

## Ranking Member Spencer Bachus (AL) Opening Statement at the Hearing on "Policy Options for Extending the Terrorism Risk Insurance Act"

April 24, 2007

In the aftermath of the terrorist attacks of September 11, 2001, this Committee responded quickly and forcefully to stabilize the financial services marketplace and protect the economy. On the insurance front, within 2 months of the attacks, the Committee passed by voice vote the original Terrorism Risk Insurance Act, or TRIA. This legislation has been a great success over the last 5 years, and I am proud to be a cosponsor of both the original bill and our first extension effort.

Since TRIA's enactment, consumers have been generally able to obtain terrorism coverage, and harm to our economy — particularly in the commercial real estate sector — has been avoided. Insurers have been able to restore lost surplus, diversify risk exposures, and develop increasingly sophisticated terrorism loss modeling, while the terrorism reinsurance marketplace has grown to nearly 8 billion dollars.

TRIA was intended to be a temporary program while the market recovered, and it was very carefully designed to require annual increases in private sector responsibility with a corresponding reduction in the exposure to taxpayers. The private marketplace will always provide a more dynamic response than the Federal government, and we must continue to ensure that the Federal safety net of TRIA minimizes regulatory interference in the marketplace over time.

Last Congress, with the original TRIA program set to expire at the end of 2005, our Committee took the lead on legislation to extend the program, passing comprehensive TRIA reform by a bipartisan 64-3 vote in Committee and 371-49 on the House Floor. This bill contained a number of critical reforms to TRIA to transform the safety net into a longer term program. While we ultimately accepted a very short term TRIA extension from the Senate without most of our reforms, Members on both sides of the aisle in the House predicted that we would be back in two years, still with the need for TRIA, still with the need for reforms, and not that much further along in creating long-term stability for consumers.

It will be a test of our leadership whether we can advance these reforms further with the strong bipartisanship that has characterized the Committee's deliberations on TRIA over the last 6 years. Most Republicans are committed to this effort if the Committee continues to focus on building capacity in the private marketplace while slowly reducing Federal displacement and regulatory interference over time. Taxpayers must be fully protected, consumers should be able to obtain market-priced coverage without gaps, and the program should address not only pre-event stability but also post-event stability to protect the ongoing functioning of our economy.

For example, last Congress's TRIA extension legislation approved by this Committee included a very slow increase in private sector retention over time, but with a reset mechanism that would significantly lower the deductibles and trigger levels after another major terrorist attack. The reset mechanism is needed to promote post-event stability. Without it, the marketplace would inevitably pull back in the wake of a large-scale terrorist attack, jeopardizing consumers and our economy.

The bill also incorporated a number of regulatory reforms to make commercial insurance more available, such as streamlining speed-to-market and surplus lines availability. Taxpayers were protected by full recoupment, and consumers had a new marketplace created for their most vulnerable risk &ndash; nuclear, biological, chemical, and radiological (NBCR) coverage. Insurers were able to set aside long-term terrorism reserves without tax penalties, again to promote post-event stability, and those reserves could be borrowed as a temporary pool to reduce the Federal exposure over time.

TRIA has worked well for our country, but as a short term program according to its original design. In considering legislation to place the program on a longer-term footing, I hope that we can build on prior bipartisan efforts and produce a bill that both promotes private sector innovation and protects taxpayers.

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