UNITED STATES SENATE
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

April 14, 2005

STATEMENT OF ROBERT J. LOWE
ON BEHALF OF
THE COALITION TO INSURE AGAINST TERRORISM
AND
THE REAL ESTATE ROUNDTABLE
AND
THE UNITED STATES CHAMBER OF COMMERCE

Good morning, Chairman Shelby, Ranking Member Sarbanes and members of the Committee. My name is Robert J. Lowe. I am Chairman of the Board and Chief Executive Officer of Lowe Enterprises. I am also the current Chairman of The Real Estate Roundtable[1]. I am appearing today on behalf of the Coalition to Insure Against Terrorism, or CIAT, which includes The Roundtable, the United States Chamber of Commerce, and 73 other major trade and professional associations and businesses, representing the nation's major consumers of commercial insurance lines. A list of the 75 CIAT member organizations accompanies this statement.

Over the past 32 years, Lowe Enterprises, which I founded, has developed, acquired or managed more than $6 billion of real estate assets nationwide. Our privately owned firm currently employs over 7,000 people, with a management team of approximately 250 men and women.

The members of CIAT were pleased to work with all the members of this Committee to help develop and enact the Terrorism Risk Insurance Act of 2002 (TRIA). We thank the members of this Committee for their continuing leadership in addressing this national problem.

Today we urge the Committee to act promptly to provide continuity to the terrorism insurance market for next year. Most immediately, that means the Committee should take up and approve S. 467, which would extend TRIA for two additional years beyond the current scheduled expiration on December 31, 2005 and set up a presidential commission to report back to Congress and the Administration on a more permanent solution to the long-term need for terrorism insurance protection. CIAT also supports developing the new more

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1 The Real Estate Roundtable and its members lead an industry that generates more than one–third, or $2.9 trillion, of America's gross domestic product, employs more than 9 million people, represents capital investment of over $4.6 trillion, and produces 70 percent of the taxes raised by local governments for essential public services. Our members are chief executives from the nation's leading private and publicly-held income-producing real property owners, managers and investors, the key executives of the major financial services companies involved in financing, securitizing or investing in income-producing properties, as well as the elected heads of America's 15 leading real estate trade associations.

permanent structure this year, if possible; but in order even to keep that option open, we believe this Committee must move forward on S.467 now. The American economy is already being adversely affected by the anticipated year-end expiration of TRIA. If we want to avoid a repeat of the near-paralysis of major construction and interruption of other business activity which we experienced in 2001-2002 before TRIA was in place, then Congress needs to act well in advance of year-end.

CIAT remains committed to working with you, Chairman Shelby, Senator Sarbanes, the entire Committee, the rest of Congress and the Administration to find a longer term solution to the terrorism insurance problem so that the terrorism insurance needs of the country's businesses can continue to be met. We wish to express CIAT's special thanks to Senator Bennett and Senator Dodd for their introduction of S.467.

As consumers of commercial property and casualty insurance, policyholders are pleased with the success of TRIA and the terrorism insurance program it instituted. With virtually no cost to the taxpayer, the terrorism insurance program has worked as intended. It put the economy back on track after 9-11 and restarted the stalled construction industry putting some 300,000 people back to work. Since then it has allowed businesses across America to continue operating and growing, saving countless jobs in the process. Although there are still some gaps in coverage, TRIA has made terrorism insurance broadly available to all businesses that want and need this vital coverage.

The terrorism insurance program has achieved two major national goals envisioned by bipartisan leaders in Congress – including many on this Committee – and shared by the Administration. The terrorism insurance program has helped enormously to keep the economy going in the face of terrorist threats. The terrorism insurance program also serves as an important tool to minimize the severe economic disruption that almost certainly will occur from a future terrorist attack.

As you know, the terrorism insurance program created by TRIA was intended to be a temporary measure to "backstop" the market until the private insurance markets could fully assess and price the risk. Unfortunately, the situation the Nation is in today does not make that possible. Our most senior government officials tell us that the threat of terrorism remains undiminished. Our Nation has had a great deal of success at dealing with and deterring terrorist threats over the past three years. Paradoxically, that success makes it impossible for the government, the insurance industry, or insurance policyholders like CIAT members to determine where, when, or with what frequency future terrorist attacks might occur. As a result, the private insurance and reinsurance markets are no more able to assess risk or price terrorism insurance policies than they were able to do prior to TRIA's passage. What that means for policyholders like the members of CIAT is highly troubling. Our Nation's businesses, large and small alike, will not be able to get adequate terrorism insurance in a purely private marketplace if the TRIA program ends. That was our experience in 2002, when there was no program and the reinsurance industry was not writing policies. And that will surely be our experience if a terrorism insurance program is not permitted to continue beyond this year, at least for a limited time.

