



U.S. SENATE BANKING COMMITTEE

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**Senator Christopher J. Dodd
Hearing on “State of the Insurance Industry: Examining the Current Regulatory
and Oversight Structure”**

Remarks as Prepared:

Let me start out this morning by mentioning, as my colleagues know, that this committee has spent a significant amount of time in recent months examining, and responding to, the crisis in our mortgage and financial markets. The culmination of that effort was the overwhelmingly bipartisan vote which occurred on Saturday to pass “The Housing and Economic Recovery Act.” I want to thank all of my colleagues, in particular Ranking Member Shelby and Senator Jack Reed, for their contributions to that legislation.

Today the Committee turns its focus to another important component of our financial system – the insurance market. While insurance issues have not been as central to the public discourse, or as vexing, as the challenges we have faced in the mortgage and financial markets, the insurance industry is nonetheless a critical underpinning of our economy and as such no less deserving of the time and attention of this Committee and its members.

Most of us only think about insurance when things go wrong. In fact, insurance is something that every one of us depends upon, every day, to provide us with the economic certainty that we need to function in an uncertain world. By protecting people, property, goods, and services from every imaginable risk, insurance provides stability to every sector of America’s \$14 trillion economy. In short, a robust, vibrant insurance marketplace is crucial to the economic well-being of our nation, and the financial stability of our people.

This morning’s hearing will focus on the current structure of insurance regulation and oversight in the United States and consider the impact of this regulatory structure on the insurance marketplace, industry participants, and policyholders. Unlike other participants in the financial services sector, such as banks and securities firms, the primary regulator of insurance is the states. The state-based system has been in place since the 19th century

and has been a source of important innovation and consumer protection with regard to insurance.

At the same time, the insurance industry, like other segments of the financial services sector, is increasingly becoming national and even international in scope. The ability of insurers to spread U.S. risk broadly around the world has enormous benefits for American consumers, as it increases insurance capacity here at home.

The European Union, one of our major trading partners with regard to insurance, is currently updating its approach to regulating insurer solvency in recognition of the fact that insurance companies are now key players in the global capital marketplace.

Given the importance of insurance to our financial markets and to our economy as a whole, this Committee has a responsibility to consider the current state of the insurance industry and the regulatory framework within which it operates. Insurance regulation has been the subject of hearings in this committee during the last two Congresses, and I commend Senator Shelby for his attention to this issue. The Committee also has a responsibility to consider proposals intended to modernize and improve the regulation of insurance. There is no shortage of legislative proposals in that regard. To date, nearly twenty bills have been introduced in this Congress, each of which, to varying degrees, seeks to reform or modernize our nation's system of insurance regulation.

I would be remiss if I didn't take this opportunity to acknowledge the hard work of Senator Johnson, who has been a leading voice in favor of insurance regulatory modernization.

It is my hope that this hearing will help the Committee consider the merits of the initiatives that have been proposed to date. While I have yet to draw any conclusions on the merits of any particular piece of legislation, in my view, consideration of an insurance regulatory reform or modernization initiative rests on three important pillars:

The first is strong consumer protection. Purchasers must understand what they are buying, they must be treated fairly and without deception, and they must know that the company insuring them will be there down the road when they have a claim. Second, our regulatory structure must promote competition in the marketplace, which will drive innovation and growth. And third, regulation must be efficient, and not place unnecessary burdens on those being regulated.

I want to thank the witnesses who are here with us today. I look forward to hearing from them and I thank them for their time. I note for my colleagues that there are many stakeholders not present at the witness table today, some of which have submitted testimony for the record, which I commend to my colleagues.