

TRIA Extension Bill Introduced, Will It Succeed?

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NU Online News Service, March 9, 9:25 p.m. EST—Several House Democrats introduced legislation late today that would extend the Terrorism Risk Insurance Act by two years, to Dec. 31, 2007.

Insurance and real estate industry trade groups lauded introduction of the measure as a “positive sign” that Congress is interested in extending the bill, an industry priority.

But, privately, insurance industry officials were less sanguine. They were hopeful that the Democrats would wait to introduce a bipartisan bill that headlined Rep. Mike Oxley, R-Ohio, chairman of the Financial Services Committee.

There were also concerns because the bill would raise the insurers' retention rate—the threshold level for government contributions to losses suffered by an insurer in a domestic terrorism attack—from the current 15 per cent to 20 per cent in the second year.

“The industry wants bipartisan agreement,” said one industry lobbyist who asked not to be named but whose views seemed typical of the trade groups' and companies' view of the proposal. “We also don't like the current paradigm [existing TRIA bill] and believe the current retention levels are too high already.”

The industry is also concerned that the Bush administration declined to signal its views on extension when a Treasury Department official spoke on the issue at a conference last week in Washington, D.C. sponsored by the Networks' Financial Institute, Terre Haute, Ind.

The Democrats' legislation was introduced by Congressman Mike Capuano, Mass., joined by Reps. Steve Israel, N.Y., Barney Frank, Mass., Paul Kanjorski, Pa., and Joe Crowley, N.Y. The measure is titled the “Terrorism Insurance Backstop Extension Act of 2005 and was introduced as H.R. 1153.

The lobbyist with concerns said the bill reinforces industry fears that Congress will demand an increase in the retention rate to 20 per cent or perhaps 25 per cent as the price of enactment. “That is too costly and for most insurers too high a price to pay,” the lobbyist said.

Specifically, the bill also:

- Makes it easier for businesses to get affordable terrorism insurance by including provisions to ensure that insurance policies enacted during the last year of the program do not lose their terrorism coverage before the policy expires.
- Provides mandatory availability for terrorism coverage for policies written in the final two years of the program.
- Makes terrorism reinsurance coverage available to group life insurance policies.
- Requires the Treasury Department to develop recommendations on long-term solutions to the terrorism reinsurance problem.

The American Insurance Association said introduction of the bill “shows that congressional members want to put significant bipartisan energy into protecting the U.S. economy against catastrophic terrorism.”

Leigh Ann Pusey, AIA's senior vice president of government affairs, said “Policyholders, insurers and many on Capitol Hill know that we need something after Dec. 31—the end date for the Terrorism Risk Insurance Act of 2002 (TRIA).”

Ms. Pusey added that, “This momentum toward the commonly held goal of providing for a federal terrorism risk insurance program is welcome.”

Ms. Pusey said that the industry, is “trying to be as constructive as possible.” She explained that, “Ensuring a terrorism backstop is in place provides the economic stability needed so stakeholders may focus on working with the House and Senate to construct a long-term bipartisan solution.”

Charles E. Symington, Jr., senior vice president of federal government affairs, at the Independent Insurance Agents and Brokers of America, said the introduction of this legislation, H.R. 1153, in the House is a positive sign of continued support in Congress for a terrorism insurance backstop.

Mr. Symington added that, “Should the program lapse, it could be difficult, if not impossible, for businesses to obtain insurance against losses related to terrorist acts, and that could have serious economic consequences in the event of another terrorist attack on American soil.”

Martin L. DePoy, vice president for government relations at the National Association of Real Estate Investment Trusts and spokesperson for the Coalition to Insure Against Terrorism, said the coalition “welcomes word” that the bill had been introduced in the House. “This is another sign of the growing Congressional commitment to maintain the nation's economic security,” Mr. DePoy said.