

TESTIMONY OF

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BEFORE THE

**COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE AND
GOVERNMENT SPONSORED ENTERPRISES**

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Chairman Kanjorski, Ranking Member Pryce and distinguished members of the Committee: Good morning. It's my pleasure to be here today with Senator Schumer and Superintendent Dinallo. Thank you for inviting me to testify.

As mayor, let me also welcome you all to New York. During your brief visit here, I think you will discover a city that is facing its future with confidence. In the days after 9/11, there were a lot of people who predicted the worst for New York. They were convinced that businesses were about to flee our economy would tank and never recover and crime would return to our streets once again.

Instead, the opposite has happened. Over the past five years we've made the safest big city in the nation even safer – and we've brought our economy back stronger than ever. Last year, unemployment in our city hit an all-time low, and now we're in the midst of the biggest building boom since the end of World War II.

Protecting New York against terrorism has been a critical part of keeping the city strong, safe, and attractive for businesses. In the NYPD, we've built intelligence and counterterrorism operations that are monitoring and responding to threats as they arise. They are recognized as models for local law enforcement around the nation.

We are determined to prevent another attack and we are sparing no expense. For instance, in this year's Executive Budget, I've proposed an initial investment of \$15 million in the Lower Manhattan Security Initiative, which will help safeguard our bridges, tunnels, and other infrastructure downtown.

But should the worst happen, we also must be fully prepared to minimize the impact on our 8.2 million citizens, as well as the millions of commuters and tourists who come here each day. This preparation includes not only strengthening rescue and recovery operations, but also taking preventive steps to stabilize the city's economy in the

event of an attack. The federal government's leadership in enhancing the availability of commercial insurance has been – and must remain – a crucial part of this strategy.

After 9/11, Congress did a great service to our nation by quickly passing the Terrorism Risk Insurance Act, or TRIA, which requires insurers to provide coverage against terrorism but caps their total liability – with the Department of Treasury responsible for claims exceeding that ceiling.

This legislation, which was temporarily extended in 2005, is set to expire again at the end of this year. With no foreseeable end to the terrorist threats against our nation, it's imperative that Congress not only renews TRIA but ensures that it's in place indefinitely.

It's up to the federal government to continue bearing this responsibility for the simple reason that commercial insurers neither have the ability nor the capacity to provide the full level of desired terrorism coverage.

The numerous factors at play – including the weapons, the methods, the targets, and the timing of our enemies – are just far too difficult to predict. And if insurers can't estimate the risk, they simply can't price their products. That means they either won't sell insurance to many businesses in New York – or they'll sell it, but only at prohibitively high prices.

Some might say that TRIA is a subsidy to successful developers and insurers. But that's not true; this is about government correcting a serious market failure caused by the threat of terrorism.

Without a doubt, the federal government's terrorism insurance program has been a critical part of New York City's revival and is giving businesses the confidence to move forward with exciting new projects. At the Atlantic Yards in downtown Brooklyn, for instance, we are moving ahead on a dynamic commercial and residential development

featuring the future home of the Brooklyn Nets, designed by Frank Gehry. In Long Island City in Queens, we are sowing the seeds of a major new central business district that will complement Midtown and Lower Manhattan. On Manhattan's Far West Side, we are extending the subway line and transforming an old industrial zone into a vibrant new neighborhood. And here in Lower Manhattan, new office towers and cultural centers are rising, as well as almost \$10 billion worth of mass transit projects.

In total, these projects and developments will create hundreds of thousands of new jobs and up to 46 million square feet of new commercial space – as well as produce more than \$10 billion in additional property tax revenue for New York City each year. Their importance to our economy cannot be overstated. But without terrorism risk insurance, none of them would ever get off the ground. And if projects like this are put in jeopardy... so will the future of our city – the global financial leader for America.

The demand for terrorism insurance is clear – and the demand is urgent: Although the current program does not expire until December 31st, the insurance industry writes and renews its commercial properties policies many months in advance – meaning we need to reauthorize this vital legislation now.

I've come here today to pledge to do whatever it takes to get this done.

Before closing, I want to raise two additional issues that must be addressed before the Terrorism Risk Insurance Act is renewed. First... this federal program needs to eliminate its distinction between international and domestic terrorism. Currently, TRIA only covers an act of terrorism that is committed on behalf of a foreign person or interest. However, this distinction could be very difficult to discern if a domestic group contains at least one member from another country, or maintains even minimal contact with other terrorism groups around the world. For instance, an attack like the one committed by homegrown extremists on London's mass transit system in 2005 – if duplicated here – would not be covered by TRIA. That just makes no sense! As long as TRIA excludes

acts of domestic terrorism, every business and commercial enterprise continues to be at risk of suffering catastrophic financial losses.

My second concern... is the lack of insurance coverage for what would be some of the most frightening weapons of devastation. TRIA currently protects consumers against events involving conventional explosives and the use of airplanes to cause widespread damage. But there is no protection against a potentially more destructive chemical, biological, radiological or nuclear attack. By definition, commercial insurance is designed to provide peace of mind. So it's important that any federal terrorism insurance program is a comprehensive one that addresses all major threats.

We must not only prepare for yesterday's attacks. As the 9/11 Commission has stated: the failure of preventing 9/11 was a failure of imagination. We need to prepare for every possible attack – and not just the ones that have already happened.

I appreciate the chance to be here with you today. Hopefully, this hearing will move us closer to ensuring the long-term and affordable solution that our economy needs to continue to grow.

Thank you for your time. I'll be happy to answer any questions