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NEWS RELEASE

**CIAT Notes PWG Report Cites Continued Modeling
Challenges For Terrorism Insurance Risk**

Report Says “Little Potential” For CNBR Insurance Market

Washington, D.C. – Following a Congressional hearing and a report released last week by the U.S. Government Accountability Office, the President’s Working Group on Financial Markets released its analysis of the long-term availability and affordability of insurance for terrorism risk, as mandated by the Terrorism Risk Insurance Extension Act of 2005 (TRIEA).

In response to the President’s Working Group report, Martin DePoy, chairman of the steering committee for the Coalition to Insure Against Terrorism (CIAT), said: “We are pleased that the issue of a federal backstop for terrorism risk insurance is moving back into the public dialogue well before the expiration of TRIEA, which is the single factor making it possible for policyholders like CIAT’s members to buy affordable terrorism risk insurance today—something that wasn’t possible in the wake of 9/11, prior to the passage of TRIA.

“CIAT is encouraged that the President’s Working Group report recognizes the difficulty in modeling for terrorism risk and specifically that the report noted: ‘The greater uncertainty associated with predicting the frequency of terrorist attacks along with what appears to be a general unwillingness of some insurance policyholders to purchase terrorism risk insurance coverage makes any evaluation of the potential degree of long-term development of the terrorism risk insurance market somewhat difficult.’”

The President’s Working Group report also specifically addressed concerns over chemical, nuclear, biological and radiological (CNBR) risks. The report noted: “Given the general reluctance of insurance companies to provide coverage for these types of risks, there may be little potential for future market development.”

“We agree with this assessment,” DePoy said. “The same conclusion regarding CNBR risks was reached by the GAO report last week, which made it clear that there will be no CNBR coverage without a federal backstop because insurers cannot assess the risk of a CNBR attack based on four criteria essential to determining insurability and pricing,” he said. The four criteria are: enough past occurrences to predict future losses; risks that are definite and measurable in dollar value; events that occur by chance; and events that do not result in catastrophic losses.

“While the GAO report focused only on CNBR risk, the same four criteria apply to all terrorism risk assessment, and the same conclusion applies, as well,” DePoy said. “As last month’s Marsh study of the terrorism risk insurance market stated: ‘The standalone market for casualty terrorism insurance, absent TRIA, is virtually nonexistent.’”

DePoy said he disagreed, however, with the President’s Working Group report’s speculation that the federal reinsurance backstop provided by TRIA and TRIEA may have negatively affected the emergence of private reinsurance capacity.

“Today, even with the TRIEA backstop, reinsurers are not meeting the capacity demand of primary insurers for their deductible and coinsurance layers. This fact suggests that private reinsurers, who bore the brunt of 9/11 costs, want very little exposure to terrorism risk, and it refutes the notion that the federal backstop is crowding out the private market,” he said.

“Overall, the President’s Working Group report has made a positive contribution to the public dialogue on this issue,” Depoy said. “CIAT looks forward to working with the administration and with the bi-partisan support of Congress to find a long-term solution to this issue, which is so critical to our economic homeland security.”

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The Coalition to Insure Against Terrorism represents a wide range of businesses and other organizations throughout the transportation, real estate, manufacturing, construction, entertainment and retail sectors. CIAT speaks for business insurance policyholders as part of an ongoing effort to ensure that terrorism coverage is both available and affordable. Visit our Web site at www.insureagainstterrorism.org.