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IMPACT ON THE NEW MADRID ZONE OF TAXING REINSURANCE TRANSACTIONS

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EXECUTIVE SUMMARY

The enormous devastation caused by Hurricane Harvey, still being tallied at the time this paper went to press, has prompted renewed public discussion of appropriate policies to prepare for and finance the recovery from major disasters.[1] Such conversations arrive at a fortuitous time, as Congress also is set to consider a major restructuring of the U.S. tax code for the first time in more than 30 years.

While the precise contours of congressional tax-reform efforts are yet to be determined, potential changes to the taxation of cross-border reinsurance transactions—such as through the use of a territorial tax, a discriminatory tax on insurance affiliates or a full or partial border-adjustment tax—would affect insurers' ability to use reinsurance to spread risk globally. Hurricane Harvey offers evidence of the folly of such an approach, as early estimates suggest as much as half of the insured cost of Harvey's damages could fall to global reinsurance companies.[2]

This paper, continuing a series of R Street Institute publications that examine the impact of such tax schemes on local U.S. insurance markets,[3] finds the impact to consumers within the New Madrid Seismic Zone of taxing cross-border reinsurance transactions would be an additional $740 million in higher property-casualty insurance premiums over the next decade.

This projection is derived by examining the impact that discriminatory tax treatment of cross-border reinsurance transactions would have on the supply of international reinsurance, and calculating the effects that subsequent changes in price and availability would have on insurance markets and policyholders. Because property and casualty insurers that do business in the New Madrid Seismic Zone —as in other states and regions exposed to major natural disasters—cede a

1. R.J. Lehmann, "CBO's NFIP report makes clear how we encourage people to live at the coast," *Insurance Journal,* Sept. 4, 2017. http://www.insurancejournal.com/blogs/right-street/2017/09/03/463213.htm

2. Luke Gallin, "50% of potential Harvey insured loss expected to be covered by reinsurance: J.P. Morgan," *Reinsurance News*, Aug. 25, 2017. https://www.reinsurancene.ws/50-potential-harvey-insured-loss-expected-covered-reinsurance-j-p-morgan/

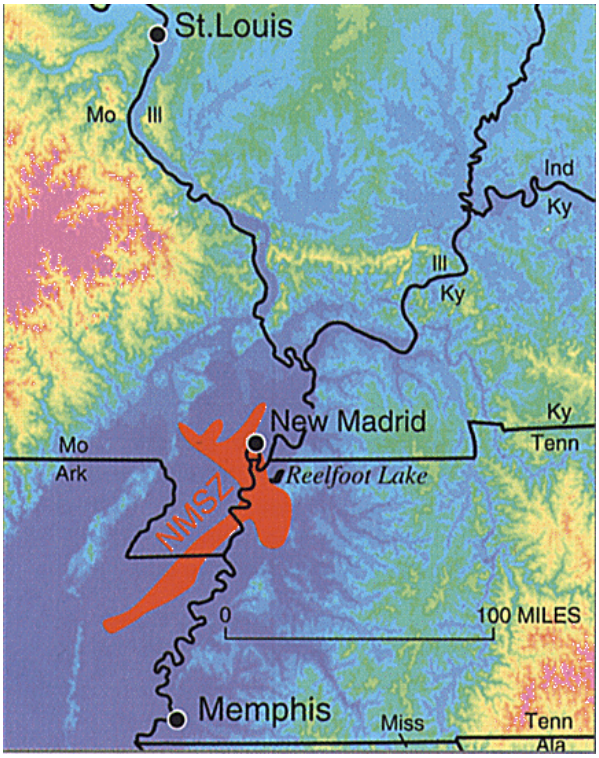
3. See the R Street Institute publications: Lars Powell, Ian Adams and R.J. Lehmann, "Impact of a border-adjustment tax on the Texas insurance market," April 2017. http://www.rstreet.org/wp-content/uploads/2017/04/93.pdf; Powell, Adams and Lehmann "Impact of a border-adjustment tax on the Louisiana insurance market," May 2017. http://www.rstreet.org/wp-content/uploads/2017/05/94.pdf; Powell, Adams and Lehmann "Impact of a border-adjustment tax on the North Carolina insurance market," May 2017. http://www.rstreet.org/wp-content/uploads/2017/05/95.pdf; Powell, Adams and Lehmann "Impact of a border-adjustment tax on the California insurance market," July 2017. http://www.rstreet.org/policy-study/impact-of-a-border-adjustment-tax-on-the-california-insurance-market/.

large volume of risks to foreign reinsurers, these states would experience dramatically higher insurance premiums under tax systems that disallow deductions for cross-border reinsurance transactions. Such changes to the tax could would therefore disproportionately harm consumers' ability to secure insurance coverage for their homes, cars and businesses.

