

Aerospace Industries Association  
American Association of Port Authorities  
American Bankers Association  
American Council on Education  
American Council of Engineering Companies  
American Gaming Association  
American Hotel and Lodging Association  
American Land Title Association  
American Public Gas Association  
American Public Power Association  
American Resort Development Association  
American Society of Association Executives  
Associated General Contractors of America  
Association of American Railroads  
Association of Art Museum Directors  
Bank Policy Institute  
Building Owners and Managers Association International  
Boston Properties  
Citigroup Inc.  
Community Associations Institute  
CRE Finance Council  
CSX Corporation  
Edison Electric Institute  
Emerson  
Food Marketing Institute  
Hilton Worldwide  
Host Hotels & Resorts, Inc.  
Institute of Real Estate Management  
InterContinental Hotel Group  
International Council of Shopping Centers  
International Franchise Association  
International Safety Equipment Association  
International Speedway Corporation  
Long Island Import Export Association  
Marriott International  
Mortgage Bankers Association  
NAIOP  
National Apartment Association  
National Association of Chain Drug Stores  
National Association of College and University Business Officers (NACUBO)  
National Association of Home Builders  
National Association of REALTORS  
Nareit  
The National Association for Stock Car Auto Racing (NASCAR)  
National Association of Waterfront Employers  
National Council of Chain Restaurants  
National Electrical Contractors Association  
National Football League  
National Hockey League  
National Multifamily Housing Council  
National Restaurant Association  
National Retail Federation  
National Roofing Contractors Association  
National Rural Electric Cooperative Association  
New England Council  
Partnership for NYC  
Public Utilities Risk Management Association  
Office of the Commissioner of Baseball  
The Real Estate Board of New York  
The Real Estate Roundtable  
Tenaska  
Taxicab, Limousine & Paratransit Association  
United Airlines  
Union Pacific  
University Risk Management and Insurance Association  
U.S. Chamber of Commerce  
U.S. Travel Association  
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June 18, 2019

The Honorable Mike Crapo  
Chairman  
Committee on Banking Housing  
and Urban Affairs  
United States Senate  
Washington, DC 20510

The Honorable Sherrod Brown  
Ranking Member  
Committee on Banking Housing  
and Urban Affairs  
United States Senate  
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

Thank you for holding this important hearing to examine the reauthorization of the Terrorism Risk Insurance Program (TRIP). The Coalition to Insure Against Terrorism (CIAT) is writing today to express its strong support for a long-term reauthorization of TRIP and to urge prompt Congressional action to renew this critical program.

CIAT is a broad coalition of commercial and non-profit insurance consumers formed immediately after 9/11 to ensure that all American businesses could obtain comprehensive terrorism insurance. The diverse CIAT membership represents commercial real estate, banking, energy, construction, hotel and hospitality, higher education, manufacturing, transportation, entertainment, the major league sports and racing, as well as public sector buyers of insurance. According to a 2019 Marsh<sup>1</sup> study, the education, health care, financial institutions, and real estate sectors had the highest 'take-up' rates among the 17 industry segments surveyed – all above 70%.

Terrorism continues to pose a clear and present danger to our nation and to the American economy. According to the Department of Homeland Security, the U.S. continues to face one of the most challenging threat environments since 9/11. There is no homeland security without economic security. One of the stated aims of terrorists is to disrupt our economy. For example, Quazi Nafis, the Bangladeshi student arrested for plotting to attack the New York Federal Reserve in 2012, declared "... targeting America's economy is [the] most efficient way to draw the path of obliteration of America."<sup>2</sup>

The Program has been, and remains, extremely effective in achieving its primary purpose, which was to stabilize the market following 9/11 and to ensure the continued availability of terrorism coverage for commercial policyholders in the future. America needs a stable and reliable terrorism insurance market so that employers can invest in assets and create jobs without assuming the risk and liabilities of a terrorist attack. At almost no cost to the taxpayer, the Program has been the key factor in ensuring that the private insurance market has remained intact

<sup>1</sup> 2019 Terrorism Risk Insurance Report, Marsh Risk Management Research, 2019.

<sup>2</sup> Sam Mullins, 'Home-Grown' Jihad: Understanding Islamist Terrorism in the US and UK 199 (2016).

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and continues to meet the needs of commercial policyholders during the on-going threat of a future terrorist attack – all while minimizing federal taxpayer exposure.

As the principal buyers of terrorism insurance, CIAT members remember all too well the economic environment that led to establishment of the program. In the aftermath of 9/11, it was virtually impossible for commercial policyholders to secure coverage against terrorism risk; however, banks and other capital providers would not provide financing without it. According to a Real Estate Roundtable survey, over \$15 billion in real estate-related transactions were stalled or even cancelled because of a lack of terrorism risk insurance in the 14 months between 9/11 and TRIA's enactment. Additionally, due to deferred construction investment, the White House Council of Economic Advisors estimated that there was a direct loss of 300,000 jobs during that period. In short, the lack of availability of terrorism insurance for commercial policyholders had a very real and far-reaching impact on the economy. It further underscores the need to have TRIP in place to minimize the economic fallout from the next terrorist attack.

CIAT concurs with the 2018 Department of Treasury Federal Insurance Office's "*Report on the Effectiveness of the Terrorism Risk Insurance Program*" which concluded that the current terrorism risk insurance program is "effective in making terrorism risk insurance available and affordable in the insurance marketplace,"<sup>3</sup> and that there is insufficient "private reinsurance capacity for the exposure the Program currently supports in connection with a catastrophic terrorism loss."<sup>4</sup> There is no evidence that private markets can develop adequate terrorism risk capacity without some type of federal participation. Acts of terrorism are man-made, infrequent, and potentially catastrophic, which means quantitative risk models can't be used to accurately analyze terrorism risk. These tools only work for exposure to natural disasters, such as hurricanes, where there is extensive loss experience. Terrorism has no season, no region, and no reliable pattern.

Without TRIP in place, we believe the availability of terrorism risk coverage will diminish, or insurers will simply stop offering the coverage altogether. CIAT members have seen evidence of this each time that the TRIP has been up for renewal (most recently in 2014). In each instance, policy renewals often included "springing exclusions" which would have voided terrorism coverage upon the expiration of TRIA. Additionally, faced with this gap in terrorism coverage and uncertainty about the continuation of the program, businesses are forced to secure expensive standalone coverage. While the Program does not expire until the end of 2020, it is important that Congress act quickly to avoid these economic disruptions.

Should the Program be allowed to sunset, we would expect a period of profound economic slow-down – posing a very real threat to our economic and homeland security. American businesses, colleges and universities, hospitals, real estate owners, and the entire financial services system all depend on their ability to finance insured collateral. Without the ability to maintain adequate insurance coverage, a business or a property owner's capacity to finance is materially impaired and its liquidity is jeopardized.

In conclusion, the Program has been a tremendous success. It is a comprehensive plan to provide for economic continuity and recovery in the wake of a major terrorist attack, while simultaneously protecting taxpayers via a mandatory recoupment mechanism. CIAT urges Congress to promptly enact a long-term reauthorization of this important program.

Sincerely,

The Coalition to Insure Against Terrorism

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<sup>3</sup> FEDERAL INSURANCE OFFICE, U.S. DEPT. OF THE TREASURY, REPORT ON THE EFFECTIVENESS OF THE TERRORISM RISK INSURANCE PROGRAM 2 (June 2018).

<sup>4</sup> Id. at 47.