

**OPENING STATEMENT OF
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SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,
AND GOVERNMENT SPONSORED ENTERPRISES
JOINT SUBCOMMITTEE HEARING ON
PROTECTING AMERICANS FROM CATASTROPHIC TERRORISM RISK
WEDNESDAY, SEPTEMBER 27, 2006**

Mr. Chairman, we return this morning to a question that we have often discussed in the last five years: how best to protect the American economy from terrorism risk.

After the al-Qaeda attacks five years ago, reinsurers curtailed the supply of terrorism reinsurance and insurers began to exclude such coverage from policies. In response, Congress belatedly enacted the Terrorism Risk Insurance Act to address these pressing problems. Last year, after encountering an unnecessary delay, we decided to extend this law for two more years.

TRIA is critical to protecting our nation's economic security. We also designed TRIA to be a temporary backstop to get our Nation through a period of uncertainty until the private sector could develop the models to price for terrorism reinsurance. I agreed with this decision. The reinsurance industry is dynamic and we should not disrupt the development of new products.

That said, however, it has become increasingly clear that it will take some time for the private marketplace to develop and offer terrorism reinsurance products, particularly for nuclear, biological, chemical, and radiological threats. Yesterday's report by the Government Accountability Office concludes that these risks are distinctly different from those hazards that are predictable, measurable in dollar terms, random, and unlikely to result in catastrophic losses for an insurer. Given these challenges, the GAO found that "any purely market-driven expansion of coverage" for these specialized terrorism risks is "highly unlikely in the foreseeable future."

Late last year, when the House passed its initial bill to extend TRIA, we included language to provide protection against nuclear, biological, chemical and radioactive terrorism incidents. We also included provisions to provide protection against domestic terrorism events and incorporate group life insurance as a covered line. Unfortunately, the final agreement adopted none of these reforms.

We need to revisit each of these matters in the coming year before TRIA once again expires. We additionally need to work to develop a comprehensive long-term solution to the problem of insuring terrorism risk, rather than continuing to address the issue on an *ad hoc* basis every two years and creating unnecessary uncertainty for the marketplace.

To the extent possible, I continue to believe that any workable solution should allow for the private sector to underwrite the terrorism risks that it can cover. However, because terrorism risk is a societal problem and because the size of certain catastrophic terrorism risks would likely exceed the resources of the private sector, the federal government will likely need to play some role in this new system.

Many of our witnesses today have already begun to think about what a long-term solution to these matters should look like. I look forward to hearing those ideas. I also want to assure them that I have an open mind on these matters.

In closing, Mr. Chairman, I have regularly noted that the provision of terrorism insurance is not a Democratic or Republican issue. It is an American issue, a business issue, an economic security issue. I therefore continue to stand ready to work with all interested parties on these important matters.