The New Madrid Seismic Zone covers an eight-state area in the interior of the continental United States.[4] Of those states, three stand out in their exposure to seismic risk: Arkansas, Missouri and Tennessee. They are situated squarely above a series of fault lines in a weak spot in the continental crust known as the Reelfoot Rift. As a historical matter, they have experienced the worst of the New Madrid system's tectonic disruption and are, as a result, heavily reliant on insurance to manage their significant risk.

As Congress prepares to consider structural changes to the U.S. tax code, proposals that target international reinsurance would have adverse consequences on the New Madrid Zone's ability to obtain coverage affordably.

FIGURE I: NEW MADRID SEISMIC ZONE



SOURCE: U.S. Geological Survey

TAX REFORM AND REINSURANCE

More than 30 years after Congress last passed a major overhaul of the U.S. tax code, comprehensive tax reform is back on the agenda, thanks to unified Republican control of the White House and both chambers of Congress. However, Republicans' narrow two-vote edge in the U.S. Senate serves to constrain the sorts of permanent changes they would be able to make on a strictly party-line vote.

Under existing law, domestic insurance companies may deduct the cost of reinsurance—whether from a foreign or domestic source, and whether underwritten by an affiliated or unaffiliated reinsurer—as a legitimate business expense. As covered more fully in the next section, reinsurance is the primary tool that insurers—particularly property and casualty insurers—use to manage their exposure to catastrophically large risks.

To counter the possibility that reinsurance transactions may be used for "income stripping" purposes, premiums ceded to jurisdictions deemed by the Treasury Department to be "tax exempt countries" are subject to a 4 percent federal excise tax for insurance premiums and a 1 percent excise tax for reinsurance premiums. In addition, both the Internal Revenue Service and state insurance commissioners have authority to unwind reinsurance transactions judged not to constitute legitimate risk transfers.

Despite these existing protections to combat any potential for base erosion, members of Congress have considered changes that would affect the cross-border flow of reinsurance through a shift to one of several kinds of territorial-based tax systems. Most notably, Republican leadership in the U.S. House were known to have favored a move to a border-adjustment tax, which would eliminate taxes on foreign income earned by U.S. companies, while simultaneously removing U.S. firms' ability to deduct the costs of goods and services sourced from abroad, including the cost of reinsurance procured from reinsurers outside U.S. tax jurisdiction. However, in late July, leaders of the U.S. House, Senate, Treasury and the National Economic Council announced jointly that they "have decided to set this policy aside in order to advance tax reform."[5]

Nonetheless, Congress still may consider other measures within the context of tax reform that would make it more difficult for domestic insurers to cede reinsurance internationally. In several recent sessions of Congress, legislation has been introduced that would limit domestic insurers' ability to

4. The eight states are Arkansas, Kentucky, Illinois, Indiana, Missouri, Mississippi, Oklahoma and Tennessee.

5. Office of the Press Secretary, "Joint Statement on Tax Reform," The White House, July 27, 2017.

expense the cost of reinsurance ceded to offshore affiliates.[6] Analysis by the Brattle Group of that legislation—which has been sponsored by Rep. Richard Neal, D-Mass., the ranking Democratic member of the House Ways and Means Committee, the chief tax-writing panel in Congress—finds the effect would be to raise the annual cost of standalone earthquake insurance by $5.0 million, of homeowners insurance by $13.2 million and of other exposed property-casualty lines of business by a combined $122.5 million in the New Madrid states of Arkansas, Missouri and Tennessee.[7]

Should Congress implement any sort of territorial system that makes it more difficult to purchase reinsurance from abroad, the effects would be felt most significantly in states like Arkansas, Missouri and Tennessee, which have significant exposure to natural catastrophes.

