



## Consumer Federation of America

FOR IMMEDIATE RELEASE:  
June 30, 2005

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**STATEMENT OF J. ROBERT HUNTER,  
DIRECTOR OF INSURANCE, CONSUMER FEDERATION OF AMERICA,  
ON RELEASE OF THE DEPARTMENT OF THE TREASURY'S STUDY ON THE  
FUTURE OF THE TERRORISM RISK INSURANCE ACT**

We applaud the Department of the Treasury for its careful, comprehensive analysis of the impact and cost to taxpayers of the Terrorism Risk Insurance Act. This study offers Congress a reality check on the hype and misinformation about TRIA that has been offered by the insurance industry. Insurers have claimed that terrorism insurance will not be available or affordable unless TRIA is extended "as is" and even broadened. The Treasury study makes it very clear, however, that the financially well-off insurance industry is receiving an overly generous and unnecessary subsidy from beleaguered taxpayers and consumers and that the law must be scaled back in order to foster the growth of the private market for terrorism insurance.

The Department of the Treasury's report on TRIA is also an excellent starting point for Congress as it considers what to do when the current terrorism insurance program expires at the end of the year. The program must be sharply cut back in the coverage it affords to the insurance industry in order to reduce the burden on taxpayers for the reinsurance that is provided. Insurers must be required to pay higher deductibles and co-payments in the event of a terrorist attack.

The report is silent on whether insurers should be required to pay a premium for the reinsurance they receive in the future. CFA strongly believes that taxpayers should no longer be required to give away billions of dollars in free reinsurance to an industry that is financially flush. Even representatives of the insurance industry have agreed that it is hard to justify not requiring the payment of premiums for this coverage. We strongly urge lawmakers to emulate the Riot Reinsurance program of the 1970s and to require insurers to pay a temporary premium until TRIA permanently expires.

CFA does disagree with Treasury Secretary Snow's contention that the legal rights of Americans should be further rolled back in order to prevent TRIA from paying for illegitimate liability claims. Current laws would certainly prevent payment for unjustified claims. Moreover, the Insurance Services Office estimates that all liability payments under TRIA would be very small, about ten percent of paid insurance losses.

In general, the Treasury Department's plan for TRIA is a good one. It would encourage private sector insurance alternatives and act as an incentive for businesses to maximize their efforts to prevent terrorism losses. This will result in a safer America for us all.

*CFA is a non-profit association of more than 300 organizations that, since 1968, has sought to advance the consumer interest through research, advocacy and education.*