The risk of further catastrophic terror attacks appears to be as acute as before. Just weeks ago CIA Director Porter Goss told the Senate Intelligence Committee that al-Qaeda is intent on finding ways to circumvent U.S. security enhancements to attack the homeland. He said, "the terrorist threat to the U.S. in the homeland and abroad endures . . . [i]t may be only a matter of time before al-Qaeda or other groups attempt to use chemical, biological, radiological or nuclear weapons." In the same hearing, FBI Director Robert Mueller expressed concern about the risk posed by radicalized Muslim converts inside the United States and said that he worries about a "sleeper operative" who may have been in place for years, awaiting orders to launch an attack: "I remain very concerned about what we are not seeing," he said.

Just this week indictments against three men were unsealed which show they are charged with plotting to blow up major financial center buildings in New York, New Jersey, and Washington, D.C. Both the United States and the U.K. intend to prosecute these individuals.[2] These new indictments illustrate the continuing threat which our nation faces.

While the highest levels of government tell us that the threat of terrorism in the United States continues, not surprisingly the insurance and reinsurance markets have not re-established an ability to handle this problem alone. Federal Reserve Chairman Alan Greenspan, in one of his recent appearances before the House Financial Services Committee, said he has yet to be convinced the private market alone can adequately insure against the continuing threat of terrorism. Chairman Greenspan said, “[t]here are regrettable instances in which markets do not work, cannot work,” and added “I have yet to be convinced” that the terrorism insurance market can be made to work. Even with the terrorism insurance program in place, the most severe risks cited by the CIA Director Goss —chemical, biological, radiological and nuclear attacks—are almost wholly uninsured today, aside from workers’ compensation.

The business continuity issue becomes more urgent with each passing month this year. Commercial insurance policies covering businesses of all sizes and types will extend past the December 31, 2005, sunset date of the terrorism insurance program. Insurance regulators in most states already have approved conditional terrorism exclusions for these policies which will be triggered when TRIA expires. As explained in detail below, with each passing week, commercial policyholders and the capital markets concerned with asset values are seeing more and more renewal policies which provide for a "sunset" of terrorism coverage at year's end if TRIA is not renewed. Thus we already have an answer to the central question – we know that the market will not be adequate next year without some Federal backstop.

All these factors – the likelihood of future terrorist attacks; our success in thwarting more attacks to date; the impossibility of assessing where, when, and how terrorist attacks may occur; and the severe consequences for the economy without the continued availability of coverage – combine to make it imperative for Congress to act promptly to provide for the availability of terrorism insurance beyond this year.

The bill introduced recently by Senators Bennett, Dodd and other members of this Committee, S. 467, sets an appropriate course by extending the current TRIA program for a short period of time while also setting up a commission to work on a long-term solution. We look forward to working with Members of Congress to develop, adopt and enact legislation that

[2] See Associated Press wire story, "Three Men Are Indicted In Financial-Building Plot," (April 12, 2005).

makes certain that the nation's citizens and businesses are able to secure truly comprehensive coverage against terrorism after 2005, and that we as a nation have a reasoned and supportable policy in place to enable the economy to recover, should another terrorist attack occur in the U.S.

FIVE REASONS WHY AMERICA NEEDS A TERRORISM INSURANCE BACKSTOP

The Unique Nature of the Risk

Terrorism is a man-made risk -- intentional, organized and adaptive. It is unlike any of the other, usually natural or fortuitous, risks that the insurance industry typically underwrites. Terrorism is much more akin to war risk, both in its man-made characteristics (intentional, organized, and adaptive) and its potential for massive, unpredictable destruction. Experience has shown that war risk insurance is not (and will not be) readily available on most ordinary commercial property and casualty insurance policies; most such policies carry war-risk exclusions and have done so for decades.[3] Thus, there is little reason to believe that insurers, or their reinsurers, will develop any time soon the ability, much less an appetite, to write terrorism insurance on a wide scale without some government role.