THE GLOBAL REINSURANCE MARKET

The property and casualty insurance sector—which includes companies that offer coverage for homes, businesses, vehicles and a variety of liability exposures—wrote $612.27 billion of direct premium in the United States in 2016, including $26.8 billion of combined premium in Arkansas, Missouri and Tennessee, according to data provided by S&P Global Market Intelligence.[8]

Consumers are probably most familiar with "personal lines" insurers who use jingles and quirky ads to market home and auto policies: Allstate, Nationwide, Geico, Progressive, Farmers and so on. Some may also be familiar with the largest writers of commercial business insurance, names like Chubb, Zurich, Liberty Mutual and American International Group Inc. But in addition to these "primary" insurers, a crucial role in all insurance markets is played by lesser-known firms who offer reinsurance, often characterized as "insurance for insurance companies."

There are any number of reasons why insurers purchase reinsurance, but the two primary motivations are to protect against one or more very large individual losses ("catastrophes") or to better manage the fluctuation of claims costs around the expected long-term mean. By limiting insurers' exposure to extreme loss scenarios, reinsurance allows insurers to deploy more capacity overall and to accumulate expertise in particular market niches—serving a specific geography, line of business or class of insured—with less concern that such concentrations will pose a threat to solvency.

Because they specialize in very large risks, reinsurers must operate on a global basis, deploying capital around the world in ways that allow them to diversify their exposure among uncorrelated risks. For example, a reinsurer can take on the risk of very large earthquakes in Japan, hurricanes in Florida, floods in Australia, terrorist events in France and cyberattacks in the United Kingdom, relatively secure in the knowledge that it is unlikely to experience all of these in the same year. (For those rare cases where that does occur, there also is a market for "retrocessional" cover, or reinsurance for reinsurance companies.)

According to S&P Global Market Intelligence data, the U.S. property and casualty insurance industry on an annual basis cedes about 20 percent of its direct written premiums to reinsurers. Though the United States is itself home to a handful of large reinsurers, each of whom also writes significant coverage abroad, the domestic P&C insurance industry historically purchases more than half of its reinsurance from foreign reinsurers (both affiliated and unaffiliated) and fully half the world's demand for reinsurance comes from the United States.[9]

In the context of this global capital market, erecting barriers to the free flow of reinsurance across national borders—as would be the case under a border-adjustment tax or a tax on offshore reinsurance affiliates—inevitably would result in making primary insurance products more expensive or, in some cases, completely unavailable. As editor R.L. Carter described the industry in his preface to the seminal 1983 textbook *Reinsurance*:

> The layman can be excused for regarding insurance as a mystery but many insurance practitioners themselves view reinsurance in a similar light. Yet without reinsurance many classes of insurance could not be conducted on their present-day scale, or at least any attempt to do so would seriously undermine the degree of security insurers can provide for policyholders. The mobilization of underwriting capacity on an international scale is necessary to provide the amount of insurance cover required for many of today's very large industrial and transport risks, and the world-wide spreading of catastrophe losses, especially those caused by natural disasters, contributes to international economic stability.[10]

6. U.S. Sen. Mark Warner, "Sen. Warner, Rep. Neal Introduce Legislation to Close Foreign Reinsurance Tax Loophole," Sept. 28, 2016. http://www.warner.senate.gov/public/index.cfm/pressreleases?ContentRecord_id=03D45963-9516-48EE-841A-142049D8FA4A

7. Michael Cragg, Jehan deFonseka, Lawrence Powell and Bin Zhou, "The Impact of Offshore Affiliate Reinsurance Tax Proposals on the U.S. Insurance Market: An Updated Economic Analysis," The Brattle Group, Jan. 23, 2017. http://www.brattle.com/system/news/pdfs/000/001/172/original/Brattle_Impact_Study_2017.pdf?1485188542

8. SNL Financial P&C Insurance Market Share Application, accessed Sept. 4, 2017. http://www.snl.com

9. Michael Cragg, et al., 2017.

10. R.L. Carter, ed., Reinsurance: Second Edition, Springer, p. xiii, 1983.

CATASTROPHE RISK IN THE UNITED STATES AND THE NEW MADRID SEISMIC ZONE

The United States faces a host of disaster risks, both natural and man-made. Emerging threats from catastrophic terrorism and cyberattacks pose risks that are potentially ruinous, but difficult to quantify for either frequency or severity.

