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The Real Estate Roundtable

September 18, 2013

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

We are writing to thank you for holding the first in a series of hearings to address the important issue of extending the nation's federal terrorism risk insurance plan, as established by the Terrorism Risk Insurance Act of 2002 (TRIA) and its subsequent extensions.

For more than a decade, TRIA has made it possible for businesses to purchase the terrorism risk coverage they need at almost no cost to the taxpayer. TRIA helps private markets provide the U.S. economy with the coverage it needs, while protecting the taxpayer. While TRIA was originally intended to be a temporary measure – a bridge to a time when reinsurers returned to the market place – there have been no developments over the last 12 years that have permitted the reinsurance industry to improve their ability to effectively quantify the unique and catastrophic risks associated with terrorism. There is no evidence that TRIA is crowding out private insurance players; private markets are just not able to provide the necessary market capacity to sustain the U.S. economy.

Terrorism continues to pose a threat to our nation, to American businesses and to real estate. Real estate plays a dominant role in the nation's economy, and it is the one sector that terrorists have successfully attacked. Real estate is especially vulnerable due to the large inventory of buildings across the nation that are populated by large numbers of people on a daily basis. As taxpayer funds are used to *harden* government targets, more *soft targets* in the private sector become vulnerable – despite the hundreds of millions of dollars spent on enhanced security measures and risk mitigation by the private sector since 9/11. Without adequate terrorism insurance coverage, our economy, our jobs, and our well-being become more vulnerable to the designs of the terrorists who hope to destroy our economic strength. Economic security is central to homeland security. It is what terrorists are targeting.

As 2013 draws to a close, annual commercial insurance policies covering businesses of all sizes and types are set to renew. Those policyholders with terms extending past TRIA's December 31, 2014 sunset date are being told to expect conditional terrorism exclusions – raising grave concerns about potentially devastating gaps in coverage. In fact, the two top headwinds we see to economic growth and job creation concern monetary policy changes – how and when interest rates rise – and the ability to obtain terrorism insurance – without which transactions of all size and product type will be slowed or cancelled.

September 18, 2013

Page 2

The staggering economic impact of this market condition must not be forgotten. A Real Estate Roundtable study of the 14-month post-9/11, pre-TRIA period revealed that more than \$15 billion in real estate related transactions were either stalled or cancelled because of a lack of terrorism insurance. The White House Council of Economic Advisors concluded that approximately 300,000 jobs were lost during that period. TRIA was intended to ensure that the economy was strong enough to withstand a future attack. That purpose remains as important today as it was in November 2002.

With the nation's terrorism risk insurance plan set to expire in 2014, now is the time for Congress to address the problem and enact a long-term solution. We look forward to working constructively with the Committee to move this measure forward.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey D. DeBoer". The signature is fluid and cursive, with the first name "Jeffrey" being more prominent.

Jeffrey D. DeBoer
President and Chief Executive Officer

cc: Members of the House Financial Services Committee