



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

September 29, 2006

The Honorable Richard L. Shelby
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Shelby:

Pursuant to Section 8 of the Terrorism Risk Insurance Extension Act of 2005 (Pub. L. 109-144, 119 Stat. 2660), as Chairman of the President's Working Group (PWG) on Financial Markets, I am pleased to submit the PWG's report on terrorism risk insurance.

It is the Treasury Department's view that the Terrorism Risk Insurance Act (TRIA) has helped support a continued increase in private sector participation in the terrorism risk insurance marketplace, even in the context of a much smaller program than what was created in 2002. TRIA was not intended to be permanent, but rather was intended to help stabilize the insurance industry. It has been successful in that regard, as the insurance industry is in a better position now than it was after September 11, 2001, both in terms of financial health and understanding of overall terrorism risk exposures.

I hope this information is helpful.

Sincerely,

Henry M. Paulson, Jr.

Enclosure