Floods are the most common and costly natural disasters,[11] but the overwhelming bulk of flood risk is borne by the federally administered National Flood Insurance Program. Due to insufficient insurance premiums and poor risk management, the NFIP is nearly $25 billion in debt to federal taxpayers,[12] excluding the impact of Hurricane Harvey or any other storms that might make landfall in the remainder of the 2017 hurricane season. A burgeoning private market is emerging that could take on more flood risk, but to do so will require continued access to affordable reinsurance coverage from the global market.[13]

According to Aon Benfield's Annual Global Climate and Catastrophe Report, while 72 percent of the 315 natural catastrophes catalogued around the world in 2016 occurred outside the United States, the nation still accounted for 56 percent of the $54 billion in global insured losses from natural catastrophes.[14]

Even in a nation as catastrophe-prone as America, Arkansas, Missouri and Tennessee distinguish themselves as especially catastrophe-exposed states. Data from Verisk Analytics' Property Claim Services unit finds the three principle New Madrid states have all ranked in the top six states in terms of insured catastrophe losses at various times in the last ten years.[15] Indeed, going all the way back to April 1953—the earliest records kept by the Federal Emergency Management Agency—the three most risk-prone states in the New Madrid region have been the site of 210 presidential disaster declarations, including 72 in Arkansas and 69 each in Missouri and Tennessee.[16]

The biggest threat posed to the New Madrid states would be a repeat of what was one of most significant seismic events on record. Over the course of three months between December 1811 and February 1812 the area experienced three earthquakes over 7.0 in magnitude, along with accompanying major aftershocks. Recent studies by insurers project that a contemporary seismic disturbance could follow a similar pattern, known as a "large event sequence."[17]

The region was sparsely populated at the time, which is no longer the case. Yet the region's takeup rate of earthquake insurance is on the decline, a result of fast-growing premiums. A 2015 report from the Missouri Department of Financial Institutions and Professional Registration found that, while 60 percent of residents in the southeast quadrant of the state reported having earthquake insurance in 2000, only 20 percent still carried earthquake insurance in 2015.[18]

That is a concerning trend. When the "big one" finally strikes, the rest of the nation may be on the hook for an avalanche of defaults. In a matter of seconds, tens of thousands of mortgages held by Fannie Mae and Freddie Mac could see their collateral destroyed. The government-sponsored entities, whose obligations are backed by American taxpayers, will have little recourse to regain their investments.

To forestall the necessity of a massive taxpayer-backed bailout, it is crucial that earthquake insurance premiums remain affordable and that takeup rates reverse course. While more work needs to be done to make earthquake insurance products more attractive, a necessary element of that process will be ensuring that reinsurance remain available and affordable.

EFFECTS OF DISCRIMINATORY TAXES ON GLOBAL REINSURANCE MARKET

To estimate the effects of a territorial tax, a discriminatory tax on insurance affiliates or a full or partial border-adjustment tax on the price of insurance in Arkansas, Missouri and Tennessee requires first to calculate the effect of such a tax on the cost of reinsurance globally and then to calculate those states' catastrophe risk exposure relative to the rest of the world.

Building on work published this year by the Brattle Group,[19] this report uses output from commercial catastrophe mod-

11. Federal Emergency Management Agency, "Flooding – Our Nation's Most Frequent and Costly Natural Disaster," March 2010. https://www.fbiic.gov/public/2010/mar/FloodingHistoryandCausesFS.PDF

12. House Financial Services Committee, "Flood Insurance Program Takes another $1.6 Billion from Taxpayers," Jan. 17, 2017. http://financialservices.house.gov/news/documentsingle.aspx?DocumentID=401349

13. Michael Thrasher, "The Private Flood Insurance Market Is Stirring After More Than 50 Years Of Dormancy," *Forbes*, Aug. 26, 2016. https://www.forbes.com/sites/michaelthrasher/2016/08/26/the-private-flood-insurance-market-is-stirring-after-more-than-50-years-of-dormancy/#1a2bc7f56dda

