

**Representative Jeb Hensarling**  
**Opening Statement for Financial Services Markup of**  
**“H.R. 4634, the Terrorism Insurance Backstop Extension Act”**  
**Wednesday, September 29, 2004**

Mr. Chairman, I first want to thank my colleague and neighbor from Dallas, Rep. Sessions, for his hard work and leadership on H.R. 4634, the Terrorism Insurance Backstop Extension Act.

Extraordinary times call for extraordinary measures. Our nation has had to respond to the attacks of September 11<sup>th</sup> in many different ways, including providing federal support for our terrorism insurance market.

I would like to take a minute to express a few concerns I have with the reauthorization of this federal backstop program. I do plan to vote for this legislation at this time, but believe there are a few points worth making before this Committee.

First, I have great concerns about the federal government being a permanent fixture in the property and casualty terrorism reinsurance business. While the bill before us is only a two-year extension, I am hard pressed to believe that this will be the final extension proposed.

The federal government consists of thousands and thousands of federal programs created by Congress. Many of these, I am convinced, were started with the intention that they would be temporary. To quote President Reagan, *“No government ever voluntarily reduces itself in size. Government programs, once launched, never disappear. Actually, a government bureau is the nearest thing to eternal life we'll ever see on this earth.”*

At some point, after some reasonable transition, either the market demands terrorism reinsurance or it does not. Our opinion should not be the relevant one. The relevant opinion is that of the market.

If the market is not interested in terrorism reinsurance, Congress should not force the matter. If the market does demand this product, we should not assume that the federal government needs to be a permanent fixture.

Modifying or eliminating regulations, reducing corporate income tax rates, and preventing the abuse of our legal system are all important factors that, if addressed, would free up massive amounts of capital for insurers and re-insurers.

This additional capital would help to increase the supply of terrorism insurance, leading to a reduction in premium rates, and minimizing the need for a federal backstop program or federal involvement at all.

Unfortunately, until we rid the world of the terrorists who seek to destroy us, terrorism insurance will continue to be a fact of life for businesses in this country. Until then, I have faith in our markets and their ability to respond accordingly to the challenges posed by domestic and international events.

Thank you Mr. Chairman.