

News Release

Contact:

Investors: Kerry K. Calaiaro
+1 212 837-0880
Email: kerry.calaiaro@willis.com

Media: Dan Prince
+1 212 837-0806
Email: daniel.prince@willis.com

Finding a Permanent Solution to Terrorism Risk Insurance is a Matter of National Economic Security – Says Willis Group Executive

Washington DC. February 28, 2007 – Urging renewal of the government’s terrorism insurance backstop, Don Bailey, CEO of Willis North America, a subsidiary of Willis Group Holdings, told Congress today that the federal program has stabilized the market and made affordable terrorism coverage available to businesses across the country and in most major industrial sectors.

Testifying before the Senate Banking Committee on behalf of his Company and The Council of Insurance Agents & Brokers, Bailey said the Terrorism Risk Insurance Act (TRIA) has been an unqualified success, and allowing it to expire at the end of this year would be “economically devastating.”

Both Willis, a global insurance broker, and The Council, which represents the leading domestic and international commercial insurance agents and brokers, favor a permanent or long-term government backstop program, Bailey said.

“The most important issue for the broker community is maintaining access to coverage at a price the business consumer can afford,” he said. “In order to get this access, we need insurers who are able and willing to provide the coverage. It is clear that they cannot and will not be able to provide terror coverage without a federal backstop or some other mechanism to cap their exposure.”

Bailey stressed that availability of affordable terrorism coverage is not just an issue for urban areas on the East or West Coast, nor is it limited to particular industries.

“Industry reports indicate that the take-up rates are high across the country and across industries, and policyholders are generally willing to purchase terrorism coverage when it is available at an affordable price,” Bailey said. “For companies with a higher perceived risk, whether due to size, location, industry or other factors, the take-up rates are even higher.”

He said take-up rates for terrorism insurance are highest in the Northeast and Midwest, followed by the South and the West.

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“Within specific industrial sectors, the largest percentage of insureds buying terrorism coverage were in real estate, financial services, health care, media, hospitality, transportation and education. Even companies in the sectors with comparatively low take-up rates – energy and manufacturing, for example – each had take-up rates exceeding 30 percent in 2006.”

The relatively high take-up rates are a sign of progress “toward the public policy goal of encouraging coverage in affected areas and industries,” he said. By comparison, only 11 percent of California customers are buying earthquake insurance despite the fact that the likelihood and severity of a major earthquake is far easier to model than a terrorist attack.

He urged adding risks posed by nuclear, biological, chemical or radiation (NBCR) to the federal backstop program.

“Extending the life of TRIA, expanding the program to better encompass NBCR exposures and readjusting its terms to address the changed parameters will keep terrorism coverage available and the market and economy stable,” Bailey said.

The Willis executive said the nation has come a long way since TRIA was first enacted, with the terrorism insurance market largely stabilized, terrorism coverage steadily expanding and the price of coverage becoming more affordable.

“All of this provided relief that is essential to the smooth functioning of our economy,” Bailey said, and it did so without the expenditure of one cent of taxpayer money.

Despite those successes, Bailey said, the threat of terrorism remains “unabated and unpredictable,” and this is not the time for the federal government to cease its involvement in the terrorism insurance market.

“Allowing TRIA to expire at this time will certainly cripple, if not completely paralyze, a significant portion of our economy,” he said.

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Note to Editor: To read Don Bailey’s Testimony, please click here:
http://www.willis.com/news/News_Attachments/Bailey_Oral_TRIA_Testimony_Senate_Banking.pdf