

**OPENING STATEMENT OF
CONGRESSMAN PAUL E. KANJORSKI
COMMITTEE ON FINANCIAL SERVICES
HEARING ON THE TREASURY'S REPORT TO CONGRESS
ON THE TERRORISM RISK INSURANCE ACT
WEDNESDAY, JULY 13, 2005**

Mr. Chairman, I am pleased that we are finally meeting this year to examine the need to extend the Terrorism Risk Insurance Act. This law is critical to protecting our economic security.

In the wake of the 2001 terrorist attacks, reinsurers unfortunately curtailed the supply of terrorism reinsurance and insurers began to exclude such coverage from policies. Eventually, we belatedly approved the Terrorism Risk Insurance Act to address these pressing problems.

Our efforts to address this predicament appear to have worked. After all, the Treasury Department's recent study on the law found that the program has helped to stabilize our insurance markets. Several other studies have also determined that TRIA has worked to increase the availability of terrorism risk insurance and advanced economic development projects.

Last year, we were also able to reach an agreement in the Financial Services Committee to extend TRIA for two years and to modestly expand it to cover group life insurance. Unfortunately, our bipartisan efforts fell short of their goal and that bill did not become law.

Nevertheless, I continue to believe that we need to move aggressively now to extend this economic stabilization law. Our failure to reach quick agreement on this important issue, according to Treasury's TRIA report, would likely result in less terrorism insurance, higher prices, and lower policyholder takeup.

A recent report by the RAND Corporation also found that TRIA is needed, but because of its gaps, it is not robust enough to protect against evolving threats. Another report by the Organization for Economic Cooperation and Development found that private markets are still unable to comprehensively cover the large losses that could result from terrorist acts.

Despite the Administration's preference against extending TRIA in its current form, last week's terrorist attacks in London highlight the genuine need for us to do so. Terrorism is unpredictable. Many others, including regulators, trade associations, insurance risk experts, and commercial mortgage investors, have also called upon the Congress to act expeditiously in these matters in order to prevent short-term market disruptions. We need to heed their wise advice.

In debating any plan to extend TRIA, we ought to work to incorporate group life insurance. These products, after all, have characteristics similar to commercial property-and-casualty insurance in that there is often an excessive concentration of risk within a small geographic area.

Today, I also hope that Secretary Snow will expand upon the need for the "reasonable" legal reforms the Administration is requesting in any TRIA extension. I am very concerned that such a posture could once again stall legislative efforts, as it delayed consideration of the original law.

In closing, Mr. Chairman, time is of the essence. This is not a Democratic or Republican issue. It is an American issue; it is a business issue; it is an economic security issue. I therefore stand ready to work with you and all other interested parties on these matters.