While war-risk exclusions on most policies have been tolerable to insurance buyers (and their lenders) because the advent of, or at least the proximity to, military operations is relatively uncommon and generally avoidable,[4] exclusion of terrorism risk from commercial policies today would be a significant deterrent to economic activity because of uncertainty and unavoidability of the risk. This is what we saw in the months between the September 11th attacks and the establishment of the TRIA program. Lack of coverage in those months significantly impaired economic activity and chilled financial markets and lending sources for large-scale development, until TRIA created the ability for insurers to fill the gap (or most of it).

There is another reason the current terrorism risk is so difficult for private markets to handle without some government role. Insurers have few data points (e.g., the attacks on September 11th) by which to attempt to model the risk. With other potentially large catastrophic risks such as hurricanes and other natural phenomena, there is significant historical data on past events which can be used to model the frequency, severity, and locations (or paths) of future events. This modeling in turn can be overlaid with historical loss data and with policyholder location or density information to calculate each insurer's maximum probable loss for certain

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[3] "War Risk Exclusion Legal History Outlined," Massmann, Susan, *National Underwriter (Property & Casualty-Risk & Benefits Management Edition),* September 24, 2001.

[4] Where the lack of private war-risk coverage has been commercially significant, e.g., for ocean shipping or commercial aircraft that must either traverse or come near war-risk zones, the U.S. government has traditionally provided a standby war-risk insurance program which is triggered when commercial markets withdraw or dramatically raise prices. See, Merchant Marine Act of 1936, 46 U.S.C. Sec 1202, et seq.; FAA Aviation War Risk Insurance Program authorized at 49 U.S.C. Sec. 44302, et seq. Moreover, when the threat of war damage to the general U.S. economy has become pronounced, the U.S. government has also intervened to keep economic activity moving. During World War II, for example, Congress created the War Damages Corporation which, with the participation of private insurers, provided a universal war risk add-on to virtually all property insurance policies, both commercial and personal lines, during WWII. See discussion of War Damages Corporation on page 7, infra.

statistically probable events. With terrorism, however, there is a deficiency of data about potential attacks.

This deficiency of data is exacerbated by an important additional fact. The Federal government is the most informed source of information about terrorism risks; presumably assessing such risks are a primary focus of our national intelligence organizations. That is, the Federal government may well be in possession of such intelligence or other information regarding likelihood or nature of future terrorists acts, but it is unlikely that the government would share such information with the insurance and reinsurance industry as well as their customers.

Given the unique nature of the risk, the paucity of useful data to model future events and the controls in place on relevant information concerning terrorism, it is entirely understandable that the insurance and reinsurance industries have not yet developed an ability to underwrite intelligently on their own the complete amount of terrorism insurance necessary for the U.S. businesses to operate effectively and the U.S. economy to achieve its full potential.

The State of the Insurance Market

In the debate over a terrorism insurance mechanism three years ago, there was much concern expressed about government intervention in a "free market" of insurance. Free market principles are a laudable starting point for most economic policy discussions. The insurance industry, however, is a sector which the courts and legislatures have long recognized as "affected with the public interest" and therefore subjected to heavy government regulation. Indeed, it is one of the most pervasively regulated of all industries. Both entry into and exit from the industry is strictly controlled by government licensing and regulation. While there seems to be real competition for some of the easy-to-write lines of insurance, both the form of product and often the price in most lines of property and casualty insurance are subject to state-by-state regulation (and sometimes Federal creation). The latitude of insurer actions in many aspects of their business is to a large degree a function of state solvency regulation. It is also an industry where various government actions (both state and federal) require or encourage the pooling of certain risks, and where, in many cases such as workers' compensation insurance, the insurable risk is itself created and defined by government mandate. So, to assume that there is a market otherwise unaffected by government action or that unfettered market forces will somehow be prepared to respond to the threat of terrorism in the absence of a federal backstop seems to ignore the reality of that industry.

The state-by-state nature of insurance regulation and therefore market conditions means that, in the absence of Federal backstop, availability of coverage and industry response to a catastrophic event may be quite variable from jurisdiction to jurisdiction. In the event of a multiple-jurisdiction attack following TRIA’s expiration, the regulatory patchwork could result in businesses in one location with effective coverage and those in another location without coverage or with coverage from an insolvent carrier.

