

Critical Infrastructure Protection Series

Session Six: Terrorism, Insurance, and the U.S. Economy

September 10, 2002
12:30 - 3:30 PM
B1 Conference Center
1800 K Street NW, Washington, DC

- 12:30PM** **Welcome and Call to Order**
Dr. Robin Niblett, Executive Vice President, CSIS
- 12:35 PM** **Introduction**
The Honorable William Cohen, Chairman and Chief Executive Officer, The Cohen Group
- 12:40 PM** **Mr. Maurice "Hank" Greenberg**
Chairman and Chief Executive Officer, American International Group
- 1:30 PM** **Representative Michael Oxley (R-Ohio)**
Chairman, House Committee on Financial Services Introduced by The Honorable John Hamre, President and Chief Executive Officer, CSIS
- 1:50 PM** **Break**
- 2:00 PM** **Panel Discussion**

Moderator: Dr. Laurence Meyer, Distinguished Scholar, CSIS and former Member, U.S Federal Reserve Board of Governors

Mr. Carlos Bonilla, Special Advisor to the President for Economic Policy, National Economic Council

Dr. Harold Skipper, Chairman, Department of Risk Management and Insurance, Georgia State University College of Business Administration

Mr. Steven Wechsler, Coalition to Insure Against Terrorism
- 3:30 PM** **Conclusion**

Discussion Framework

The terrorist attacks in New York and Washington have had a sweeping impact on how businesses define and manage risk. The attacks demonstrated that we are vulnerable to far more dramatic losses than we believed possible on our own soil. The insurance industry has a unique role to play in managing the terrorism risk for U.S. business. How the insurance industry and the U.S. government respond to the need for insurance against terrorist threats will have far-reaching consequences for the U.S. economy. This session will focus on those consequences. We will address questions such as:

- Is there actually a terrorism insurance crisis? Or has the market adjusted since September 11 to the new understanding of the risk? How would a new, major attack affect this understanding? Could a government backstop for terrorism insurance distort the insurance market and insurer behavior to the detriment of consumers and taxpayers?
- Would pending legislation strike the correct balance in establish a government role in terrorism insurance? Which version of the legislation, the House or Senate bill, represents the better approach? Do the bills go too far? Not far enough? Should federal legislation require insurers' repayment of federal money? Should it require proportional rollback of premiums? Services?
- Governments in many countries, such as the UK, France, Spain, Ireland, Israel, and South Africa, have state-backed reinsurance pools. How would a failure by the U.S. government to provide similar support affect U.S. companies' trade competitiveness?
- If the U.S. government fails to provide a federal backstop for insurers, do we create a risk to our financial system? What is the real risk to other sectors of the U.S. economy?
- How would a lack of terrorism insurance affect critical infrastructure sectors? Do we increase vulnerability in the energy, transportation, communication, and other critical sectors? Is there a national security rationale for a government backstop for terrorism insurance?
- Should there be a global definition of terrorism for insurance purposes? What should that definition include? How would this affect the availability of insurance? How should it be accomplished?

Keynote Speaker

CARLOS E. BONILLA

Special Assistant to the President for Economic Policy, National Economic Council

Carlos Bonilla is part of the National Economic Council at the White House. He serves as a Special Assistant to the President for Economic Policy, and is part of the tax team where he is charged with the labor portfolio.

Mr. Bonilla has over twenty years of experience in public policy matters. Prior to joining the National Economic Council, he was the economist for the House Budget Committee under John Kasich. Prior to that he was a Senior Fellow at the Heritage Foundation. Mr. Bonilla served as Chief Economist for the Employment Policies Institute and as a tax economist for the Institute for Research on the Economics of Taxation (IRET). He is a graduate of American University and the graduate school at Georgetown University.

WILLIAM S. COHEN

Chairman and Chief Executive Officer, The Cohen Group

William S. Cohen is the Chairman and CEO of The Cohen Group, a strategic business consulting firm based in Washington, DC, which assists multinational clients from all sectors of the economy to develop and implement strategic plans, identify and pursue business opportunities, identify and manage risks, and overcome problems in quickly changing markets around the world. He is also a co-director at Empower America, a public policy advocacy group, and chairman of the William S. Cohen Center for International Policy and Commerce at the University of Maine in Orono, Maine.

