



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

June 13, 2002  
(Senate)

## STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

### **S. 2600 - Terrorism Risk Insurance Act of 2002**

(Sen. Dodd (D) Connecticut and 4 cosponsors)

The Administration strongly supports the creation of a terrorism risk insurance program that will help provide much needed stability to our economy. The backstop insurance program that would be established by S. 2600 is an effective mechanism for ensuring the continued availability of insurance for terrorist-related acts. The program would aid the economy by ensuring that businesses and properties are able to spread risk efficiently by providing access to a well-functioning private insurance market. Increased availability of insurance would help many sectors of the economy. For example, it would facilitate the financing of new construction and avoid the risk of further ratings downgrades of securities that are collateralized by inadequately insured properties. It would also put in place a system for processing claims and establishing the scope of the Federal government's obligation in the payment of losses in the event of another attack, which would help mitigate adverse economic consequences resulting from a future attack.

However, the Administration cannot support enactment of any terrorism insurance bill that leaves the Nation's economy and victims of terrorist acts subject to predatory lawsuits and punitive damages. Any bill must, at a minimum, contain provisions for an exclusive Federal cause of action and a consolidation of all cases arising out of a terrorist event, and exclude punitive damages in such mass tort terrorism cases (except against a terrorist or aider or abettor). These reasonable litigation procedures, as included in the November 1st bipartisan agreement among Chairmen Sarbanes and Dodd and Senators Gramm and Enzi, are an essential element of any terrorism insurance bill. For many companies facing rising insurance, a significant part of the increased costs results from the risk of litigation, which introduces a significant degree of uncertainty to insurers' assessments of potential losses from a terrorist attack. Sensible litigation procedures will also ensure an orderly process that will help resolve claims more expeditiously and preserve the limited pool of defendant resources for claims by a potentially large number of injured parties, thereby benefitting plaintiffs and defendants alike.

Section 6(h) of S. 2600 relating to Comptroller General access to information would be construed in a manner consistent with constitutional provisions relating to the separation of powers. Section 10 of S. 2600 does not, and should not, affect existing U.S. law regarding the immunities of foreign sovereigns.

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