



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

April 6, 2004

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The Honorable Michael G. Oxley
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Oxley:

**FEDERAL AND
INTERNATIONAL
RELATIONS**

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We are writing to urge action by the Congress this year on a federal solution to ensure continued marketplace stability when the Terrorism Risk Insurance Act of 2002 (TRIA) expires at the end of 2005.

Access to insurance is essential to business confidence and continued economic growth. Some terrorism risks may be largely uninsurable without a backstop. The members of the National Association of Insurance Commissioners (NAIC) are extremely concerned that significant market disruptions will develop before TRIA's expiration.

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The commercial insurance business cycle operates in such a way that insurers and their policyholders will be required to make decisions as early as this September that will affect coverage well into 2006. Annual policy renewals with effective dates of January 2, 2005 or later will have to contemplate no federal backstop for any losses in 2006. For this reason, we fully anticipate conditional exclusions for terrorism coverage will be introduced into these renewal policies on a widespread basis. This is the same situation we encountered in the aftermath of September 11 and which in large part prompted TRIA's enactment.

Not knowing if a federal backstop will be available will dictate business decisions well before the Treasury Department's June 2005 report to Congress on these issues.

**WORLD
WIDE WEB**

www.naic.org

We strongly urge Congressional action this year to avoid the market disruptions that will occur in the absence of a federal backstop program. Such action will ensure the insurance market's continued role supporting economic development. In addition, it will allow the Congress the time it needs to fully evaluate the Treasury Department's June 2005 report and recommendations.

We stand ready to work with you to address this issue of great importance to our nation's economic security.

Sincerely,



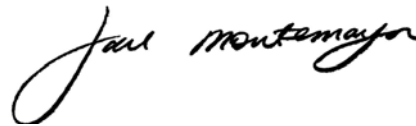
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Government Affairs Task Force Chair



Donna Lee Williams
Commissioner, Delaware Dept. of Insurance
TRIA Working Group Chair



José Montemayor
Commissioner, Texas Dept. of Insurance
Property and Casualty Committee Chair

cc: The Honorable John Snow