LEGISLATIVE ALERT

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TERRORISM RISK INSURANCE REVISION AND EXTENSION ACT

MORE RISK TO TAXPAYERS – AND ANOTHER PAYGO SCAM

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The Terrorism Risk Insurance Revision and Extension Act [TRIA] of 2007 (H.R. 2761), dramatically increases the liability of the Federal Government (the taxpayers) to help pay for insured losses resulting from a catastrophic terrorist attack. At the same time the bill effectively games the Majority's own pay-as-you-go [PAYGO] rule by relying on budgetary sleight-of-hand to avoid paying up front for any costs associated with the bill. The President's Statement of Administration Policy on the bill indicated that if the bill were presented to the President as reported, "his senior advisors would recommend he veto the bill."

Under current law, TRIA provides Federal reinsurance above certain thresholds for private sector insurers who provide terrorism insurance and who – without such reinsurance coverage – ostensibly would exclude it from their policies. TRIA was enacted in 2002 in the wake of the 9/11 attacks as a short-term, 3-year stopgap program to allow already existing private markets to stabilize and develop further. It was extended in 2005 through 2007 (Public Law 109-144).

- ***Creates Massive New Costs.*** According to the Congressional Budget Office, the bill as reported would increase net direct spending by an estimated $8.4 billion over the 2008-17 period, assuming a catastrophic terrorist attack during that time. That cost could run much higher if a terrorist attack were worse than estimated.

- ***Uses the Ultimate PAYGO Dodge.*** To avoid complying with their own PAYGO rule – which requires the $8.4 billion be fully offset – the Majority has resorted to a staggering budget gimmick: the bill pretends the Federal Government does not have to cover the losses TRIA is supposed to cover unless a *second* bill – in the wake of some tragic terrorist act – is passed by a future Congress. As the administration has noted, the costs of the bill are not reduced a single penny.

- ***Increases Taxpayers' Risk.*** The bill increases the Federal Government's risk exposure in a number of ways: by expanding coverage to group life insurance; by adding domestic terrorism coverage; and by lowering the current threshold trigger from $100 million to $50 million.

- ***Hinders Private Sector Markets.*** The expanded Federal role in H.R. 2761would further crowd out private-sector development of this kind of terrorism insurance coverage. H.R. 2761 expands the Federal Government's role in the terrorism insurance market by extending TRIA through 2022 – effectively a permanent extension. As noted above, TRIA initially was designed to be a temporary bridge to allow private insurers to develop a more mature insurance market.
