

PIA urges congress to enact long-term solution for terrorism insurance

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Tells House Panel TRIA is 'Not Just a New York State of Mind'

NEW YORK - Congress should pass a long-term solution to insuring for possible terrorist threats well before the Terrorism Risk Insurance Act (TRIA) expires at the end of this year, according to the National Association of Professional Insurance Agents (PIA).

In testimony submitted for a March 5 hearing in New York City by the House Financial Services Committee's Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises, PIA reiterated its longstanding support for creation of a long-term mechanism for terrorism coverage to ensure the viability of the existing domestic insurance market.

"Terrorism insurance is an important part of the nation's economic safety net because it allows insurers to manage terrorism risk in a cost effective manner," PIA noted in its statement. "PIA believes that legislation must be passed well before the December 31, 2007 expiration of TRIA." In addition, PIA encouraged Members of Congress to set the trigger level for a federal backstop at a level that allows small company participation in the program, not just cover large insurers.

PIA also endorsed expanding the current program to include nuclear, biological, and chemical and radiological (NBCR) coverage. "Attacks of this nature must be addressed because the severe magnitude cannot be absorbed by the insurance industry without federal participation."

The association also pointed out that the need for TRIA is nationwide, not just confined to major urban areas, citing comments from PIA agents in areas as diverse as Memphis, Tennessee; Cincinnati, Ohio; and rural areas of Louisiana and Mississippi.

"Insuring against terrorist attacks is not just a 'New York state of mind,'" the PIA statement said. "TRIA does not solely benefit large businesses in major urban areas. To the contrary, the need for TRIA is not confined to any one city, state or region of the country. Terrorism coverage is being required more and more by lenders of their commercial insurance borrowers of all sizes, on any sizable commercial loan anywhere. Having this coverage available and affordable for small and mid-size commercial insureds -- the customers of PIA agencies throughout the United States -- is critical."

PIA's testimony went on to note that Congressional action to ensure a functioning insurance marketplace during times of war is not without precedent.

"Our Association was founded in 1931. As a result, we have previous experience with the issue of insurance during times of war," the PIA statement said. "Our archives detail how, following the attack on Pearl Harbor on December 7, 1941, one of our clients' major concerns was obtaining affordable insurance that would cover war risks. In 1942, Congress responded by creating a backstop program for war risk insurance that remained in effect until 1947, assuring that the clients of PIA agencies had the coverage they needed for the duration."

Today, the United States is engaged in a protracted War on Terror, which many say poses an even greater risk. As a nation, we cannot fail to act to assure that this risk can be insured. We must not do less now than we did during World War Two."

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