



December 7, 2005

The Honorable Dennis Hastert
Speaker
United States House of Representatives
Washington, DC 20510

The Honorable William Frist, M.D.
Majority Leader
United States Senate
Washington, DC 20515

The Honorable Harry Reid
Democratic Leader
United States Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Democratic Leader
United States House of Representatives
Washington, DC 20515

Dear Congressional Leader:

The undersigned trade associations wish to express support for extension of a terrorism insurance program before Congress adjourns this year. We believe such a program is necessary to ensure that American businesses and property owners are able to secure sufficient and affordable terrorism insurance, particularly since there is no evidence to date to suggest that the insurance market currently is able to provide needed coverage against future catastrophic acts of terrorism.

Losses resulting from the September 11, 2001 attacks on the United States fundamentally changed the way in which insurers and their reinsurers manage financial exposure related to future acts of terrorism. Most foreign and domestic reinsurers stopped offering coverage for terrorism insurance. Primary insurers, having lost much of their ability to spread risk, sought to reduce exposure by limiting or excluding terrorism insurance coverage. Commercial policyholders in securities and many other industries were forced into an untenable economic scenario: choose between forgoing coverage or, where it was available, paying astronomical rates for very limited coverage. This lack of terrorism insurance coverage--affordable or otherwise--hindered securities firms and the broader U.S. economy. However, by enacting the Terrorism Risk Insurance Act of 2002

(TRIA), Congress provided much needed stability in the insurance marketplace and mitigated the economic impact of the 9-11 attacks.

Risk management professionals indicate that, when TRIA expires, there is no evidence that a sustainable, private marketplace for terrorism insurance will exist. Should TRIA expire without a private-based alternative being in place, consumers again will be faced with the prospect of not being able to obtain terrorism insurance coverage. The potential market disruption that could ensue certainly would hinder America's continued economic recovery and employment growth.

We urge expedited floor consideration and final passage of a conference report to ensure that the nation's businesses will be able to secure comprehensive coverage against terrorism at reasonable rates. Thank you for your consideration of these views.

Sincerely,

Securities Industry Association
The Bond Market Association

Cc: The Honorable Richard Shelby, Chairman
United States Senate Committee on Banking, Housing, and Urban Affairs

The Honorable Paul Sarbanes, Ranking Member
United States Senate Committee on Banking, Housing, and Urban Affairs

The Honorable Michael Oxley, Chairman
United States House of Representatives Committee on Financial Services

The Honorable Barney Frank, Ranking Member
United States House of Representatives Committee on Financial Services