

**OPENING STATEMENT OF  
CHAIRMAN PAUL E. KANJORSKI  
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE, AND  
GOVERNMENT SPONSORED ENTERPRISES  
HEARING ON “EXAMINING A LEGISLATIVE SOLUTION  
TO EXTEND AND REVISE THE TERRORISM RISK INSURANCE ACT”  
THURSDAY, JUNE 21, 2007**

---

We meet this morning to examine an important piece of legislation. This past Monday, Congressman Capuano, Chairman Frank, and several others introduced H.R. 2761, the Terrorism Risk Insurance Revision and Extension Act of 2007. I again want to commend my colleagues for putting forward this bill that will amend the Terrorism Risk Insurance Act.

Before we hear the views of our witnesses, I want to outline some of my thoughts on these matters. Overall, I believe that this bill is a good product. I support 90 percent of its contents. It will help to protect our nation’s economic security in several ways.

For example, H.R. 2761 extends TRIA for 10 years and creates a blue-ribbon commission. These provisions strike the right balance between providing greater certainty to the marketplace and encouraging the private sector to develop its own solutions to this problem.

The bill also eliminates the distinction between foreign and domestic terrorism. Terrorism, regardless of its cause or perpetrator, aims to destabilize the government. This change therefore has much merit.

In addition, H.R. 2761 lowers the event trigger to \$50 million. This modification will assist small and mid-sized companies in managing their exposures under the program.

The legislation moreover adds group life insurance to the program. We need to protect the people who work in the buildings and not just the buildings in which they work.

Finally, this bill improves coverage for nuclear, biological, chemical, and radiological terrorism events. If the goal of TRIA is to protect the economic security of our nation against terrorist threats, then Congress specifically needs to address the threat posed by NBCR terrorism. Our nation needs to plan for a potentially devastating attack by NBCR means by putting in place an explicit program, rather than an implicit promise now and a chaotic response later.

By providing fairly low insurer deductibles, smaller co-payments for larger NBCR events, and greater legal certainty, H.R. 2761 aims to limit the exposure of insurers to this risk and promote a private market to price and distribute this product. That said, I know that some parties in the insurance world have raised concerns about these NBCR provisions. I want them all to know that I am very open to considering how we can improve them. We, however, should not ultimately decide to continue to study this problem. We need to act.

While the aforementioned changes take important steps toward appropriately revising and extending TRIA, two other provisions contained on approximately five pages within H.R. 2761 take away from the final product. In my view, they create a Christmas tree for special interests and provide special preferences. Before moving this bill to a mark up, we ought to consider carefully the policy implications of these proposals.

H.R. 2761 includes a retroactive reset mechanism where areas previously impacted by terrorist attacks would benefit from lower deductibles and triggers in any subsequent attack. By altering the equity of the current program, this provision as currently constructed has the potential to undermine the broad national support that TRIA presently enjoys.

After the 9/11 attacks, the terrorism insurance marketplace retracted nationally and not just in the areas directly affected. During the 2005 debate on the first extension of TRIA, the House recognized this situation and passed a provision that would have provided reset relief nationally and prospectively. The reset provision in this bill is retroactive, regional, and much more generous than what we adopted in 2005. We should work to modify it in the weeks ahead.

In addition, the bill includes a section affecting the underwriting of life insurance for purposes related to past and future lawful foreign travel. I am sympathetic to the end that this provision seeks to achieve, but I also believe that it deserves separate consideration outside of the TRIA process. At least until Congress enacts an optional federal charter, state legislatures and insurance departments also probably have the best expertise to address this situation. In recent years, we have already seen 11 states do so by law or regulation.

In closing, a bill at its introduction represents only the beginning of the legislative process. I hope that we can continue to discuss these two matters and others. We should also strive to follow a balanced process designed to obtain overwhelming bipartisan support for our final legislative product on the House floor.

---