as quickly as possible. These are important discussions for us to have and important matters for us to resolve.