Mr. Cohen served as Secretary of Defense from January 1997 through January 2001. As a three-term United States Senator (1979 - 1997), he was a recognized expert on defense and international issues, health care, and government procurement. He also served in the U.S. House of Representatives for three terms (1975 - 1979), and as mayor of Bangor, Maine (1971 - 1972). He was born in Bangor, Maine and received a B.A. in Latin from Bowdoin College in 1962, and a law degree from Boston University Law School in 1965. During his 24 years in Congress, Mr. Cohen found time to write or co-author eight books - three non-fiction works, three novels, and two books of poetry.

MAURICE R. "HANK" GREENBERG

Chairman and Chief Executive Officer, American International Group

Maurice "Hank" Greenberg is Chairman and Chief Executive Officer of American International Group, Inc. (AIG), a leading global insurance and financial services organization operating in 130 countries and jurisdictions worldwide. Mr. Greenberg joined AIG in 1960 and was elected President of its American Home Assurance Company subsidiary in 1962. In 1967, he became President and CEO, a position he held until becoming Chairman and CEO in 1989.

Mr. Greenberg is Chairman of the Asia Society, and is the founding Chairman of the U.S.-Philippine Business Committee. He is Vice Chairman of the U.S.-ASEAN Council on Business and Technology, and the Council on Foreign Relations, as well as a member of the U.S.-China Business Council, The Business Roundtable, and the President's Advisory Committee for Trade Policy and Negotiations.

Mr. Greenberg is a member of the Board of Directors of the New York Stock Exchange and is past Chairman, Deputy Chairman, and Director of the Federal Reserve Bank of New York. He is Chairman Emeritus of the Board of Trustees of New York Presbyterian Hospital and the Board of

Governors of New York Presbyterian Healthcare System, Inc. He also serves as a member of the Board of Overseers of the Weill Medical School of Cornell University. Mr. Greenberg is a Life Trustee of New York University, a Trustee of the American Museum of Natural History, and the College of Insurance, Chairman of The Starr Foundation, and is active with a number of other civic and charitable organizations.

Mr. Greenberg served in the U.S. Army in Europe during World War II and in the Korean conflict, rising to the rank of Captain. He is a recipient of the Bronze Star. He received his pre-law certificate from the University of Miami and an L.L.B. from New York Law School in 1950. He has been granted honorary degrees from a number of institutions, including New York Law School, Brown University, and Middlebury College.

JOHN J. HAMRE

President and Chief Executive Officer, Center for Strategic and International Studies

John Hamre was elected CSIS president and CEO in January 2000. Before joining CSIS, he served as U.S. deputy secretary of defense and under secretary of defense (comptroller). As comptroller, Dr. Hamre was the principal assistant to the secretary of defense for the preparation, presentation, and execution of the defense budget and management improvement programs.

Before serving in the Department of Defense, Dr. Hamre worked for ten years as a professional staff member of the Senate Armed Services Committee, primarily responsible for the oversight and evaluation of procurement, research, and development programs; defense budget issues; and relations with the Senate Appropriations Committee. From 1978 to 1984, Dr. Hamre served in the Congressional Budget Office, where he became its deputy assistant director for national security and international affairs. Dr. Hamre received his Ph.D., with distinction, in 1978 from the School of Advanced International Studies, Johns Hopkins University. In 1972, he received a B.A., with high distinction, from Augustana College in Sioux Falls, South Dakota. He also studied as a Rockefeller Fellow at the Harvard Divinity School.

LAURENCE H. MEYER

Distinguished Visiting Scholar, Center for Strategic and International Studies

Laurence Meyer is a distinguished visiting scholar at CSIS. He served as a member of the Board of Governors of the Federal Reserve System from June 1996 until January 2002. Before becoming a member of the board, he was president of Laurence H. Meyer and Associates, a St. Louis-based economic consulting firm specializing in macroeconomic forecasting and policy analysis, and a professor of economics at Washington University, where he was also a research associate of the Center for the Study of American Business. Widely recognized as one of the nation's leading forecasters, Dr. Meyer was honored by Business Week in 1986 as the top forecaster on its forecast panel. He was similarly honored in 1993 and 1996 with the prestigious Annual Forecast Award, presented to the most accurate forecaster on the panel for the blue chip economic indicators. Dr. Meyer has served as an economist at the Federal Reserve Bank of New York and as a visiting scholar at the Federal Reserve Bank of St. Louis. He has had numerous articles published in professional journals, has authored a textbook on macroeconomic modeling, and has testified before the Congress on macroeconomic policy issues. He received a B.A. (magna cum laude) from Yale University in 1965 and a Ph.D. in economics from the Massachusetts Institute of Technology in 1970.

