

**Opening Statement
Chairman Michael G. Oxley
House Committee on Financial Services**

**Subcommittee on Oversight and Investigations
“Viatical Settlement Fraud”**

February 26, 2002

Today’s hearing of the Subcommittee on Oversight and Investigations will review an important case of insurance and securities fraud uncovered and prosecuted in Ohio, and discuss what needs to be done to prevent such frauds from occurring in the future. I thank Chairwoman Kelly for calling this hearing and welcome our distinguished witnesses.

A properly conducted viatical transaction can benefit all parties involved. Policyholders receive the money they badly need to pay medical expenses; insurance companies that sold the original policies receive all required premiums; and investors and settlement companies who pool their funds to buy the policies make a return on their investment.

Unfortunately, all too often, con artists take advantage of the situation and leave investors holding the bag, giving legitimate settlement companies a black eye, and reducing the confidence that policyholders might have in the industry. In too many states, as we see from the table referred to by Chairwoman Kelly, the laws are either inconsistent or inadequate, with some states having no applicable regulations at all. This complete lack of uniformity in the State insurance laws, and the inexplicable gap in some states between the regulatory oversight of the insurance commissioner and securities regulator, is very troubling. I expect that this Committee will continue to look this year at how to protect consumers by improving the uniformity in State insurance laws and filling any regulatory gaps in cross-over or integrated financial products.

So I want to welcome our witnesses, who can highlight the way in which the great state of Ohio is dealing with such fraud. Lee Covington, the Insurance Commissioner for the State of Ohio, and Tom Geyer, the current Assistant Director of Commerce and former Securities Commissioner, are top-notch public servants who, together, prosecuted one of the largest viatical fraud rings, and helped enact one of the most balanced and comprehensive viatical laws in the country. Thanks to them, Ohio was the first state to pass the new model viatical settlement law proposed by the National Association of Insurance Commissioners, to complement Ohio’s already strong securities consumer protections. We look forward to their expert and helpful testimony.

I expect this hearing will also highlight the need for better coordination among federal, state, and local law enforcement agencies to prevent crooks from moving from one industry to another in the financial services arena. Last year the House passed H.R. 1408, the Financial Services Antifraud Network Act, to establish an information-sharing network among the 250+ local, state and federal financial and law enforcement agencies. The network would allow regulators to more easily identify and track criminals moving across state lines and from industry-to-industry to protect Americans from terrorists and fraud.

Just yesterday, the SEC announced it had filed suit in Texas against a new viatical scam that defrauded more than 480 mostly elderly victims of over \$30 million. The viatical ringleader had been previously barred from the securities industry for fraud (against mostly elderly victims). If the Antifraud Act had been in place, the Texas insurance regulator would have had this information and been able to stop the viatical fraud before another 480 elderly victims lost much of their life savings.

Unfortunately, this critically important weapon against fraud and financial terrorism, which passed the House by a 392-4 vote, is still being held with no action whatsoever in the Senate. We urge the Senate Majority Leader to let this bill come to the floor to give our law enforcement and financial regulators the tools they need to protect Americans against financial crime.

Again, I thank the Chairwoman for convening this hearing and our distinguished witnesses for testifying.