

***Insurance Times:*** Bipartisan Senate agreement on terrorism aid for insurers reported  
November 13, 2001, Vol. XX No. 23

WASHINGTON (AP) — Key senators of both parties reached agreement last week on a proposal to have the government help cover costs of future terrorist attacks for two years, with the insurance industry paying the first \$10 billion in costs each year.

The Bush administration, which had proposed its own plan in which taxpayers would cover a larger share of terrorism insurance costs, expressed support for the Senate Banking Committee proposal.

"This bill addresses a real and critical need to assure the continued availability and affordability of terrorism risk insurance," Treasury Secretary Paul O'Neill said in a statement.

But Sen. Ernest Hollings, D-S.C., chairman of the Senate Commerce Committee, which shares jurisdiction with the banking panel in insurance matters, has not signed on to the proposal. Hollings expressed concern that taxpayers could end up footing the bill while insurance companies were "unjustly enriched."

Andy Davis, a spokesman for Hollings, said the Commerce Committee was proceeding with its own legislative proposal.

And in the House, Republican leaders of the Financial Services Committee are proposing legislation that would require insurance companies to reimburse the government for aid received. Under their proposal, the government would lend the insurers money to help pay claims from a terrorist attack that exceed a certain amount.

Under the Senate proposal, the industry would pay the first chunk, \$10 billion, of insurance costs for attacks for two years. Beyond that level, the government would cover 90 percent of costs; the insurance industry would pay the remaining 10 percent.

The Treasury secretary would have discretion to extend the program for a third year, in which case the industry would be responsible for the first \$20 billion in costs. There would be a \$100 billion cap: the Treasury secretary would have to go to Congress if costs exceeded that amount.

Insurance companies that write policies protecting property could face payouts of \$30 billion to \$50 billion for the attacks on the World Trade Center towers and the Pentagon. Major reinsurance companies have said they won't renew terrorism coverage after Dec. 31, when many contracts expire.