

DRAFT GOVERNORS LETTER

November XX, 2005

The Honorable Bill Frist  
Senate Majority Leader  
United States Senate  
Hart 509  
Washington, DC 20510

The Honorable J. Dennis Hastert  
Speaker of the House  
House of Representatives  
235 Cannon  
Washington, DC 20515

The Honorable Harry Reid  
Senate Minority Leader  
United States Senate  
Hart 528  
Washington, DC 20510

The Honorable Nancy Pelosi  
House Minority Leader  
House of Representatives  
2371 Rayburn  
Washington, DC 20515

Dear Senators Frist and Reid and Representatives Hastert and Pelosi,

We are writing to express our strong belief that our nation's economy depends on the availability and affordability of terrorism insurance. In the wake of the attacks on September 11<sup>th</sup>, the Terrorism Risk Insurance Act (TRIA) program proved critical to our nation's economic recovery. Now, less than two months before its scheduled expiration, we urge you to act quickly and ensure that our businesses can continue to be protected against the threat of terrorist attacks.

If a federal terrorism insurance backstop is not continued in some form, businesses will face market conditions similar to those experienced after September 11<sup>th</sup>. Policyholders will likely pay exorbitantly high premiums for terrorist insurance, or simply be unable to secure it. The Treasury Department's recent report to Congress of the state of TRIA noted that the immediate effect of ending TRIA "is likely to be less terrorism insurance written by insurers, higher prices and lower policyholder take-up." In the absence of any financial protection, a future terrorist attack will have a significant impact on our nation's ability to recover as businesses find themselves without the necessary resources to rebuild their operations. In addition, without a backstop, the United States will find itself at a competitive disadvantage against countries with a terrorism insurance program, such as the United Kingdom or Germany, when attempting to attract international private investment.

As you move forward, we urge you to consider a temporary extension that ultimately leads to a viable long-term solution providing adequate protection and reduced taxpayer exposure. The primary beneficiaries of TRIA – policyholders – deserve the certainty a long-term solution would provide.

We look forward to working with you to ensure that terrorism insurance remains available and affordable.

Governors