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**M E M O R A N D U M**

June 17, 2003

To Our Clients and Friends

Re: Potential Effects of Acts of Terrorism on Availability of Life Insurance

The Terrorism Risk Insurance Act of 2002 (P.L. 107-297) requires the Secretary of the Treasury (“Treasury”), after consultation with the National Association of Insurance Commissioners and representatives of the insurance industry, to conduct a study by the end of August of the potential effects of acts of terrorism on the availability of life insurance and other lines of insurance coverage, including personal lines.

To assist with the study, the Treasury is seeking comments on questions such as those presented below. Comments are due by July 5<sup>th</sup>.

- What lines of insurance are likely to experience reduction in availability due to acts or threats of terrorism;
- What are the attributes and market structure of those lines of insurance that could experience reductions in availability;
- What is the current capacity of insurers in those lines that could experience reductions in availability and what are the characteristics of the reinsurance market and the federal and state regulatory structure for these lines;
- What are current insurance availability conditions for those lines which could experience a reduction in availability due to the threat of terrorist acts;
- What would be the consequences (e.g., what segment of the market would bear the loss, the size of the loss) of potential future acts of terrorism for those lines that could experience a reduction in availability due to threats of terrorism;

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- What would be the impact on the financial capacity of insurers in the lines affected by a potential future act of terrorism, what would be the scope of any reduction of availability in coverage, and what would be the impact on the economies and well being of the communities where reduction in availability and affordability of coverage occurs as well as the impact on the national economy.

The Federal Register notice can found at [www.schwartzandballen.com/WhatsNew.htm](http://www.schwartzandballen.com/WhatsNew.htm).

If you have any questions concerning the notice, please call Gilbert Schwartz, Robert Ballen or Tom Fox at (202) 776-0700.