

September 11, 2013

The Honorable Michael Grimm
United States House of Representatives
Washington, DC 20515

The Honorable Carolyn Maloney
United States House of Representatives
Washington, DC 20515

The Honorable Michael Capuano
United States House of Representatives
Washington, DC 20515

The Honorable Peter King
United States House of Representatives
Washington, DC 20515

Dear Congressman Grimm, Congresswoman Maloney, Congressman Capuano, and Congressman King:

I understand that the Committee on Financial Services will hold a hearing on the extension of the Terrorism Risk Insurance Act (TRIA) on September 19. I want you to know of my strong support and the strong support of New Mexico Mutual for your efforts to extend TRIA.

TRIA is critically important for businesses in New Mexico. The New Mexico Legislature created New Mexico Mutual 20 years ago to provide affordable, predictable workers' compensation insurance to New Mexico businesses, especially higher-risk businesses such as oil and gas exploration and small businesses. Workers' compensation insurance can be a major expense for businesses, and the health of the New Mexico business community depends on the ready availability of that coverage year in and year out. Our company is the largest provider of workers' compensation coverage in New Mexico.

Many other states have established entities like ours – generally termed “state funds” – to serve as stable sources of workers' compensation coverage. Like New Mexico Mutual, other state funds typically sell only workers' compensation insurance – i.e., they are “mono-line” – and typically sell little coverage outside their home states. Almost every state requires all in-state businesses to purchase the insurance and requires workers' compensation carriers to provide comprehensive coverage – i.e., no exclusions for terrorism or other risks.

The effect of these requirements is that state funds and the businesses they serve are particularly vulnerable to acts of terrorism. In other words, because New Mexico Mutual operates as a mono-line carrier and operates almost exclusively in a single state, and because the state requires us to assume terrorism risks and all other risks, a terrorist event targeting a major New Mexico employment center, such as Albuquerque, could create liabilities sufficient to overwhelm our company overnight. In that event, New Mexico businesses could be left without coverage. The ratings firm FitchRatings recently forecasted that workers' compensation carriers would be “particularly vulnerable to large losses” in the absence of TRIA.

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Congressman King

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The private reinsurance market appears unable to provide full coverage to insurers for terrorism risks. In the absence of TRIA, state funds like New Mexico Mutual would have to attempt to self-insure; we would need to raise premium rates on the backs of businesses mandated to buy workers compensation in order to build additional capital. For many state funds, the rate hikes could be large, and the effect would be needlessly to hurt the businesses we serve – and we would still be vulnerable to overnight insolvency from a terrorist attack.

TRIA has cost the government nothing. The law also provides for make-up fees to reimburse the government in the event of a covered terrorist event. By contrast, typical federal government disaster assistance comes without strings attached. We think TRIA represents sound federal policy.

Again, we very much appreciate your leadership in extending TRIA. Please let us know if we can assist you in your efforts in any way.

Sincerely,



Norman P. Becker, CLU
President and CEO

CC: The Honorable Jeb Hensarling,
Chair, Committee on Financial Services
The Honorable Maxine Waters
Ranking Member, Committee on Financial Services
The Honorable Steve Pearce, United States Representative
State of New Mexico
The Honorable Ben Ray Lujan, United States Representative
State of New Mexico
The Honorable Michelle Lujan Grisham, United States Representative
State of New Mexico