This is not to say that there is no role for private capital or entrepreneurial spirit in this line of the insurance business. TRIA proved that the presence of some form of Federal backstop enables the private sector to respond in various ways to their customers' needs (if far from completely in the case of nuclear, biological, chemical and radiological risk). All of the responsible studies and reports produced since TRIA was put in place show that the private insurance and reinsurance sector do not have the capacity to underwrite this risk without the Federal backstop. Reinsurers this year have available terror-related capacity of only $4 to $6 billion dollars.[5] To provide some context, the World Trade Center attack resulted in insurance payments exceeding $32 billion. Moreover TRIA does not appear to have "crowded out" the development of private capacity. To the contrary, all data show that private reinsurance capacity has not even been able to cover the primary industry's collective deductibles and retention layers which the TRIA backstop leaves to the private sector. Any thought that reinsurers will commit additional resources now to terrorism coverage in the absence of a backstop defies logic. More time, and perhaps a re-thinking of the division of risk between the Federal backstop and the private sector, is needed in order to better develop private capacity for terrorism coverage.

The Proper Role of Government

When terrorists target symbols of a nation's economic, political and military power, they are attacking the nation as a whole, not just the symbol itself. We need to recognize that the terrorism risk is different from other types of insurance for other reasons. By its definition, terrorism is an effort to effect changes in government policy and public attitudes. Terrorists target places and properties on American soil in an effort to change U.S. government policy and our behavior as a society. While we may not be able to truly understand the motivation of such actors, whether it is our way of life or our government policy which they attack, it does seem that the risk has little to do with the particular policyholders who need protection. How is a business owner in Baltimore or an insurer in Birmingham expected to cope with that threat without some role by the government? We look to the Federal government to protect us from this threat militarily; why not, in some limited way, economically?

Other leading nations on the forefront of the war against terrorism have found it necessary to adopt national programs to help manage this economic risk. Most involve a mix of both government and private sector roles. These include government programs in at least the following countries: the United Kingdom, Germany, France, Spain, South Africa, Austria, and Israel. Recently the Government Accountability Office released a report entitled, *"CATASTROPHE RISK: U.S. and European Approaches to Insure Natural Catastrophe and Terrorism Risk,"*[6] which gives a detailed description of the governmental guarantees provided for terrorism coverage in the first four European countries mentioned above. In every one of these cases, the program extends beyond the current expiration of TRIA.

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[5] R. Glenn Hubbard and Bruce Deal, *The Economic Effects of Federal Participation in Terrorism Risk* (prepared by Analysis Group Inc., September 14, 2004), p. 40, available at www.iii.org/media/lateststud/TRIA. *See also* Congressional Budget Office, *Federal Terrorism Reinsurance: An Update* (Congressional Budget Office, January 2005), p. 17.

[6] *CATASTROPHE RISK: U.S. and European Approaches to Insure Natural Catastrophe and Terrorism Risk*, GAO-05-199 (February 2005).

A Matter of Fairness

The Federal terrorism insurance backstop does not exist in a vacuum. TRIA was part of a comprehensive set of policies which comprise the war on terrorism which President Bush rightly declared after the September 11th attacks on our country. These in turn fit with already existing policies, some of which found heightened purpose in the post-9/11 world. The PATRIOT Act is one example of the new set of actions launched after 9/11. Like TRIA, much of the PATRIOT Act was originally authorized for three years, and the Administration is now calling for renewal of those provisions because the war on terrorism is far from complete. Just as the PATRIOT Act will be re-examined this year in light of three years' experience, we do not insist that an automatic extension of TRIA is the only appropriate response to the continuing insurance market failure. However, some Federal insurance backstop mechanism is surely a necessary component of this continuing war to protect America's economy from these enemies.

An example of a pre-existing government policy which has found new importance in the post-9/11 world is the Overseas Private Investment Corporation (OPIC). Founded in 1971, and recently reauthorized through 2007 by Congress, OPIC provides insurance against political risks – including terrorism – for U.S. businesses' overseas operations. Currently, OPIC provides insurance and financing to U.S. investors for projects in approximately 150 developing countries and emerging markets. Among the most recent projects insured by OPIC are the construction financing of $250 million for a natural gas pipeline in Israel and a $300 million development of Egypt's natural gas industry. To take another example, OPIC recently issued long-term government-backed political risk coverage (including for terrorism and other "political violence") for a commercial facility in Uzbekistan. It would be a sad and hard-to-explain irony if TRIA were to expire this year and no Federal terrorism insurance role was in place within the U.S. next year, but OPIC continued to provide next year Federally-backed terrorism insurance for U.S. businesses and facilities abroad. Such a development would mean that American businesses and facilities just down the street from the Capitol, as well as anywhere else in the Nation, could be left without sufficient and adequate terrorism insurance, but that, thanks in part to the Federal government, U.S. businesses doing business outside the U.S., ranging from operations in Afghanistan to Zimbabwe, would have all the terrorism insurance coverage that they require.

