

Opening Statement
Chairman Michael G. Oxley
Committee on Financial Services

**Subcommittee on Capital Markets, Insurance, and
Government Sponsored Enterprises**
June 22, 2001

“Insurance Product Approval: The Need for Modernization”

Chairman Baker, thank you for holding this hearing today.

I am pleased that this Subcommittee is reviewing the need for modernization and reform in our current system of insurance product approval.

Insurers are subject to the jurisdiction of over 50 different State regulators, each with its own set of rules and regulations. Companies have to navigate their way through a mind-numbing maze of conflicting regulatory requirements to offer products to consumers.

The current patchwork system for insurance regulation imposes significant, unnecessary costs on insurers and results in unnecessary delays in getting new products to market. Ultimately, the consumer bears the cost of this bureaucratic morass, facing higher prices and product unavailability.

Other financial industries in the U.S., such as banking and securities, do not face significant delays. Those products get approved either immediately or for some securities products, within a few months. In contrast, companies trying to plan a nationwide rollout for new insurance products have sometimes faced delays of up to 2 years. This is untenable.

Over the last several years I have asked the National Association of Insurance Commissioners to focus on this glaring problem. By all accounts, the NAIC has made some progress, and I applaud

their efforts. In particular I would like to thank the Director of Insurance of my home State of Ohio, Lee Covington, who has been a great leader for the NAIC on state-based reform of the product approval process. I would also like to commend Commissioner Frank Fitzgerald of Michigan. Both commissioners have agreed to join us today to report back on the NAIC's efforts.

Make no mistake about it, true reform is necessary. It is my hope that our State legislators and insurance commissioners can enact such reform. If not, Congress will return to this issue with our own solution.

While the NAIC has moved ahead with two initiatives, one for life insurance and one for property/casualty insurance, the jury is still out on the effectiveness of these programs. In fact, we will hear from a number of witnesses today who will say these initiatives don't go far enough and are a long way from reforming the system.

Chairman Baker, I appreciate your continued leadership on this Subcommittee to help us understand the problems facing the insurance industry and insurance consumers. I look forward to the Committee's continued work in this area.

I yield back the balance of my time.