14. Aon Benfield, "2016 Annual Global Climate and Catastrophe Report," Jan. 17, 2017. http://thoughtleadership.aonbenfield.com/Documents/20170117-ab-if-annual-climate-catastrophe-report.pdf

15. Insurance Information Institute, "Top Five States by Insured Catastrophe Losses, 2015," accessed July 1, 2017. http://www.iii.org/table-archive/20295

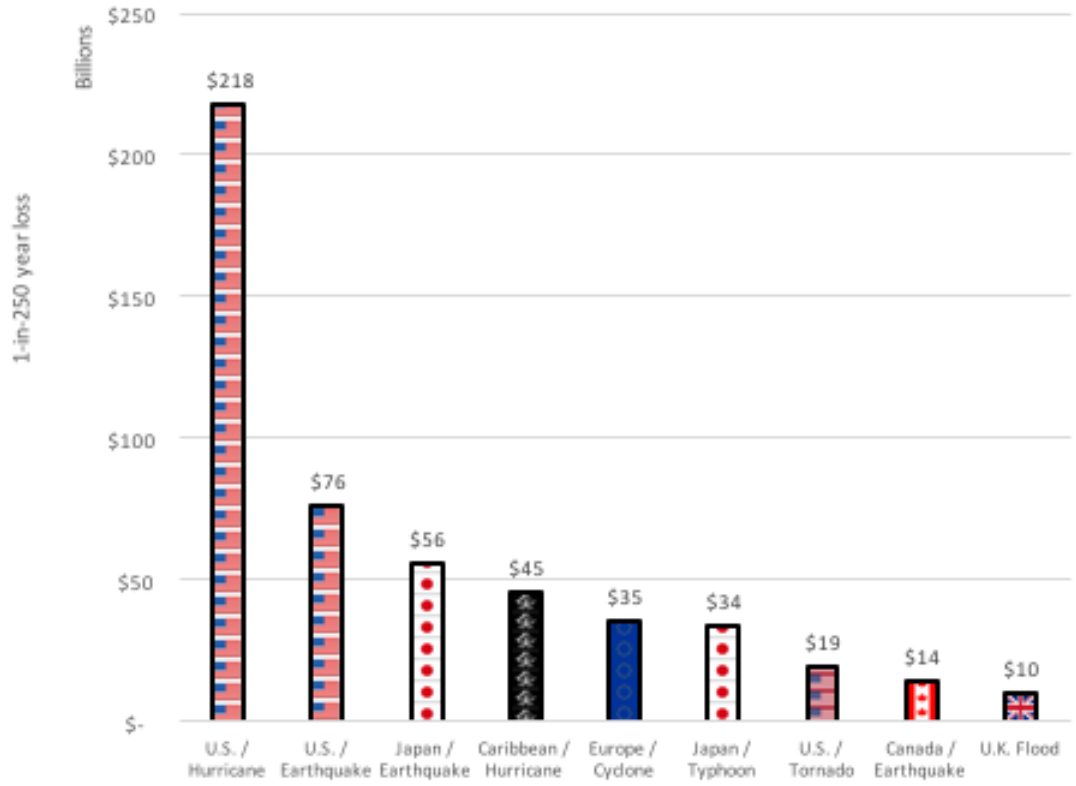
16. Federal Emergency Management Agency, "Disaster Declarations," accessed July 15, 2017. https://www.fema.gov/disasters/state-tribal-government/

17. Insurance Journal. "New Madrid Study Shows Need for Quake Coverage: Missouri Insurance Director," July 15, 2017. http://www.insurancejournal.com/news/midwest/2015/07/28/376548.htm

18. Missouri Department of Insurance, Financial Institutions & Professional Registration, "The state of earthquake coverage," July 15, 2017. http://www.naic.org/documents/cipr_events_150814_state_of_earthquake_coverage.pdf

19. Michael Cragg, et al., 2017.

FIGURE 2: EXPOSURE TO CATASTROPHIC PERILS ($B)



SOURCE: Average of AIR and RMS catastrophe models insured perils output. Estimated March 2017.

els[20] to estimate the change in global reinsurance capital that would be required if a tax on cross-border reinsurance transactions were to be implemented. Figure 2 presents the 1-in-250-year expected losses for the largest perils in the United States and other select locations. Extreme concentration of high-value property in areas exposed to catastrophic perils leaves the United States with substantially greater exposure than all other countries combined.