OPIC is an example of a long-standing program which serves continuing U.S. foreign policy objectives. To be sure, there are some domestic Federal insurance programs which deal with long-standing marketplace failures, most notably Federal flood insurance and some forms of crop insurance.[7] However, there are also examples of Federal insurance programs which were authorized to deal with immediate and acute problems at the time, which were then de-commissioned when the emergency subsided. These include the Federal crime insurance[8]

[7] The National Flood Insurance Program was created in 1968 (42 U.S.C. §§ 4001-4129) and reauthorized as recently as 2003 (Pub. Law 108-3, Jan. 13, 2003). The Federal Crop Insurance Corporation was created in 1938 (Pub. Law 75-430, Feb. 16, 1938) and is currently overseen by the Risk Management Agency under USDA.

[8] The Federal Crime Insurance Program was established by the Housing and Urban Development Act of 1970 (Pub. Law 91-609, Dec. 31, 1970) to provide limited burglary and robbery coverage to property owners unable to buy private insurance coverage on property located in "blighted or deteriorating areas." The FCIP was abolished in September 1996.

and Federal riot reinsurance programs[9] which were established in response to the insurability problems arising out of the urban disturbances in the late 1960s. Both of these programs were administered by the Federal Insurance Administration, an office within FEMA, but were allowed to expire by the 1980s.

The precedent which perhaps most closely parallels the current case of terrorism risk is the War Damages Corporation ("WDC") which was authorized by Congress within days after the December 1941 attack on Pearl Harbor. This government-owned corporation provided direct war risk coverage to both personal and business property owners throughout the United States and its overseas possessions for the duration of World War II. Approximately 8,700,000 polices were issued for property values totaling $117 billion. WDC collected premiums of approximately $221 million, returning most of this to the U.S Treasury as profit.

WDC conducted its business with remarkable efficiency by authorizing private insurers to attach the war risk rider to existing multi-peril insurance policies, and working with representatives of the industry to develop policy forms and pricing guidelines within a matter of months after its authorization; the first policies were issued effective July 1, 1942. The WDC premium insurance program was terminated in March 1946 and WDC assets were liquidated before June 30, 1949, although its capital stock was not returned to the United States Treasury until the 1950s. Net income of approximately $211 million had been remitted to the Treasury by 1947-48, even after payment of all claims (mostly arising in the Philippines or from the 1944 explosion of the destroyer USS Turner in New York harbor) and after sharing commissions and profit-incentive payments with private insurance industry which had acted as its agents.[10]

Sunset Clauses in Insurance Policies Are Already Hurting Our Homeland's Economic Security

The threat of terrorism will be with us for the foreseeable future; in the words of President Bush, delivered on February 14, 2005, “We must not allow the passage of time or the illusion of safety to weaken our resolve in this new war.”

If TRIA is allowed to expire, and is not replaced with another form of Federal backstop, the nation will be more exposed economically than was the case after September 11th. There will be a scarcity of terrorism insurance and what is available will be at an exorbitant price. There is no doubt that without a Federal backstop, fewer businesses will have such terrorism coverage than today with TRIA in place or before 9/11. In fact, the evidence is already in front of us. Most major insurers already appear to be imposing "sunset" clauses in their

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[9] The Federal Riot Reinsurance Program was established by the Urban Property Protection Reinsurance Act of 1968 (12 U.S.C. Sec. 174- 9bbbb-21). This provided federal riot reinsurance to insurance companies which participated in State-administered residual market or "FAIR Plans." The riot reinsurance program was terminated in 1983 with funds on hand of over $100 million.

