EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

December 7, 2005
(House)

STATEMENT OF ADMINISTRATION POLICY

S. 467 (As Amended by H.R. 4314) - Terrorism Risk Insurance Revision Act of 2005

(Rep. Baker (R) Louisiana and 8 cosponsors)

The Terrorism Risk Insurance Act (TRIA) was intended to provide a temporary mechanism to allow the marketplace to adapt after economic dislocations resulting from September 11th. The continued presence of a Federally backed subsidy crowds out private market initiatives and impedes the development of innovative, risk-sharing private market solutions. The Administration continues to believe that efforts by Congress to extend TRIA must involve substantial reforms of the existing program. Taxpayers' exposure should be substantially mitigated by reducing lines of coverage subject to the Federal backstop and by increasing the insurance industry's effective exposure.

The Administration strongly opposes the House amendment to S. 467, as it does not meet these reform objectives. Instead of scaling back the Federal backstop, the House amendment to S. 467 expands the Program by including group life insurance as a covered line and by adding domestic terrorism coverage to the Program, among other changes. The private market for these lines of coverage has remained robust and competitive, absent a Federal backstop, since TRIA's inception. Adding new lines to the Federal reinsurance backstop sends the wrong signal to the marketplace, which should be encouraged to find new ways to diversify the risks of doing business. Moreover, the House amendment to S. 467 modifies the insurance industry's deductible and co-payment structure in a way that is expected to substantially increase taxpayers' exposure. The House amendment to S. 467 is also substantially more complex than the original legislation and, as a result, may have unintended regulatory consequences.

The Administration appreciates the House's efforts to craft legislation consistent with the reform objectives, but the House amendment to S. 467 in its current form does not meet these goals.

Budget Estimates and Enforcement

This bill would affect direct spending and receipts. To sustain the economy's expansion, it is critical to exercise responsible restraint over Federal spending. The Budget Enforcement Act's pay-as-you-go requirements and discretionary spending caps expired on September 30, 2002. The President's FY 2006 Budget includes a proposal to extend the discretionary caps through 2010, a pay-as-you-go requirement for direct spending, and a new mechanism to control the expansion of long-term unfunded obligations. OMB's cost estimate of this bill currently is under development.

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