

**OPENING STATEMENT OF
CHAIRMAN PAUL E. KANJORSKI
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE, AND
GOVERNMENT SPONSORED ENTERPRISES
HEARING ON "POLICY OPTIONS FOR EXTENDING
THE TERRORISM RISK INSURANCE ACT"
TUESDAY, APRIL 24, 2007**

We meet this afternoon to review the policy options for extending the Terrorism Risk Insurance Act, or TRIA. In the wake of September 11, Congress designed TRIA as a temporary program with the expectation that the insurance industry could eventually model and price for terrorism risk. The private marketplace, however, did not recover as quickly as initially hoped. As a result, we extended TRIA for two years in 2005.

While TRIA has increased the availability and affordability of terrorism risk insurance, the marketplace is still tenuous. Insurers still have limited capital to cover terrorism losses alone and without federal assistance. Property/casualty firms had only \$164 billion available to cover terrorism losses in 2005 according to the Insurance Information Institute, but some models have predicted terrorism losses of more than double this number.

TRIA as amended will, of course, expire at the end of this year. Because insurers remain uncomfortable with their ability to reliably price coverage for traditional terrorism, we need to extend this law once again in order to protect our nation's economic security. In considering these matters, we must also act both in a timely fashion and in a deliberate manner so as to prevent marketplace disruptions, allow for the careful consideration of the policy implications of our actions, and avoid unintended consequences.

We have many important decisions before us, and I look forward to a thoughtful and bipartisan dialogue both today and in the weeks ahead. To help guide us going forward, I also want to outline five positions central to my thinking on these matters.

First, we must make the extension of TRIA our primary goal and refrain from considering miscellaneous issues. A bill to further lengthen TRIA should not become a vehicle for moving non-related matters such as the surplus lines legislation and natural disaster reforms. Moreover, I have considerable skepticism about adding risk retention group reforms to this TRIA-extension exercise. These separate issues need and deserve full, complete consideration on their own.

Second, the duration of the extension will require us to maintain a delicate balance. We must choose a length of time that is long enough to provide greater certainty to the marketplace and short enough to encourage the private sector to develop its own solutions to the problems posed by conventional terrorism. Such an extension should be neither permanent nor even semi-permanent. At this time, I believe that a 6- or 8-year timeframe provides the balance we need.

Third, we should use this TRIA-extension debate to pursue needed and important reforms to the program. We should, for example, protect individuals and not just the buildings they work in by adding group life to TRIA. We should also eliminate the distinction between foreign and domestic terrorism events.

Fourth, we must explore how best to add nuclear, biological, chemical and radioactive coverage to TRIA, and we will soon learn of a few different positions on this complex issue from today's witnesses. In the event of an NBCR attack, the marketplace already implicitly believes that the federal government will step in and respond. We therefore should explicitly address the government's role before an NBCR terrorism event occurs, rather than deal with such a significant problem during a time of great uncertainty and potential chaos.

Lastly, we should explore whether or not to continue to decrease or limit the government's financial exposure within TRIA. The creation of a trust fund, in this regard, is one idea worth examining. Under this proposal, policyholders and insurers would pay surcharges in advance of a terrorism event to the federal government and the collected monies would then help pay the federal government's costs in the event of a certified terrorism act.

In closing, I thank the witnesses for coming here today to share their perspectives on these five policy options and the many other important choices before us during these TRIA extension deliberations.
