

September 18, 2013

Dear Representative:

The undersigned trade organizations strongly support the long-term reauthorization of the Terrorism Risk Insurance Program, currently due to expire on December 31, 2014. It is our firm belief that in the absence of a risk-sharing mechanism between the private and public sectors, no self-sustaining private market for terrorism risk coverage is likely to develop. The TRIA program has acted to create space for a robust private market for terrorism insurance to form where it might not have otherwise.

Fundamentally, terrorism risk is not the same as natural catastrophe risk; insuring against a terrorist attack defies traditional underwriting techniques. The fact that these are intentional acts perpetrated with the goal of maximizing death and destruction creates enormous challenges. By sharing in only the risk of the very expensive and (hopefully) very rare events, the TRIA program allows the private sector to completely cover all terrorism losses except for the most catastrophic.

Current law requires all insurers selling covered commercial lines to offer terrorism coverage, compelling many insurers that had previously exited that market to return and dramatically reducing the amount of potentially uninsured losses in the event of an attack. In other words, the private sector participation made possible by TRIA means that far less government intervention in the form of taxpayer-funded disaster assistance will be needed in the aftermath of a future attack. Now, all but the largest terrorist attacks are completely borne by the private sector.

It is our belief that the federal government plays an important and appropriate role in encouraging private sector involvement in the terrorism insurance marketplace – and thereby protecting and promoting our nation's finances, security, and economic strength. We are urging swift passage of legislation that would maintain a long-term, risk-sharing partnership for terrorism risk insurance.

Sincerely,

National Association of Mutual Insurance Companies
Financial Services Roundtable
Property Casualty Insurance Association of America
American Insurance Association
Independent Insurance Agents and Brokers of America
Council of Insurance Agents & Brokers