

their policyholders. Companies seeking to raise rates beyond these levels will be required to report and justify, with substantial evidence, such actions to State insurance regulators. This is designed to deter companies from using terrorism as an excuse to raise rates overall. Additionally, the bill will maintain enforcement of states' fair trade practices and fair claims practices and laws.

Each participating insurer would have a 10 percent retention level based on its previous year's direct written premiums. Once a company suffers losses due to terrorism that exceeds its retention level, the company would be permitted to receive payments from the fund. For example, if a company has direct written premiums of \$100 million, its retention would be \$10 million. Some have advised that the retention level should be as high as 20 percent. The bill originally contained a 20 percent retention, but it was lowered to 10 percent in response to concerns by the industry.

Once a company has met its retention levels, the fund will cover its remaining losses as follows: 90 percent during the first year (90/10). For the second and third years, a company will be permitted to select the amount of coverage from the following options: 90 percent coverage of losses for a premium of 5 percent of its direct written premiums and surplus; 80 percent coverage for a 4 percent premium; and 70 percent coverage for 3 percent premium.

If at any time during the 3 years of the program, the losses from the participating companies exceed the fund's capacity, the fund will be authorized to borrow, from the Federal Treasury, moneys to cover the losses up to \$100 billion. The fund, through assessments on all participating companies, would be required to repay the loan. The fund and the companies would be given as long as 20 years, if necessary, to repay the loans at standard market interest. If there are outstanding loans due after the expiration of the fund on December 31, 2004, the companies will continue to be assessed until the loans are repaid.

If at the end of the program the fund has a positive balance, the participating companies would be allowed to recoup the funds—based on the proportion of each company's contribution—contingent upon a guarantee that the money will be placed in a special catastrophic reserve account. That account could be used only to pay for losses related to terrorism, and major catastrophes, earthquakes, hurricanes, and tsunamis. Any company seeking to use the money for other purposes would be subject to criminal penalties.

I should also note that as time began to run out last year, I received a call from Secretary O'Neill offering to work together to ensure the passage of a measure to deal with the crisis. I accepted the invitation and had my staff and the administration officials working together the next morning on a

compromise bill. We agreed to work upon the outlines of a 1-year stopgap measure. Unfortunately, the Secretary met strong objections from the Republican side of the Chamber.

I still believe that any legislation that is passed at this point should require a payback. This is especially the case given reports that the market has stabilized and insurance coverage is available for most businesses. The bill before us essentially provides for 2 years of potential unnecessary payments to insurance companies, who could reap a windfall at the expense of the taxpayers.

I also believe that this legislation should not be used as a vehicle for Federal tort reform. This issue killed the bill last year, and may very well derail it this year.

RECESS

Mr. REID. I ask unanimous consent that the Senate stand in recess until 3 p.m. today.

Thereupon, the Senate, at 2:42 p.m., recessed until 3 p.m. and reassembled when called to order by the Presiding Officer (Mr. AKAKA).

The PRESIDING OFFICER. In my capacity as a Senator from the State of Hawaii, I suggest the absence of a quorum.

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. REID. Mr. President, I ask unanimous consent the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

MORNING BUSINESS

Mr. REID. Mr. President, I ask unanimous consent the Senate now proceed to a period of morning business with Senators allowed to speak therein for a period not to exceed 5 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE REESTABLISHMENT OF THE SENATE NATO OBSERVER GROUP

Mr. DASCHLE. Mr. President, today the Senate Republican Leader and I are pleased to reestablish the bipartisan Senate NATO Observer Group, or SNOG. We originally established the SNOG in April 1997 to advise the full Senate on the historic first round of enlargement of the North Atlantic Treaty Organization, NATO. It served as an important line of communication between the Senate and NATO and the Senate and candidate countries in the months prior to the July 1997 NATO summit in Madrid at which Poland, the Czech Republic, and Hungary were admitted to the alliance. The SNOG and the information it generated was central to the Senate's ratification of the protocols of accession in April 1998.

The Senate debate in 1998 foreshadowed further enlargement of

NATO, and in June 2001, the North Atlantic Council determined that NATO would admit at least one candidate country at the November 2002 summit in Prague. In reestablishing the SNOG, we are asking this bipartisan group of our colleagues to closely monitor the enlargement process and to keep the rest of the Senate fully informed as we move to another historic decision at Prague. The SNOG will work with the Administration, our NATO allies, and the NATO candidate countries, of which there are nine. The fact that nine countries have been designated as candidates only highlights the importance of the SNOG in assessing each country's progress in meeting the qualifications for accession and reporting to the Senate on that progress.

The Senate takes its constitutional role of advise and consent on treaties very seriously. The protocols of accession signed by new NATO members are considered amendments to the North Atlantic Treaty and will require the advice and consent of the Senate. The inclusion of new member countries into NATO involves a commitment, under Article V of the Treaty, to defend those countries in case of attack—a solemn commitment and one we will not undertake lightly. It is in the security interests of the United States to see NATO expanded, to create a Europe that is whole and free. But it is also the solemn responsibility of the U.S. Senate to look carefully at any new commitments to which American troops might be subject.

The SNOG will be chaired by the Chairman of the Senate Foreign Relations Committee, Senator JOSEPH BIDEN of Delaware, and co-chaired by Senator HELMS. The Senate Majority Leader and Republican Leader will be members, *ex officio*. The other Democratic Senators on the SNOG will be Senators ROBERT BYRD of West Virginia, JEAN CARNAHAN of Missouri, MAX CLELAND of Georgia, BYRON DORGAN of North Dakota, RICHARD DURBIN of Illinois, TOM HARKIN of Iowa, DANIEL INOUE of Hawaii, TIM JOHNSON of South Dakota, MARY LANDRIEU of Louisiana, PATRICK LEAHY of Vermont, CARL LEVIN of Michigan, JOSEPH LIEBERMAN of Connecticut, BARBARA MIKULSKI of Maryland, PAUL SARBANES of Maryland, ROBERT TORRICELLI of New Jersey, and PAUL WELLSTONE of Minnesota.

Mr. LOTT. Mr. President, I am pleased to join Senator DASCHLE in reestablishing the Senate NATO Observer Group. When we first established the SNOG in April 1997, I emphasized that the Senate be in on the ground floor of the NATO enlargement process. Because it was bipartisan, the SNOG cut across party lines as well as committee jurisdictions, and ensured that the Senate would be heard both during the NATO enlargement process and after the decisions were taken in Madrid. Today, by reestablishing the SNOG, we are ensuring that the Senate will be fully informed prior to the next round