

**STATEMENT OF SENATOR JOHN MCCAIN  
RANKING REPUBLICAN, SENATE COMMITTEE ON COMMERCE, SCIENCE, AND  
TRANSPORTATION  
HEARING ON INSURANCE COVERAGE OF TERROR CLAIMS  
OCTOBER 30, 2001**

Thank you Mr. Chairman for convening this hearing on insurance coverage of future terror claims. It is important for this Committee to hear from the witnesses on the ability of the insurance and the reinsurance industry to provide terrorism insurance in light of September 11, 2001. It is also appropriate for us to evaluate any proposals that address what temporary or long-term mechanisms should be implemented to address future insurance coverage for losses from terrorism.

Representatives of the insurance sector have indicated that although their industry can pay all claims arising out of the September 11 attacks and remain in good shape financially, they will no longer insure for "terrorism risks" unless the federal government steps in and provides some mechanism to ensure their financial security. The absence of a federal mechanism would result in an insurance industry that excludes "terrorism risk" in virtually every insurance policy.

To a certain extent, the reality of the industry's intentions is already evident by the number of airports in our country that have indicated that they either have inadequate terrorism coverage or have been told by their insurance carriers that when policies are renewed at the end of the year, included will be an exclusion of terrorism risk.

Thus, the underlying question is not whether the federal government should provide a mechanism for insuring terrorism risk, but what that mechanism should be. I am hopeful that the witnesses at today's hearing will assist us in determining what the best approach is, and provide some accurate data in support of their testimony and proposals. It is of paramount importance for this Committee to have supportive data that reflects the reality of the situation so that we do not use arbitrary figures in our attempt to provide a solution to a complex problem.

In conclusion let me say that I do not oppose the creation of a short term mechanism that provides for the insurance of losses from terrorist attacks. However, it is important to stress that any mechanism put in place should not become a burden on the taxpayer, nor result in permanent federal involvement in the insurance of terrorism risk. It is also important that under any program, insurers be required to disclose to the policyholders the cost associated with the actual increase in policy premiums to provide terrorism risk insurance, as opposed to identifying the increases with ordinary market costs. This way the policyholder has an understanding of why they are paying increased premiums. Additionally, there must be incentive for the industry to bare their share of cost and risk so that the federal government does not become involved in the insurance business over the long term, and become a permanent reinsurer of the insurers.

I thank the panel for their presence today and look forward to their testimony.

# # # #