OPENING STATEMENT OF
CHAIRMAN MIKE OXLEY
COMMITTEE ON FINANCIAL SERVICES
Hearing: "The Effectiveness of State Regulation: Why Some Consumers Can't Get Insurance"
April 10, 2003

I am very pleased that Chairman Baker is holding this hearing today to review a problem that has reached crisis proportions in some States: the increasing difficulty consumers face in finding available insurance for their homes and cars.

It is becoming increasingly clear that this consumer crisis is being caused in part by the archaic system of insurance price controls imposed by some States. Time and time again, politicians have been seduced by the illusory short term benefit of price controls: an immediate reduction in premiums. But in the long term, price controls hurt consumers by depleting insurer capital and forcing insurers out of the market. Less insurance capacity means less choice and less availability for consumers.

When wrong-headed regulation drives out competition and leaves consumers without coverage, it's time to examine whether the means is achieving an appropriate end. Pushing insurance companies out of the State undermines competitive pricing and eliminates the right of consumers' to take advantage of the benefits of a strong and highly competitive industry.

But it doesn't have to be this way. The great State of Ohio with a relatively free market competitive system, has some of the lowest homeowners and auto insurance rates in the country. Ohio consumers enjoy the 3rd lowest homeowners' rates and the 15th lowest auto rates. Similarly, Illinois has successfully used free market competition for 30 years and South Carolina opened its automobile market to more competition and free market pricing in the late 1990's to the benefit of its consumers.

In contrast, Louisiana and New Jersey are two States that have unsuccessfully tried to artificially manipulate the insurance marketplace. New Jersey currently utilizes a broad array of anti-competitive tools including: price controls, lock-in laws, take-all-comers requirements, and excess profit laws. Louisiana is nearly as bad, employing a highly politicized rating commission to dictate insurance rates. Consumers in both States are now suffering from a severe insurance shortage.

Louisiana and New Jersey should not be reluctant to adopt the proven models used successfully in Illinois and now South Carolina. Louisiana squandered such an opportunity two years ago when the governor vetoed a regulatory modernization bill. I hope they give it another shot. New Jersey may have an opportunity in the near future: the N.J. legislature is currently considering bipartisan regulatory reform. While the bill is not a panacea, it is a step in the right direction.

I would like to thank Chairman Baker for holding this hearing to determine what is – and is not – working to ensure a competitive insurance market that safeguards consumers.