



**COALITION TO INSURE
AGAINST TERRORISM**

www.insureagainstterrorism.org

June 8, 2005

The Honorable George W. Bush
President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

The Coalition to Insure Against Terrorism (CIAT), a broad-based alliance of insurance policyholders, was formed after 9/11 to support your efforts to enact the Terrorism Risk Insurance Act (TRIA). Thanks to your indispensable leadership in securing passage of this legislation, TRIA has been a success in its limited life to date. It has stabilized the terrorism insurance marketplace and restored capacity that previously was unavailable to an enormous portion of the U.S. economy, thereby ensuring business continuity that is critical to the nation's overall economic and employment security.

Notwithstanding the encouraging signs that TRIA is working as intended, the members of CIAT are increasingly anxious about the prospect that TRIA will not be extended beyond the December 31, 2005 expiration date. With TRIA set to expire at year-end, there is no evidence to suggest that insurance markets will be able to provide adequate insurance against catastrophic acts of terrorism without a federal reinsurance backstop. In fact, two recent studies, by Moody's and by Marsh Inc., have both concluded that if TRIA is not extended the insurance market is unlikely to have the necessary capacity to sustain the current price or availability of terrorism insurance. Further, Federal Reserve Board Chairman Alan Greenspan told the House Financial Services Committee on February 17, 2005: "There are regrettable instances in which markets do not work, cannot work," and added "I have yet to be convinced" that the terrorism insurance market can be made to work.

State insurance regulators already have approved conditional terrorism exclusions in most states allowing insurers to exclude terrorism coverage if a federal terrorism insurance program is not extended by Congress by the end of this year. Insurers are already using these exclusions by writing "sunset clauses" into the policies written today that, come January 1, 2006, would allow the insurance company to raise prices or alter coverage for insurance plans should Congress allow TRIA to expire.

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- American Bankers Association
- American Bankers Insurance Association
- American Council of Engineering Companies
- American Gas 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 Builders and Contractors
- Associated General Contractors of America
- Association of American Railroads
- Association of Art Museum Directors
- Babson Capital Management LLC
- The Bond Market Association
- Building Owners and Managers Association International
- Boston Properties
- Century 21 Department Stores
- CCIM Institute
- Chemical Producers and Distributors Association
- Commercial Mortgage Securities Association
- Cornerstone Real Estate Advisers, Inc.
- CSX Corporation
- Edison Electric Institute
- Electric Power Supply Association
- The Financial Services Roundtable
- The Food Marketing Institute
- General Aviation Manufacturers Association
- Helicopter Association International
- Hilton Hotels Corporation
- Host Marriott
- Hyatt Hotels
- Independent Electrical Contractors
- Institute of Real Estate Management
- Intercontinental Hotels
- International Council of Shopping Centers
- International Franchise Association
- International Safety Equipment Association
- The Long Island Import Export Association
- Marriott International
- Mortgage Bankers Association
- National Apartment Association
- National Association of Home Builders
- National Association of Industrial and Office Properties
- National Association of Manufacturers
- National Association of REALTORS®
- National Association of Real Estate Investment Trusts
- National Association of Waterfront Employers
- National Association of Wholesaler-Distributors
- National Basketball Association
- National Collegiate Athletic Association
- National Council of Chain Restaurants
- National Football League
- National Hockey League
- National Multi Housing Council
- National Petrochemical & Refiners Association
- National Restaurant Association
- National Retail Federation
- National Roofing Contractors Association
- National Rural Electric Cooperative Association
- The New England Council
- Partnership for New York City
- Office of the Commissioner of Baseball
- Public Utilities Risk Management Association
- The Real Estate Board of New York
- The Real Estate Roundtable
- Society of American Florists
- Starwood Hotels and Resorts
- Taxicab, Limousine & Paratransit Association
- Travel Business Roundtable
- Trizec Properties, Inc.
- UJA-Federation of New York
- Union Pacific Corporation
- U.S. Chamber of Commerce
- Westfield

This inability of the private markets to adequately offer terrorism insurance is coupled with our continuing threat, as a nation, from terrorist attacks. Based on recent testimony from senior Administration officials, the threat of terrorism within our homeland remains as high as it did on 9/11. Earlier this year, CIA Director Porter Goss said before the Senate Intelligence Committee: "It may be only a matter of time before al-Qaeda or another group attempts to use chemical, biological, radiological and nuclear weapons", and "al-Qaeda is intent on finding ways to circumvent U.S. security enhancements to strike Americans and the Homeland."

The stark reality of our continuing threat, together with the unique factors that make the terrorist threat akin to the risk from war, continues to prevent insurers from effectively modeling and pricing the risk of future catastrophic terrorism attacks, thereby seriously hampering the development of any viable catastrophic reinsurance alternatives to TRIA.

CIAT believes that it is absolutely critical for the House and Senate to act quickly to approve legislation continuing the terrorism reinsurance program beyond December 31, 2005, and we hope that you will once again take a leadership role in pressing Congress to act on this legislation before the looming deadline. Extending TRIA is an essential part of our nation's economic preparedness against terrorism, as well as an essential element of our nation's economic security.

Given your strong and unflinching support for TRIA in the wake of 9/11, we are confident that you share our view that recent developments throughout the world only underscore the importance of TRIA today and the economic imperative of affordable and available insurance against terrorism tomorrow. To this end, we respectfully urge you to once again exert your leadership in securing our nation's economy from terrorist threats by calling upon Congress to quickly pass legislation that improves and extends TRIA.

Thanks again for your leadership on this issue.

Respectfully yours,

THE COALITION TO INSURE AGAINST TERRORISM

cc: The Honorable John W. Snow