

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
WarnerMedia



October 16, 2019

The Honorable Emanuel Cleaver
Chairman
Subcommittee on National Security,
International Development, and
Monetary Policy
Committee on Financial Services
United States House of
Representatives
Washington, DC 20515

The Honorable Steve Stivers
Ranking Member
Subcommittee on National Security,
International Development, and
Monetary Policy
Committee on Financial Services
United States House of
Representatives
Washington, DC 20515

The Honorable William Lacy Clay
Chairman
Subcommittee on Housing, Community Development and Insurance
Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Cleaver, Chairman Clay, and Ranking Member Stivers:

Thank you for holding this important hearing to examine the reauthorization of the Terrorism Risk Insurance Act (TRIA). The Coalition to Insure Against Terrorism (CIAT) is writing today to express its strong support for a long-term reauthorization of TRIA and to urge prompt Congressional action to renew this critical program. We thank you, Chairwoman Waters, and your 27 bipartisan cosponsors, all members of the House Financial Services Committee, for your leadership in introducing H.R. 4634, a 10-year "clean" reauthorization bill, which CIAT wholeheartedly supports.

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 Marsh¹ study, the education, health care, financial institutions, and real estate sectors had the highest 'take-up' rates of terrorism insurance 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. now faces 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

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¹ 2019 *Terrorism Risk Insurance Report*, Marsh Risk Management Research, 2019.

America's economy is [the] most efficient way to draw the path of obliteration of America."²

The TRIA 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 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.

In fact, TRIA is designed to ensure that taxpayer exposure steadily shrinks over time. The key elements of TRIA that establish private market exposure -- the insurer deductible and the insurance marketplace aggregate retention amount (IMARA) -- are already effectively indexed to premium growth at both the insurer and industry level, and the federal share will continue to decrease, as it has since the program's inception, in future years even if Congress made no changes to the TRIA statute beyond a straight extension.

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,"³ and that there is insufficient "private reinsurance capacity for the exposure the Program currently supports in connection with a catastrophic terrorism loss."⁴ There has been 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 TRIA in place, we believe the availability of terrorism insurance will dramatically diminish, or insurers will simply stop offering the coverage altogether. CIAT members have seen evidence of this each time that TRIA has been up for reauthorization (most recently in 2014). In each instance, policy renewals often included "springing exclusions" which would have voided terrorism coverage upon the expiration of TRIA. 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.

As the principal commercial buyers of terrorism insurance, CIAT members remember all too well the economic paralysis 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 TRIA in place to minimize the economic fallout from the next terrorist attack.

In conclusion, CIAT continues to believe that TRIA 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

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

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

⁴ Id. at 47.

simultaneously protecting taxpayers via a mandatory recoupment mechanism and declining federal exposure. We thank you again for holding this important hearing, and urge your prompt consideration of H.R. 4634.

Sincerely,

The Coalition to Insure Against Terrorism

Cc: The Honorable Maxine Waters

The Honorable Patrick McHenry

Members of the House Financial Services Committee