

July 8, 2014

The Honorable John Boehner  
Speaker of the House  
United States House of Representatives  
Washington, DC 20510

The Honorable Nancy Pelosi  
Minority Leader  
United States House of Representatives  
Washington, DC 20510

Dear Speaker Boehner and Leader Pelosi:

The undersigned associations urge the House to create a process to address concerns in the proposed reauthorization of the Terrorism Risk Insurance Act so that it can be brought expeditiously to the floor. Last month, the House Financial Services Committee passed H.R. 4871, the TRIA Reform Act of 2014.

We are very appreciative of the committee's work to advance legislation and efforts to address some of the concerns with the initial reauthorization proposal. However, H.R. 4871 contains a 500% increase in TRIA's trigger that will jeopardize the primary goal of the program to "protect consumers by addressing market disruptions and ensure the continued widespread availability and affordability of property and casualty insurance for terrorism risk."

TRIA's "trigger" was intended to set a threshold between catastrophic and noncatastrophic terrorism losses above which the federal protections and loss limits would be activated with respect to losses exceeding the very sizable individual insurer deductibles. Under most scenarios, as analyzed by the Congressional Budget Office, the trigger has nearly no impact on net federal outlays or taxpayer protection, since losses exceeding the trigger are likely to be still within insurer deductibles or the marketplace retention and recoupment.

A manageable trigger is critical to protect consumers and ensure continued widespread availability and affordability of terrorism insurance coverage. Small and medium-sized insurers represent almost 98 percent of all insurers writing TRIA coverage and almost half of all TRIA-related premiums. Increasing the trigger from \$100 million to \$500 million will subject small and medium-sized insurers to a massive increase in their liabilities. This dramatic liability increase could not only limit the amount of terrorism insurance coverage most insurers are able to provide to Main Street businesses, but it could also impair their ability to offer the underlying non-terrorism commercial coverages, creating harmful, negative consequences for the economy and job growth. Reducing terrorism insurance availability and affordability would be counter to TRIA's stated purposes. The primary impact of raising the trigger would be on smaller, regional, and niche insurers whose deductible – and even total exposure – is less than the amount of an elevated trigger level that has been set too high.

Many of undersigned are also concerned with the bill's bifurcation of the program into two categories of attack: so-called "conventional" attacks and nuclear, biological, chemical, and radiological attacks. The source or cause of an attack does little to change an insurer's ability to underwrite terrorism risk and the provision will likely lead to unnecessary confusion in the aftermath of an event.

A significant number of consumers are currently unable to purchase insurance coverage protecting against terrorist attacks without conditional exclusions, which could result in no protection for consumers if Congress does not reauthorize the Terrorism Risk Insurance Act this year. The current terrorism insurance

program has been in place since its creation following the September 11, 2001 terrorist attacks, protecting U.S. national and economic security. It has been reauthorized twice previously with overwhelming bipartisan Congressional support. But as it stands now, the current legislation needs to be revised before it would likely be acceptable to the majority of the House and could be supported by most market stakeholders.

We urge you to create a process to address these concerns so that the House can pass a bill that will solidify a vital program that has succeeded in fostering a robust terrorism insurance market at virtually no cost to the federal government.

Sincerely,

National Association of Mutual Insurance Companies  
Property Casualty Insurers Association of America  
U.S. Chamber of Commerce  
Commercial Real Estate Finance Council