[10] See, e.g., "A Documented Account of the Establishment and Activities of War Damages Corporation," (1950) in the Records of the War Damages Corporation held at the National Archives.

policies being renewed this year. Appendix 1 to this testimony is a selection of the sunset clauses from many of the largest insurers in the U.S. and globally. All of these documents come from renewal quotation packages actually received by policyholders or their brokers in recent weeks. These sunset clauses make it clear that there will be no terrorism coverage under the policy after 12/31/2005 unless Congress renews TRIA. In some cases, there is no promise to provide the coverage even if Congress acts – presumably the policyholder and insurer will have to take some action in these cases to restore the coverage if TRIA is renewed between now and year-end. With each passing week, more and more of these "sunset" disruptions are being built into the nation's business insurance picture, and more economic effects are being felt. The extent of the problem is illustrated by Appendix 2, a chart showing the actual results of an April renewal program of $1 billion of property insurance for a major real estate company with assets throughout the U.S., which shows substantial holes in its terrorism coverage after December 31 of this year.

Multi-year construction and financial markets which depend on commercial mortgage-backed securities are being affected adversely by the year-end sunset of terrorism coverage. Appendix 3 is a chart showing a limited sampling by the Real Estate Board of New York of construction project in just two areas of the country – metropolitan New York City and South Florida. In all eighteen projects sampled, the builders' risk insurance either was subject to a sunset clause, renewal was overdue/delayed, or the policyholder was required to secure dramatically more expensive stand-alone terrorism cover from a limited market to satisfy lender requirements.

Aon is the world's second largest insurance brokerage firm. Aon has been actively tracking the terrorism insurance market and, in particular, TRIA coverage with the potential expiration of TRIA on December 31. We understand that an update to Aon's 2004 *Terrorism Mitigation & Risk Transfer Overview* will be published later this month based upon first quarter 2005 performance. Aon estimates that 80% to 90% of the available TRIA property insurance capacity will resort to the use of Absolute TRIA exclusions or low sub-limits for top-tier metropolitan areas/target risks effective January 1, 2006. In short, insurance market behavior during the first quarter 2005 indicates that there will be a substantial shortfall in terrorism capacity both for existing properties and for new projects. At the same time, Aon confirms that lenders are requiring terrorism coverage for the full loan values or for a stipulated amount within loan covenants – whether or not TRIA is reauthorized. We will be pleased to provide the Committee with copies of the Aon report when published.

The important commercial mortgage-backed securities (CMBS) marketplace ($432 billion outstanding) is also at risk of credit downgrades. As one prominent publication[11] put it, "the possibility [of TRIA non-renewal] re-ignites the threat of downgrade for certain CMBS transactions and has the more macro and ominous potential of reducing property valuations and the attractiveness of commercial real estate as an investment vehicle. Without TRIA and with little confidence that reinsurers and primary property and casualty insurers will offer affordable terrorism coverage without a Federal backstop, it’s highly probably that at least two of the major rating agencies will place certain CMBS transactions on watch for possible downgrade." The extension of TRIA would serve to remove a significant credit risk from the

[11] "CMBS CREDIT UPDATE" (March 1, 2005), RBS Greenwich Capital CMBS Strategy.

CMBS marketplace. Moreover, it would help the market avoid the ratings volatility experienced from late-2001 through 2002 as it related to terrorism insurance.

This sunset problem not only dampens economic activity now and for as long as the non-renewal persists, but, in the event of another attack, there will be substantially less insurance coverage in place – and therefore fewer and less insurance industry payments than were available for the 9/11 losses. This means, most likely, that – in the absence of a program like TRIA – the government's costs, one way or the other, following a new event similar in size to 9/11, would actually be greater than after September 11th. Continuation of some form of Federal backstop which maximizes the involvement of the private insurance and reinsurance industry is in fact the policy which is best able to encourage economic activity in the near term while minimizing the government's own exposure in the event of another catastrophic event.

Planning the day <u>before</u> for the day <u>after</u> an attack should be viewed as equally important to efforts to protect ourselves against such an attack.

CONCLUSION

CIAT is unanimous in its belief that the Federal government must continue to provide a reinsurance backstop beyond 2005 if we are to avoid major disruptions to the economy. Indeed, these disruptions are already beginning to occur as major insurers cut off coverage at year-end in absence of a clear signal from Congress. We urge this Committee to act promptly to approve the Bennett and Dodd bill, S.467, which already has as co-sponsors a majority of this Committee. Committee approval will advance the process towards a longer term solution. Only a seamless continuation of the Federal backstop in some form in the meantime will avoid the more severe economic impacts, some of which already are emerging with the widespread use of sunset clauses in current renewal policies. Chairman Shelby, Ranking Member Sarbanes, CIAT thanks you for holding this hearing and for giving us the opportunity to testify. We look forward to working with you and the rest of the Committee on this important subject in the coming weeks.