

**STATEMENT OF CONGRESSMAN GARY L. ACKERMAN
COMMITTEE ON FINANCIAL SERVICES**

“The Future of Terrorism Insurance”

Wednesday, July 27, 2005

Chairman Baker, Ranking Member Kanjorski, thank you for arranging this hearing today to discuss the important and urgently needed extension to the Terrorism Risk Insurance Act (TRIA). I urge that we work together on legislation to extend TRIA and that we move this legislation both through Committee and the floor of the House this year. We must act to continue to provide TRIA's federal backstop.

TRIA was enacted in response to the events of 9/11, an event that caused over \$30 billion in insured losses, to help secure our economy against the devastation that might come from another terrorist attack. This was the primary purpose behind TRIA, and it's the very reason this law needs to be extended.

This high-level federal backstop not only protects private commercial insurance interests, but also the long-term interests of the federal government, which would be ultimately responsible for funding both short- and long-term costs associated with recovering from a terrorist attack. Unfortunately, TRIA will sunset on December 31st this year, and with Congress soon to adjourn for the August recess, that deadline is approaching fast. The full two-year extension proposed by Mr. Capuano's bill, H.R. 1153, will prevent destabilization of the insurance industry and, in turn, the national economy. This Congress has no greater domestic obligation.

The Treasury Secretary's recent report on TRIA makes clear that private markets will develop additional terrorism insurance capacity over time, but that still leaves us with a problem that must be addressed now. Worse, Secretary Snow indicates that the Bush Administration opposes extension of TRIA in its current form. I understand that this program may not be the long-term answer to protect all of the stakeholders here. I agree that in the end, we must work to find private-sector alternatives to address the liabilities created by the possibility of terrorist attacks. But with no such long term solution currently in place, and the sunset deadline of this protection soon approaching, a short-term extension must be enacted.

Failure to extend TRIA with the uncertainties that still exist in the insurance marketplace would horribly exacerbate the already difficult task that insurers face in trying to accurately and effectively manage the risk of loss resulting from a terrorist attack. Failure to extend TRIA now would lead us back to the same highly uncertain business environment we saw before TRIA, an environment in which firms struggled to get needed coverage. TRIA has provided a short term solution to successfully protect policy holders from bankruptcy, kept insurers from insolvency, and prevented taxpayers from paying the full cost of a terrorist attack. Failure to enact the short-term extension makes no sense.

We are fortunate that there have been no terrorist attacks on U.S. soil since 9/11. Unfortunately, as we have seen with this month's attacks in London, we still face a very real threat of terrorism, and this threat will not go away when TRIA sunsets at the end of this year. We must act as quickly as possible both in Committee, and with the entire Congress, to avoid the premature expiration of TRIA's Federal backstop. Our security and future prosperity demand it.