



Consumer Federation of America

January 5, 2006

The Honorable Alessandro Iuppa
President, National Association of
Insurance Commissioners
2301 McGee Street, Suite 800
Kansas City, MO 64108

The Honorable Frank Wald
President, National Conference of
Insurance Legislators
385 Jordan Road
Troy, NY 12180

Re: TRIA Renewed for Final Time – NAIC/NCOIL Leadership Needed on Terrorism Insurance

Dear Presidents Iuppa and Wald:

As planning begins for the expiration of the Terrorism Risk Insurance Act (TRIA) in two years, NAIC and NCOIL have a great opportunity to show leadership and to prove to Congress that it need not move to substitute federal insurance regulation for state insurance regulation. CFA strongly urges NCOIL, NAIC and key state insurance regulators to take charge of these planning efforts and make sure that the nation is ready when TRIA expires on December 31, 2007.

As you know, it is extremely unlikely that Congress will extend TRIA again after 2007. Now is the perfect time for the states to put a system in place that makes the end of TRIA a minor event. If you act wisely, NAIC, NCOIL and the states could spur a number of important developments to ensure that the post-TRIA transition proceeds smoothly:

- Pools would be in place to help spread the terrorism risk;
- Reinsurance would be more widely available;
- Other mechanisms to finance or spread risk would also exist, such as alternative markets and privatization plans;
- Laws would exist to keep any needed lines of insurance in place, such as Worker Compensation pooling mechanisms; and
- Rating systems would have been thoroughly vetted by the states, policy forms would have been approved and in use, and Market Assistance Plans (MAPs) would be on standby, in the event of any dislocation.

If NAIC, NCOIL and the states do not plan carefully and early, the potential for market upheaval is obviously much greater, not to mention unwarranted appeals by insurers for the last-minute renewal of TRIA. I urge you to begin this planning immediately, before the President's Working Group on Financial Markets is scheduled to issue a report on the long-term availability and affordability of terrorism risk insurance this fall (by September 30, 2006). Waiting for the Working Group to report would cause the states to lose critical planning time. Moreover, such a lengthy delay would make NAIC, NCOIL and the states appear as if they are "asleep at the switch" in planning for such an important change.

CFA would be very willing to be of assistance to you in this effort. We would suggest that a joint NCOIL and NAIC Task Force undertake research on how to best address the end of TRIA and what should be in place as of January 1, 2008. We would recommend that such a Task Force hold early hearings with broad stakeholder participation on steps that should be taken after TRIA expires.

Yours truly,



J. Robert Hunter
Director of Insurance

cc: The Honorable John Garamendi, Commissioner, California Department of Insurance
The Honorable Mike Geeslin, Commissioner, Texas Department of Insurance
The Honorable Kevin M. McCarty, Commissioner, Florida Office of Insurance
The Honorable Michael T. McRaith, Director, Illinois Division of Insurance
The Honorable Howard Mills, Superintendent, New York Insurance Department
The Honorable John W. Snow, Secretary, Department of the Treasury
The Honorable Emil W. Henry, Jr., Assistant Secretary of the Treasury for Financial Institutions