OPENING STATEMENT
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before the
COMMITTEE ON FINANCIAL SERVICES

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I'd like to thank Chairman Baker and Chairwoman Kelly for holding this important hearing on the future of terrorism risk insurance. Due to the cyclical nature of insurance polices, and the pending expiration of the Terrorism Risk Insurance Act (TRIA), their proactive approach toward this issue is commendable. I would also like to welcome our panel of witnesses, especially New York's Superintendent of Insurance Greg Serio. As a fellow New Yorker, he understands first-hand the importance of terrorism insurance in high-risk areas.

As we all know, the events of the September 11, 2001 exposed numerous concerns within our financial markets. The unpredictable risk associated with a terrorist attack posed an immediate problem for our economy because many insurers and reinsures stopped offering terrorism coverage in their commercial policies. This led to a halt, and even cancellation, of construction projects and potential real estate sales. Accordingly, Congress passed TRIA which provided a temporary backstop to share insured terrorism losses with insurers and policy holders. The bill served two important functions: (1) make terrorism insurance affordable and available to all commercial policy holders; and (2) allow the insurance industry time to diversify their exposure and determine how offer terrorism insurance without a federal backstop.

TRIA has done a good job providing stability in the marketplace by "making available" terrorism insurance to policyholders who seek it. However, according to a recently released GAO study on the effects of TRIA, the industry still has a long way to go in developing a reinsurance alternative to the government backstop. With TRIA set to expire at the end of 2005, this is very disconcerting because we could potentially find ourselves in a position similar to post 9/11. It's also been brought to my attention that group life insurers face significant losses in the event of a terrorist attack. Should they be included in any future reauthorization of TRIA? With risk managers assessing policies beyond the expiration of TRIA, we can not wait until next year to signal support for an extension of TRIA. At a minimum, Treasury should extend the "make available" provision subject to review in September 2004.

I look forward to the testimony from our witnesses, especially their opinions on whether a private market can develop in the near future.

Thank you, Mr. Chairman and Madam Chairwoman.