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JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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**NEW JEC STUDY ANALYZES SCARCITY
AND COST OF TERRORISM INSURANCE**

WASHINGTON, D.C. – The dearth of terrorism insurance and its high cost when available pose a significant threat to economic growth, according to a new Joint Economic Committee study released today. The lack of terrorism insurance already is stopping major business transactions, including commercial real estate and construction projects, across the United States. The unavailability of adequate insurance coverage also sharply increases the financial exposure of businesses in the event of another terrorist attack, according to the study, *Economic Perspectives on Terrorism Insurance*.

“The lack of adequate terrorism insurance poses an unacceptable level of risk to individual firms and to the economy as a whole,” Chairman Jim Saxton said. “Major facilities such as hospitals, office buildings, factories, and sports stadiums, are either uninsured or insured at a fraction of their replacement value. The current exposure of our economy to excessive losses in the event of another terrorist attack makes a temporary federal role necessary.

“Terrorism insurance is a prerequisite for financing of many real estate, construction, and other projects that otherwise will not be consummated,” Saxton continued. “In many other areas as well, terrorism insurance is needed to provide the diversification of risk needed to make rational business and economic decisions. Without adequate terrorism insurance, the resulting resource misallocation will become a significant impediment to healthy economic growth. Although care must be taken to limit potential moral hazard problems, the extraordinary circumstances justify temporary measures by the Federal Government,” Saxton concluded.

"As this study underscores, the Senate's failure to address the need for terrorism insurance has serious and negative consequences for the economy of this nation," said U.S. Rep. Phil English (R-Pa.). "Unless Congress acts promptly to address the need for this type of insurance, we stand to lose untold thousands of good paying jobs."

"Floridians know the devastating impact and long-term effects of a major disaster," Congressman Adam Putnam (FL-12) said. "In 1992, Hurricane Andrew caused insured losses of nearly \$19.6 billion to the State of Florida. Until September 11, 2001 Hurricane Andrew was the single most costly disaster event in U.S. history. The economic losses from the September 11 terrorist attacks were even greater. Estimates of the insured losses from the attacks range from \$30 billion to \$70 billion dollars. A new study released today by the Joint Economic Committee, of which I am a member, examines this and explains the effects of the 9/11 attacks. The study also analyzes the problems associated with terrorism insurance and how these problems pose a significant threat to sustained economic growth."

For a copy of the study, *Economic Perspectives on Terrorism Insurance*, please visit the JEC website at www.house.gov/jec

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