To provide affordable property insurance, U.S. insurers cede premiums to international reinsurers who pool U.S. hurricane, earthquake, terrorism, wildfire and tornado risks with similar exposures from around the world. Because these exposures are not strongly correlated, pooling reduces the amount of capital reinsurers must hold to insure them. Global reinsurers cover small amounts of each catastrophe exposure, along with many other property and casualty exposures.

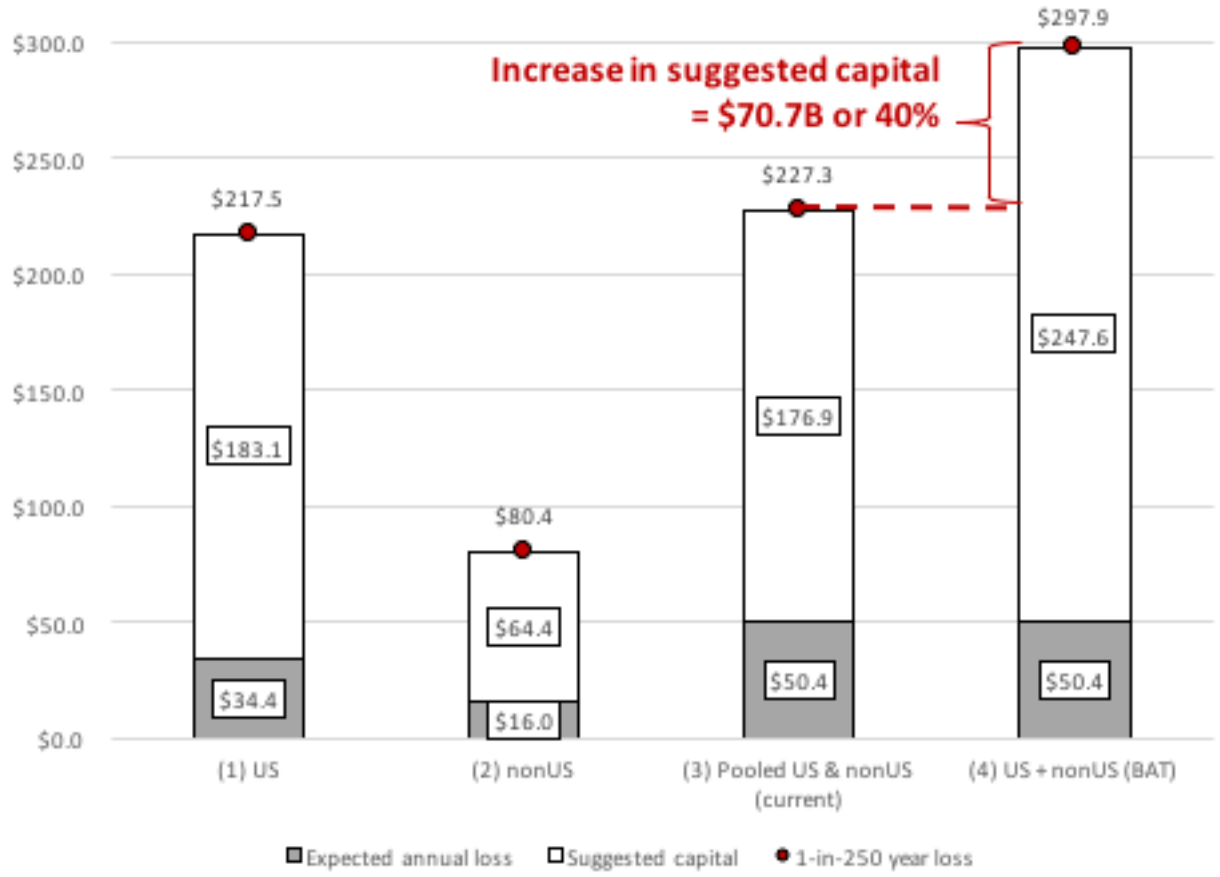
20. Commercial catastrophe models, such as those offered by Risk Management Solutions (RMS) and AIR Worldwide (AIR) use physical, statistical and numerical modelling gleaned from multidisciplinary science (engineering, meteorology, statistics, and others) to augment the scarce data available on catastrophic perils for predicting future losses. These models are used by (re)insurers, financial markets, self-insured businesses, and governments to set prices for risk. Models are reviewed and approved bi-annually by the Florida Commission on Hurricane Loss Projection Methodology for use in setting residential property insurance rates in Florida. For more information, see https://www.sbafla.com/method/Home.aspx

