

1 **TITLE: TERRORISM RISK INSURANCE**

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3 **COMMITTEE: NCSL STANDING COMMITTEE ON COMMUNICATIONS,**
4 **FINANCIAL SERVICES & INTERSTATE COMMERCE**

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6 **TYPE: DRAFT - POLICY STATEMENT**

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8 The insurance industry has repeatedly encountered new, unexpected, and severe risks
9 but has always, given reasonable time and experience, been able to develop creative
10 ways to price its product. However, losses from the terrorist acts of September 11,
11 2001, and the threat of future terrorist attacks with chaotic frequency and unknown
12 costs challenge the capacity and risk models of the property and casualty insurance and
13 group life insurance industries to provide coverage for such exposure. The Terrorism
14 Risk Insurance Act (TRIA) of 2002 provided a temporary federal “backstop” to ensure
15 the widespread availability and affordability of property and casualty insurance for
16 terrorism while preserving state insurance regulation and consumer protection. A key
17 aim of TRIA was to provide a transitional period for markets to stabilize, to develop
18 effective terrorism pricing models, and to build private sector capacity to afford future
19 losses.

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21 TRIA was set to expire on December 31, 2005 and was extended by Congress for an
22 additional two years. In December 2007, TRIA was reauthorized for an additional seven
23 years, now set to expire in 2014. This extension will have provided the insurance
24 industry 12 years to develop the necessary solutions to insure against the risk of
25 terrorism.

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27 The National Conference of State Legislatures (NCSL) calls on Congress to work with

28 state insurance regulators to ensure that in the next seven years while TRIA is in place
29 that the property and casualty insurance and group life insurance industries develop the
30 products to protect Americans from financial losses associated with terrorism and to
31 ensure an available and affordable insurance market for American consumers and
32 businesses.

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34 NCSL continues to believe that any reauthorization should recognize the temporary
35 nature of the program, and therefore encourages efforts to further promote development
36 of the private insurance markets. Any federal plan for a temporary and limited federal
37 backstop for terrorism insurance coverage must not adversely impact a state's ability to
38 levy premium taxes, regulate the business of insurance and set solvency standards for
39 property and casualty and group life insurers.