

**Statement of Senator Hollings**  
**Introduction of the National Terrorism Reinsurance Fund Act**  
**November 29, 2001**

Mr. President, in light of the need to provide additional capacity and reassurance to the insurance industry for terrorism risks without burdening the taxpayer, balanced with the need to protect consumers from excessive increases in commercial insurance rates, I rise today to introduce the National Terrorism Reinsurance Fund Act.

This legislation will create a fund from assessments on the commercial insurance industry as a whole for the purpose of providing a temporary backstop for terrorism losses for primary insurance companies doing business in the U.S. The Fund and assessment mechanisms would provide the first \$50 billion of protection for the insurance industry. In addition to this fund, the bill provides a program to provide direct federal aid on a temporary basis for losses over \$50 billion, in order to increase insurance market capacity and ensure the availability of reinsurance in relation to acts of terrorism. The overall program is to last for 3 years only and is to be administered by the Secretary of Commerce.

All terrorism-related events causing losses beyond \$50 billion will be governed by a direct federal grant program. Once a company has incurred losses of more than 10% of its premiums from the previous year, it can apply for assistance from the Fund and the Federal government. For the first year, the government will cover up to 90 percent of a company's losses. For the second and third years, the government will cover up to 80 percent of that company's losses. This aid will be applicable up to losses of \$100 billion. For events causing losses beyond this amount, the Secretary is required to seek guidance from Congress. Additionally, provisions have been included to ensure the industry shoulders the appropriate financial responsibility and to prevent unreasonable increases in insurance rates.

Simply put Mr. President, the legislation accomplishes the following goals:

1. It provides insurance companies the assistance they need to continue writing terrorism coverage;
2. It ensures the availability of insurance coverage for American businesses and consumers;
3. It avoids an unnecessary and potentially massive bailout of an insurance industry by forcing them to use their own resources to ensure the availability of terrorism reinsurance while setting direct federal aid at levels sufficient to account for the industry's current positive capitalization; and
4. It strikes the right balance regarding the interests of industry, taxpayers and the consumers of insurance and the marketplace in general.

Thank you Mr. President, I look forward to working with other Senators to obtain swift

passage of this important legislation.