Though the specifics of different territorial tax systems would differ, under any and all of them, U.S. insurers' ability to use foreign reinsurance to pool their exposures with those of other countries would be significantly constrained. Because deductions for offshore reinsurance would be disallowed—greatly increasing the relative cost of reinsurance from foreign sources—U.S. primary insurers would face overwhelming incentives to cede risks only to U.S.-domiciled reinsurers. In addition, the United States should anticipate retaliatory legislative actions from all countries affected by this type of tax system. The effect would be to isolate insurance and reinsurance capital in its respective domestic markets, requiring each country to bear its own risk.

This report uses commercial catastrophe model outputs to estimate the effects that taxing cross-border reinsurance transactions would have on reinsurance capital available to support U.S. catastrophe exposure. This calculation requires assumptions about adequacy and efficiency of current capitalization and the symmetry and efficiency of diversification across current insurers and reinsurers.

As a starting point, the analysis assumes current levels of capital in insurance and reinsurance markets are adequate and efficient. In other words, the global insurance and

FIGURE 3: EFFECT OF DISCRIMINATORY TAXES ON GLOBAL REINSURANCE CAPITAL FOR CATASTROPHES ($B)



SOURCE: Average of AIR and RMS model output for the U.S. and pools primary catastrophe exposures of other modeled perils and countries. Suggested capital is the difference between 1-in-250 year loss (99.6% PML) and expected annual loss (AAL).

reinsurance markets currently have just enough capital to meet their obligations with a reasonable degree of certainty. On its face, this assumption might not seem reasonable, given the prevailing record-high levels of surplus. However, because this analysis models perils rather than firms, it also must assume that (re)insured exposures are perfectly symmetrical and efficient across the industry. This second assumption skews in the opposite direction, making it likely that the two assumptions approximately offset.[21]

A perfectly symmetrical and efficient distribution of catastrophe exposures would resemble those considered in the early 1960s by Karl Borch of the Norwegian School of Economics[22] and more recently by David Cummins and co-authors at the Wharton School.[23] Under a perfectly symmetrical and efficient distribution, each (re)insurer holds an identical portfolio of liabilities in exact proportion to its share of industry capital, as if there was only one monolithic global insurer. Reality, of course, does not mimic this perfectly efficient market, as the maximum practical level of diversification is reduced by such factors as contracting costs, moral hazard, adverse selection, rate regulation and idiosyncratic behavior. To the extent risk is not evenly distributed across companies, the industry will require additional capital to achieve the same financial strength. From this perspective, one might consider results from this analysis to be a lower bound and that the actual negative impact on real-world insurance and reinsurance markets could be significantly larger.

21. Equality of these assumptions might be questionable in the opposite direction during the next hard market.

22. Karl Borch, "Equilibrium in a reinsurance market," *Econometrica*, Vol. 30, No. 3, pp. 424–444, July 1962. http://www.jstor.org/stable/1909887?origin=crossref&seq=1#fndtn-page_scan_tab_contents

23. J. David Cummins, Neil A. Doherty and Anita Lo, "Can insurers pay for the 'big one'? Measuring the capacity of the insurance market to respond to catastrophic losses," *Journal of Banking and Finance*, 26(2-3):557-583, March 2002. https://www.researchgate.net/publication/223224454_Can_Insurers_Pay_for_the_'Big_One'_Measuring_the_Capacity_of_an_Insurance_Market_to_Respond_to_Catastrophic_Losses

The red circle at the top of the far left column of Figure 3 shows the 1-in-250-year loss from hurricanes, earthquakes and tornadoes in the United States is $217.5 billion. In other words, in any given year, there is a 99.6 percent probability that U.S. insured losses from the combination of these perils will be less than $217.5 billion. The column beneath the circle separates that 1-in-250-year loss into the expected annual loss ($34.4 billion) and suggested capital to support the 99.6 percent confidence interval ($217.5 billion – $34.4 billion = $183.1 billion).

