

Congressman Stephen Lynch

House Financial Services Committee  
Subcommittee on Oversight & Investigations  
and  
Subcommittee on Capital Markets  
**“Protecting Americans from Catastrophic Terrorism Risk”**

September 27, 2006

**Opening Statement**

**THANK YOU, CHAIRMAN BAKER, MADAM CHAIR, AND RANKING MEMBERS  
KANJORSKI AND GUTIERREZ.**

**WITH THE FIVE-YEAR ANNIVERSARY OF THE HORRIFIC 9/11 TERRORIST ATTACKS  
JUST A COUPLE WEEKS AGO, IT BEHOOVES US TO CONSIDER ALL ASPECTS OF  
THOSE ATTACKS, INCLUDING THEIR IMPACT ON OUR COUNTRY’S CAPITAL  
MARKETS, WHICH IS THE SUBJECT OF TODAY’S IMPORTANT HEARING.**

**I WILL KEEP MY REMARKS BRIEF, AS WE HAVE TWO FULL AND DISTINGUISHED  
PANELS, WHICH I LOOK FORWARD TO HEARING FROM, BUT LET ME JUST SAY A  
FEW WORDS ABOUT THE TERRORISM RISK INSURANCE ACT, OR TRIA.**

**AFTER 9/11, IT HIT HOME FOR ALL OF US THAT THE WORLD HAS BECOME A VERY  
DANGEROUS PLACE. WE HAVE CERTAINLY MADE SOME PROGRESS IN SHORING UP  
OUR INFRASTRUCTURE PROTECTION AND INTELLIGENCE-SHARING SINCE THE  
SEPTEMBER 11<sup>TH</sup> ATTACKS. BUT THERE IS MORE TO BE DONE.**

**WE MUST NOT ONLY ENSURE THAT OUR CRITICAL INFRASTRUCTURE IS  
PROTECTED, BUT WE MUST ALSO PREPARE TO MITIGATE THE SEVERE ECONOMIC  
FALLOUT THAT COULD ACCOMPANY ANOTHER CATASTROPHIC ATTACK.**

**THE 9/11 COMMISSION ACKNOWLEDGED THAT NEARLY 85% OF THE CRITICAL  
INFRASTRUCTURE IN THIS COUNTRY IS CONTROLLED BY THE PRIVATE SECTOR.**

**THE SEPTEMBER 11<sup>TH</sup> ATTACKS RESULTED IN APPROXIMATELY \$35 BILLION IN  
INSURED LOSSES. FOLLOWING THAT EXPERIENCE, WE BEGAN TO SEE MANY  
INSURERS AND REINSURERS EXCLUDE TERRORISM COVERAGE FROM**

**COMMERCIAL INSURANCE POLICIES. IN RESPONSE, CONGRESS PASSED THE TERRORISM RISK INSURANCE ACT OF 2002 (TRIA) TO ADDRESS CONCERNS THAT THE LACK OF TERRORISM INSURANCE COULD IMPAIR ECONOMIC GROWTH.**

**THE PURPOSE OF TRIA WAS TO MAKE TERRORISM INSURANCE MORE WIDELY AVAILABLE AND AFFORDABLE IN THE IMMEDIATE FUTURE. ADDITIONALLY, TRIA ESTABLISHED A TRANSITIONAL PERIOD DURING WHICH INSURANCE MARKET PARTICIPANTS COULD DIVERSIFY THEIR EXPOSURE AND DEVELOP MECHANISMS FOR ESTABLISHING A PRIVATE MARKET IN THE FUTURE.**

**AS WE ALL KNOW, THE PROGRAM WAS MODIFIED AND EXTENDED, AND IS NOW SET TO EXPIRE ON DECEMBER 31<sup>ST</sup>, 2007.**

**AS A FORMER IRONWORKER, I KNOW FIRST-HAND THE IMPORTANCE OF THE CONSTRUCTION INDUSTRY TO BOSTON'S ECONOMY. OUR LOCAL ECONOMY CANNOT AFFORD TO SEE A SLOWDOWN IN DEVELOPMENT BECAUSE OF THE UNCERTAINTIES SURROUNDING THE FUTURE OF TERRORISM INSURANCE.**

**I READ TED KELLY'S TESTIMONY, AND HE MAKES A VERY GOOD POINT ILLUSTRATING THE IMPACT OF A TERRORIST ATTACK ON OUR WORKERS' COMPENSATION SYSTEMS. THE NUMBERS TED CITES REGARDING A POSSIBLE EVENT IN MASSACHUSETTS ARE SOBERING. AS THIS COMMITTEE ADDRESSES TRIEA NEXT YEAR, I LOOK FORWARD TO ENSURING THAT THE UNIQUE ASPECTS OF OUR WORKERS' COMPENSATION SYSTEM ARE TAKEN INTO ACCOUNT.**

**I RECOGNIZE THE VALIDITY OF THE CONCERNS RAISED BY THE INSURANCE INDUSTRY AND AM PARTICULARLY CONCERNED ABOUT THE HEIGHTENED THREAT A PROMINENT CITY LIKE BOSTON FACES. THE GOVERNMENT SHOULD BE THOUGHTFUL ABOUT TERRORISM POLICY AND TAKE MEASURED STEPS TO PREVENT A POTENTIAL FINANCIAL DISASTER FROM LACK OF TERRORISM INSURANCE COVERAGE. IF THAT SHOULD HAPPEN, THEN WE WILL SIMPLY BE FORCED TO ATTEMPT TO BAIL-OUT THOSE VULNERABLE GROUPS THAT ARE NOT SUFFICIENTLY INSURED.**

**THANK YOU, MR. CHAIRMAN, I YIELD BACK THE REMAINDER OF MY TIME, AND I LOOK FORWARD TO HEARING FROM OUR WITNESSES.**