

June 23, 2005

The Honorable Richard Shelby
United States Senate
Committee on Banking, Housing, and Urban Affairs
SD-534
Washington, DC 20510

Dear Chairman Shelby:

The undersigned trade associations wish to express support for a terrorism insurance program. 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 understand that your Committee may hold hearings this summer on terrorism risk insurance legislation. We commend you for addressing this vital economic issue to make certain 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 and we look forward to working with you to address this important issue.

Sincerely,

The Securities Industry Association
The Bond Market Association

Cc: The Honorable Paul S. Sarbanes, Ranking Member
The Honorable Robert F. Bennett
The Honorable Wayne Allard
The Honorable Michael B. Enzi
The Honorable Chuck Hagel
The Honorable Rick Santorum
The Honorable Jim Bunning
The Honorable Mike Crapo
The Honorable John E. Sununu
The Honorable Elizabeth Dole
The Honorable Mel Martinez
The Honorable Christopher J. Dodd
The Honorable Tim Johnson
The Honorable Jack Reed
The Honorable Charles E. Schumer
The Honorable Evan Bayh
The Honorable Thomas R. Carper
The Honorable Debbie Stabenow
The Honorable Jon S. Corzine