ROBIN C. NIBLETT

Executive Vice President, Center for Strategic and International Studies

Robin Niblett first joined CSIS in 1988 and worked as a research associate in the CSIS Political-Military Studies Program before becoming the CSIS European representative, based in the

United Kingdom from 1992 to 1997. He rejoined CSIS in Washington in July 1997. As a senior fellow in the Europe Program and former director of the CSIS Atlantic Partnership project, he specializes in U.S.-European trade and economic relations, transatlantic defense cooperation, and the ongoing process of European political and economic integration. He has contributed to a number of CSIS books and reports, including *The Atlantic Alliance Transformed* (1992) and *From Shadows to Substance: An Action Plan for Transatlantic Defense Cooperation* (1995), and he is the coeditor of *Rethinking European Order: West European Responses, 1989-97* (Palgrave, 2001). He received his M.Phil. and Ph.D. from Oxford University, where he also was retained as a lecturer in politics at Pembroke College.

MICHAEL G. OXLEY

Representative of the State of Ohio and Chairman, House Committee on Financial Services

Congressman Oxley is serving his tenth term in the House of Representatives and is Chairman of the new House Committee on Financial Services. He leads 37 Republicans, 32 Democrats, and 1 Independent on the Committee, which oversees Wall Street, banks, and the insurance industry. In addition to financial matters, Representative Oxley has a long involvement with trade, telecommunications, and energy issues. He served nine years in the Ohio General Assembly before coming to Congress as a result of a 1981 special election.

Year after year, Oxley has earned legislative awards for his wise use of the taxpayer dollar, including: the Taxpayer's Friend Award from the National Taxpayers Union; the Guardian of Small Business Award from the National Federation of Independent Business; the Golden Bulldog Award from the Watchdogs of the Treasury; the Spirit of Enterprise Award from the U.S. Chamber of Commerce; the Sound Dollar Award from the Free Congress Foundation; the Jefferson Award from the Citizens for a Sound Economy; and the Friend of the Farm Bureau Award. The American Security Council has awarded him its National Security Award every year of his tenure in Congress for his advocacy of peace through strength.

Congressman Oxley earned his B.A. from Miami University (Oxford, Ohio) in 1966 and his law degree from The Ohio State University College of Law in 1969. He is a member of the American, Ohio, and Findlay Bar Associations, and, in 1986, was admitted to practice before the U.S. Supreme Court. Congressman Oxley is a member of Rotary International, Findlay Elks, Ohio Farm Bureau, Society of Former Special Agents of the FBI, and Sigma Chi fraternity. He has staff experience with former Eighth Ohio District Congressman Jackson Betts, former Ohio Lieutenant Governor John Brown, and former Ohio Attorney General William Saxbe.

HAROLD D. SKIPPER, JR.

**Chairman, Department of Risk Management and Insurance, Georgia State University
College of Business Administration**

Harold D. Skipper is Professor of Risk Management and Insurance and Chairman of the Department of Risk Management and Insurance within the Robinson College of Business at Georgia State University. He also holds the C.V. Starr Chair of International Insurance. His academic focus has been on insurance-related public policy issues, particularly those relating to international insurance trade and regulation. He has been a visiting professor at the University of Paris and at Nanyang Technological University in Singapore. Besides several dozen articles, his publications include the books *International Risk and Insurance: An Environmental/Managerial Approach* and *Life and Health Insurance*. His major non-academic experience includes serving as an Economics Affairs Officer with the United Nations in Geneva and as consultant to regulators and intergovernmental organizations. He holds a Ph.D. degree from the University of Pennsylvania.

STEVEN A. WECHSLER
Coalition to Insure Against Terrorism

Steven A. Wechsler is president and chief executive officer of the National Association of Real Estate Investment Trusts (NAREIT), the national, not-for-profit trade association of the real estate investment trust (REIT) and publicly traded real estate industry. Mr. Wechsler is speaking today on behalf of the Coalition to Insure Against Terrorism (CIAT), of which NAREIT is a founding member. CIAT represents business insurance policyholders throughout the construction, entertainment, manufacturing, real estate, retailing and transportation sectors of the economy, and seeks the national passage of a terrorism insurance plan. From February 1990 to April 1997, Mr. Wechsler was president of the National Realty Committee (NRC, now known as the Real Estate Roundtable), which represents real estate owners, advisors, builders, investors, lenders and managers on national policy matters. He first joined NRC in 1983 as general counsel. Previously, Mr. Wechsler practiced law with the firm of Stein, Miller and Brodsky. Prior to that, he served as counsel to Thevenot, Murray and Scheer, a government relations consulting firm.