Column 2 of Figure 3 displays the 1-in-250-year expected loss, the annual expected loss and suggested capital for the combined distribution of all modeled catastrophe losses outside the United States. These perils and locations include Japanese earthquake and typhoon, Canadian earthquake, European cyclone, Caribbean hurricane and U.K. flood. The expected annual loss is $16 billion and the 1-in-250-year expected loss is $80.4 billion, leaving $64.4 billion in suggested capital.

Comparing the third and fourth columns of Figure 3 demonstrates the powerful effect of pooling uncorrelated global loss exposures. In the current global reinsurance market, these U.S. and non-U.S. loss exposures are pooled (Column 3), with a 1-in-250-year loss of $227.3 billion and total suggested capital of just $176.9 billion. However, under a discriminatory tax system that disallows deductions for foreign reinsurance, such pooling would not take place—first, as domestic insurers lost the benefit of pooling outside U.S. borders and subsequently around the world, as other countries enacted retaliatory tax laws. Without the benefit of pooling global exposures, the U.S. and non-U.S. suggested capital amounts must be combined. In this scenario, the suggested global capital increases by $70.7 billion, or 40 percent, from $176.9 billion to $247.6 billion.

NEW MADRID'S SHARE OF GLOBAL CATASTROPHE EXPOSURE

This analysis employs commercial catastrophe models to estimate the New Madrid Seismic Zone's share of global catastrophe exposure. We estimate New Madrid's exposure as the difference between expected annual loss and the 1-in-250-year loss in Arkansas, Missouri and Tennessee relative to that of the rest of the world. This method captures both the size of the exposure as well as the uncertainty, which together determine the amount of capital needed to provide coverage.

The expected annual losses for catastrophe perils in New Madrid are $2.18 billion, while the 1-in-250-year loss is $21.04 billion. The difference between these, $21.04 - $2.18 = $18.86 billion, is an estimate of the amount of capital required to insure New Madrid for catastrophic perils. Summing this number for all states yields $676.8 billion, thus New Madrid is $21.04 ÷ $676.8 = 2.8 percent of all U.S. capital needs. As shown above, the global figure for the same calculation is $247.6 billion. Of this $247.6 billion, the United States represents $183.1 ÷ $247.6 = 74 percent. Multiplying New Madrid's share of the U.S. figure times the U.S. share of the global figure indicates New Madrid's share of global catastrophe capital needs is approximately (0.028 × 0.74 = 0.021) 2.1 percent. Applying this percentage to the total amount of capital that must be raised to maintain financial strength in the global reinsurance market produces a formula of 0.021 x $70.7 billion = $1.48 billion.

A March 2017 report by Florida Tax Watch estimates current required returns on capital for reinsurers to be 5 percent, while the historical target has been closer to 7.5 percent. Using that 5 percent figure, which is in line with coupons charged on recent catastrophe bond issuances, annual premiums in New Madrid would have to increase by $74 million (0.05 x $1.48 billion = $74 million). Since this additional annual cost to New Madrid consumers would persist into the foreseeable future, a multiyear figure adds appropriate perspective. Over the next decade, ignoring inflation, this analysis estimates $740 million of additional expense for New Madrid consumers.

CONCLUSION

It is not yet clear if Congress will succeed in making structural changes to the U.S. tax code, or perhaps pass a temporary tax cut that expires after 10 years. Both remain a political uncertainty. It also is uncertain whether a discriminatory tax on insurance affiliates or a similar territorial tax system will be included in any final proposal.

For consumers in the New Madrid states and all across the country, the real effects of applying a such a scheme to insurance and reinsurance would be to make it harder and costlier for property owners to buy home insurance and earthquake insurance, for employers to buy workers' compensation insurance, for factories and industrial plants to insure their machinery and for contractors to get the terrorism insurance they need to erect new buildings.

It's important to bear in mind that, under the current system, insurance companies don't just import reinsurance – they also export risk. Denying insurers the ability to engage in responsible risk transfer would mean concentrating those risks here on our shores.

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