

**OPENING STATEMENT OF
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,
AND GOVERNMENT SPONSORED ENTERPRISES
HEARING ON INSURANCE PRODUCT APPROVAL:
THE NEED FOR MODERNIZATION
THURSDAY, JUNE 21, 2001**

Mr. Chairman, thank you for the opportunity to comment before we begin our hearing on the insurance product approval process and the need for modernization. I commend you for your continued interest in the current issues affecting the insurance industry and your commitment to educating the Members of our Committee about these matters.

Presently, a tangled web of regulations often slows the ability of insurance companies to introduce new products nationwide to the pace of baby steps. This sluggishness in new product and rate approval by insurance regulators frequently creates competitiveness concerns for insurance companies. The insurance industry has consequently contended for a number of years that we need to design and implement a new regulatory system to straighten out this regulatory labyrinth, better the quality and timeliness of filing reviews, and improve competition. If sensibly put into practice, these actions should ultimately benefit consumers by increasing their choice of and lowering their rates for insurance products.

The National Association of Insurance Commissioners has created its Speed to Market Working Group to respond to these concerns. This group, as I understand, is seeking to develop and implement state-based, uniform standards for policy form-and-rate filings for appropriate product lines. The NAIC hopes that this initiative will shorten the length of the "prior approval" process and lower the costs involved in reviewing and approving rates and policy forms in the states and territories. As part of the initiative, the NAIC has divided its work among two subgroups. They are the Improvements to State-Based Systems Subgroup and the Coordinated Advertising, Rate, and Form Review Authority Subgroup, otherwise known as CARFRA.

CARFRA is working to streamline the review process for rates and forms, particularly for life and health products. CARFRA hopes one day to provide insurers with a single point for product filings and establish a coordinated regulatory review process among insurance regulators. Currently, ten states, including my home state of Pennsylvania, are piloting a CARFRA project, and the NAIC hopes to launch the system nationally by May of next year.

In my view, the need to update and streamline our nation's insurance regulations and laws has become increasingly apparent, especially in the wake of 1999's law to modernize our nation's financial services industry. Not surprisingly, our current insurance regulatory system -- with more than fifty separate jurisdictions -- often delays the nationwide introduction of new products. Executives at some insurance companies have previously noted that it can take 18 months or longer to obtain the necessary approvals to sell a new insurance policy or annuity on a national basis.

In our dynamic economy, rare is it that the slow are rewarded. The insurance industry is certainly no exception to this aphorism. We should, therefore, work to improve the efficiency and effectiveness of the regulatory system for insurance. In the months ahead, I will therefore

continue to keep a watchful eye on the NAIC's speed to market initiative and examine its effects on both companies and consumers. We may additionally need to pursue complementary reforms in the insurance industry at the federal level. It is also my sincere hope that as we continue in our efforts to modernize insurance regulation we will work to provide adequate and appropriate safeguards to protect the interests of individual consumers.

In closing, Mr. Chairman, I believe it important that we learn more about the views of the parties testifying before us today, and if necessary, work to further refine and improve the legal structures governing our nation's insurance system. I also look forward to hearing from our witnesses about their impressions and to working with you in the future on insurance issues like this one and achieving nationwide uniformity in agent licensing.
