



AMERICAN ACADEMY
of ACTUARIES

Immediate Release

NEWS RELEASE

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Actuaries Disclose Potential Terrorism Costs

Terrorist Attacks Could Total \$778 Billion in New York City, \$197 Billion in Washington, \$171 Billion in San Francisco, and \$42 Billion in Des Moines

WASHINGTON – 31 March 2006 – The American Academy of Actuaries disclosed on Wednesday that a future large terrorist attack in New York City could result in \$778 billion in insured losses. Speaking at the National Association of Insurance Commissioners (NAIC) public hearing on “Terrorism Insurance Matters,” **Michael McCarter**, chairperson of the Academy Terrorism Risk Insurance Subgroup, provided potential property and casualty, and group life insurance losses as a result of various types of terrorist attacks. His group estimated potential insured losses from a conventional truck bomb terrorist attack, as well as medium and large chemical, nuclear, biological or radiological (CNBR) events caused by terrorism.

“The largest CNBR event we modeled caused \$696 billion in property and casualty losses and \$82 billion in group life insurance losses,” said McCarter, whose subgroup used catastrophe risk models by AIR Worldwide to generate insurance cost figures. The subgroup was created by the Academy after receiving requests from Congress for actuarial analyses as it considered the reauthorization of the Terrorism Risk Insurance Act of 2002 (TRIA) last year.

According to the models, a truck bomb attack in New York City could cost \$11.8 billion and a medium CNBR terrorist attack could cost \$446.5 billion. Models for three additional U.S. cities also were generated. In Washington, D.C., a truck bomb attack could cost \$5.5 billion, a medium CNBR event could cost \$106.2 billion and a large CNBR could cost \$196.8 billion. In San Francisco the costs for those events were estimated to be \$8.8 billion, \$92.2 billion, and \$171.2 billion, respectively, while in Des Moines, Iowa, the costs could be \$3 billion, \$27.3 billion, and \$42.3 billion.

(more)

McCarter says that much of the property and casualty insurance market could be financially incapacitated in the event of a large terrorist attack. "Our largest modeled CNBR loss is more than two-thirds higher than the entire property and casualty insurance industry surplus," he said. "In the absence of TRIA or some other national framework for dealing with terrorism insurance losses, many commercial lines insurers would be devastated."

In early December, the Academy subgroup released a public statement about extending or replacing TRIA. It is currently preparing a report for the President's Working Group on Financial Markets, which will submit a report about the long-term availability and affordability of terrorism insurance to Congress by Sept. 30, 2006.

For more information or to arrange an interview, please contact Andrew Simonelli, Media Relations Manager, at 202.785.7872. A copy of the statement of Michael McCarter before the NAIC public hearing, and the subgroup's statement about replacing or extending TRIA (Dec. 2005) can be found at <http://www.actuary.org/>.

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The American Academy of Actuaries is a national organization formed in 1965 to bring together, in a single entity, actuaries of all specializations within the United States. A major purpose of the Academy is to act as a public information organization for the profession. Academy committees, task forces and work groups regularly prepare testimony and provide information to Congress and senior federal policy-makers, comment on proposed federal and state regulations, and work closely with the National Association of Insurance Commissioners and state officials on issues related to insurance, pensions and other forms of risk financing. The Academy establishes qualification standards for the actuarial profession in the United States and supports two independent boards. The Actuarial Standards Board promulgates standards of practice for the profession, and the Actuarial Board for Counseling and Discipline helps to ensure high standards of professional conduct are met. The Academy also supports the Joint Committee for the Code of Professional Conduct, which develops standards of conduct for the U.S. actuarial profession.