



NATIONAL CONFERENCE *of* STATE LEGISLATURES

The Forum for America's Ideas

October 27, 2005

The Honorable Bill Frist
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Harry Reid
Minority Leader
U.S. Senate
Washington, DC 20510

The Honorable Dennis Hastert
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Steven J. Rauschenberger
Assistant Senate Republican Leader
Illinois
President, NCSL

Susan Clarke Schaar
Clerk of the Senate
Virginia
Staff Chair, NCSL

William T. Pound
Executive Director

RE: NCSL Urges Extension of Terrorism Risk Insurance Act (TRIA)

Dear Majority Leader Frist and Minority Leader Reid; Speaker Hastert and Minority Leader Pelosi:

In order to secure the nation's economic well-being and to ensure the safety and soundness of U.S. insurance markets, **the National Conference of State Legislatures (NCSL) urges you to pass a clean, short-term extension of the Terrorism Risk Insurance Act (TRIA) before it sunsets on December 31, 2005.**

TRIA provides a temporary federal "backstop" to ensure the widespread availability and affordability of terrorism insurance while preserving state insurance regulation and consumer protection. Over the last three years, TRIA has brought vital stability to insurance markets, made terrorism insurance coverage available and affordable, and promoted economic activity and development in the face of uncertainty regarding a potentially catastrophic event.

The pending expiration of TRIA threatens a major drag on our economy in the new year. Many construction projects and economic enterprises are likely to slow or stall, especially in high risk areas, and the added uncertainty could further endanger production and drive up costs in already volatile energy markets. With reinsurance capacity likely to flee U.S. markets upon TRIA's sunset, businesses unable to find or afford terrorism coverage and primary insurers unable to adequately spread their risk would face exposure to bankruptcy and mass insolvency in the event of a terrorist attack.

TRIA's critical importance to our nation's economy recommends an immediate short-term extension to give key stakeholders the needed time to craft a long-term solution.

State legislatures applaud the efforts of Congressional leaders and the Administration in pursuing reforms that will promote the development of the private terrorism insurance market and recognize the temporary nature of the program. NCSL believes that some reforms can and should be included

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in a short-term extension, but a permanent solution that effectively transitions to a market-based system founded on effective terrorism pricing models and private sector capacity will take additional study and deliberation, which the pending expiration does not allow. We also believe that TRIA should be extended cleanly and not used as a vehicle for other more controversial measures that will weigh it down and risk exposing our nation's economic security.

NCSL is the national bipartisan organization serving and representing the legislatures of all 50 states, the territories and the commonwealths. For more information on the NCSL position, please contact Cheye Calvo (202-624-8661, cheye.calvo@ncsl.org) in the NCSL Washington Office. **We underscore the importance of extending the federal terrorism insurance backstop this year and pledge to work with you to accomplish this goal.**

Sincerely,



Senator Ruth Teichman
Chairperson, Financial Institutions and
Insurance Committee, Kansas
Chair, NCSL Financial Services Committee



Representative Keith Faber
House of Representatives, Ohio
Vice Chair, NCSL Financial Services Committee

Cc: United States Senate
United States House of Representatives