

STATEMENT OF THE HONORABLE WM. LACY CLAY
Before the
Subcommittee on Capital Markets, Insurance, and Government Sponsored
Enterprises

**“The Effectiveness of State Regulation: Why Some Consumers Can’t Get
Insurance”**

April 10, 2003

**Good morning Mr. Chairman, Ranking Member Kanjorski and Members of the
Committee.**

**Mr. Chairman we are facing a crisis of monumental and unprecedented
proportions, in some states, because of the unavailability of personal insurance for
customers and unavailability of insurance coverage for businesses. The severity of
the crisis differs in various states, however, the problem is one that the nation as a
whole faces.**

**There are several factors that have caused this crisis. Among them are the flight of
capital from the insurance investment market as investors seek more lucrative and
stable investments; state and local government regulations that some companies
claim are too restricting; the events of September 11, 2001; and natural disasters.**

**We have homeowners and automobile owners in some states that have limited
selections of companies from which to purchase their needed personal lines of
insurance. We have businesses that have problems with coverage either being
unavailable or too expensive to purchase. States are losing jobs as companies have
to scale back costs. As the job losses occur, the economies falter. Despite the
assessment of the blame, we have a crisis that has to be addressed and remedied.**

**We cannot simplify the problem and say that we will stop states from regulating the
industry and have a national preemption of state laws that regulate the industry in
their respective states. I served in State government for 17 years and know that
regulation is needed at that level as the needs of the individual states differ and have
different influences. Local officials are familiar with the particular idiosyncrasies of
their states and cities and can prescribe solutions better than a federal blanket
regulation. The States do have the responsibility to be reasonable in their
regulations. The insurance industry has to be able to make a profit and through
doing so attract investors to the industry. We have to find a common ground from
which to solve this national crisis.**

Mr. Chairman, I am eager to hear the testimony of the panel and have questions that need to be answered. Additionally, I ask unanimous consent to submit my statement to the record.