

Opening Statement
Chairman Michael G. Oxley
Committee on Financial Services

Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises
“Insurance Regulation and Competition for the 21st Century”

June 18, 2002

Today, the Committee holds its third and final hearing in its series examining various proposals to reform insurance regulation. I am very pleased that Chairman Baker has devoted so much time and energy to this issue, which is of the utmost importance to insurance consumers across the country. While we have just scratched the surface of this very complicated matter, this series of hearings has established the foundation for the Committee’s future work in this area. And I can assure you, there will be future work. This Committee will remain focused on this issue until true reform is achieved.

As many of you know, my interest in reform is not new. Several years ago I asked the National Association of Insurance Commissioners to focus on this glaring problem, and they responded in March, 2000 with a *Statement of Intent: The Future of Insurance Regulation* which established the NAIC’s platform for modernizing insurance regulation. It was a good first step and laid out goals and timetables for action.

Since that time, the NAIC has experienced some success and some failures. In the face of Congressional legislative pressure, the NAIC has made significant progress in agent licensing reform, and I commend their efforts. However, there is still much work to be done: first to make reciprocity a reality in every State and to achieve the ultimate goal of uniformity. I also remain troubled that many of the larger States with the bulk of the agent/broker population have either not yet passed legislation or have passed legislation that may not meet NARAB requirements.

Unfortunately, the NAIC has met with less success in its efforts to modernize the product approval process. Almost a year ago to the day, the NAIC testified before this Subcommittee and held out CARFRA as the solution to the life insurance product approval problem. Now the NAIC has largely abandoned the initial CARFRA approach, and has shifted gears to an interstate compact mechanism. The interstate compact mechanism has been around for quite some time and raises some difficult issues. It is too early to say whether such a system will succeed or fail, but one thing is for certain, consumers cannot afford another misstep.

Oxley, page two
June 18, 2002

I am not here to blame the NAIC for a lack of reform. The leadership team at the NAIC has done yeoman's work, and I would like to thank Commissioner Terri Vaughan, who is with us today, Ohio Commissioner Lee Covington, Illinois Commissioner Nat Shapo, and others, for their important leadership efforts. To a large degree, their hands are tied. The NAIC can approve initiative after initiative, but it is the State legislatures that must act on them. Unfortunately, it is becoming increasingly apparent that the NAIC may be facing an insurmountable task.

It is my sincere hope that the alliance between the NAIC and State legislators brings reform to the industry. However, this Committee will not sit idly by. I am committed to continuing working on this issue for the long haul, looking at all the different facets of the industry. We will keep building on our reform efforts, and we will not let up until consumers receive the most effective and competitive marketplace that can be created.

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