

**OPENING STATEMENT OF
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,
AND GOVERNMENT SPONSORED ENTERPRISES
THIRD HEARING ON INSURANCE REGULATION AND
COMPETITION FOR THE TWENTY-FIRST CENTURY
TUESDAY, JUNE 18, 2002**

Mr. Chairman, we meet today for a third time to analyze various proposals to increase the efficiency and uniformity of insurance regulation in the United States. I again commend you for your diligence in convening this series of hearings. Today's proceedings should help us to better appreciate the regulatory models used in other sectors of the financial services industry and how these sectors might be affected under various proposals to reform insurance regulation.

At our previous hearings, we have heard from both sides of the ongoing policy debate about reforming insurance regulation and creating an optional federal charter. Some of our witnesses have argued that the needed reforms are most appropriately pursued at the state level. Others have suggested that joint state and federal oversight would most effectively address the regulatory efficiency problems plaguing the industry. We will hear similar views today.

No matter what side one takes in this long-standing debate, 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. This reform effort will likely prove difficult given the diversity and complexity of the insurance industry. As a result, I suspect that it will take us at least several years to forge a consensus on this complicated set of issues.

Later today, I plan to continue to explore whether we should create a tiered regulatory structure for insurance, similar to the oversight system we devised for investment advisors. Under this system, the federal government would regulate insurers above a certain size or in certain business lines, while states would retain the responsibilities for regulating the rest.

We should also continue to carefully examine consumer issues as we proceed in the weeks ahead. We should, for example, find out the costs and benefits of a streamlined regulatory system. We should further determine what safeguards are needed to protect the interests of consumers. In the end, consumers should be the ultimate beneficiaries of our actions.

Additionally, Mr. Chairman, I am particularly pleased that Wayne McOwen will testify before us today. Mr. McOwen serves as a Senior Vice President for Guard Financial Group, which is based in my congressional district. Guard Financial Group operates several subsidiaries and affiliates that participate in various aspects of the insurance and financial services industries. I have previously found Mr. McOwen's insights informative and instructive, and his comments today will help us all to better understand the needs of a small, progressive insurer.

In closing, I look forward to hearing from our distinguished witnesses and to learning more about their views for improving insurance industry regulation. As we continue to examine these issues, I am confident that our careful analysis will allow us to eventually identify a bipartisan consensus on the most effective and appropriate way to move forward.
