

**Statement Congresswoman Sue Kelly
Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises
Hearing: “The Effectiveness of State Regulation: Why Some Consumers Can’t Get Insurance”
April 10, 2003**

Good morning, and thank you, Chairman Baker, for holding this important hearing on insurance availability – an issue that is of great concern to this Committee and consumers across the country.

I strongly believe all Americans deserve access to affordable insurance. Today, the insurance market faces a perfect storm: growing losses, lower investment returns and inefficient regulation coupled with price controls have left many States in a crisis. And it is the responsibility of these States and their insurance commissioners to promote a competitive climate in which consumer choice can be achieved.

Unfortunately, some States have chosen to adopt heavily price-regulated models that have driven insurers out of the market and stifled competition. When States determine what prices insurers are allowed to charge – whether it is in the form of capping premiums or imposing price controls – we have seen this overregulation place a tremendous strain on the system.

Last Congress, I held a hearing in the Oversight and Investigations Subcommittee on the effects of state over-regulation of auto insurance on consumer choice. In the hearing, we touched on the competition-based reforms that South Carolina and Illinois enacted – two states represented on today’s panel. As a result of their reforms, both of these States currently have numerous auto insurance companies providing consumers with real choices at competitive prices. The answer to high auto insurance rates is clear: more competition is more effective than just regulation.

I am pleased that when it comes to auto insurance we also have gotten this right in my home state of New York. But I am concerned that price controls in nearby states, like New Jersey, may also have a negative impact on other out-of-state consumers.

Today, we will hear from a number of witnesses from diverse states with unique experiences. But the common themes we will hear are that excessive regulation and price-regulated insurance models create extremely harmful conditions to consumer choice and overall availability.

I thank the witnesses for appearing before the subcommittee and look forward to hearing their testimony.