GOP rift holds up terrorism insurance bill

By: Jarrad Saffren
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A bill that would extend legislation with bipartisan and industry support is being held up by internal disagreements among House Republicans, Rep. Pete King, R-N.Y., said Wednesday. The legislation protects property owners against financial losses from terrorist attacks, which insurers and developers say is critical to keeping large construction projects going.

The Terrorism Risk Insurance Act was enacted by Congress in 2002 in response to the 9/11 terrorist attacks. After paying out more than $30 billion in claims after 9/11, insurers stopped providing coverage for acts of terror, according to the Coalition to Insure Against Terrorism, a collection of 80 business insurance policy holders. The act brought them back into the market by creating a government-funded backup to pay for catastrophic losses, which would be repaid afterward by a levy on future insurance policies.

Through two extensions in 2005 and 2007 and almost 12 years of existence, TRIA has never been used because there has never been a costly enough attack, not even the Boston Marathon bombings in 2013. But the act is necessary because it protects against unmeasurable risk, according to Marty DePoy, a CIAT spokesman. If it's not extended, construction projects will stop and people will lose their jobs, DePoy said.

"During the fourth quarter of 2001 and much of 2002, until TRIA began to bring insurers back to the terrorism risk market, the lack of this coverage cost 300,000 jobs," DePoy said.

This is why both parties want to extend TRIA, according to King, a member of the Financial Services and Homeland Security Committees.

"It has not cost taxpayers one penny. There's been no abuse, no scandal, and it has allowed billions of dollars of construction to go on in New York and around the country," King said. "It's supported by MLB, NFL, and any other large entity with large property that could be the target of a terrorist attack."

Even though taxpayer money has not been used under TRIA, some opponents say the taxpayers should not be liable.

"TRIA is just a transfer of liability from the insurance companies to the taxpayers," said Mark Calabria, a financial regulation expert at the libertarian Cato Institute. "The private sector is more than capable of taking on this risk."

Calabria's attitude is similar to that of Rep. Jeb Hensarling, R-Texas, the chairman of the Financial Services Committee who wrote the House bill that would extend TRIA. Hensarling proposed a raise to the minimum trigger for taxpayer assistance in covering losses from $100 million to $500 million.

A committee staffer who was not authorized to speak on the record said Hensarling believes that "The private reinsurance industry cannot compete against the federal government's free TRIA reinsurance." The lower trigger in the current law "does not maximize the deployment of private sector capital in the terrorism insurance marketplace," this staffer said and "has weakened insurer demand for private reinsurance coverage."

King, the only Republican in the Financial Services Committee to vote against the bill, did so because he does not want to raise the minimum. The committee Democrats voted unanimously against the bill for the same reason.

"If something is working and there is no scandal, why are we creating this fight?" King said. "We have enough issues that we are divided on."

Member Carolyn Maloney, D-N.Y., disagrees with the notion that raising the minimum would limit taxpayer exposure and bring more capital to the private market.

"Raising the trigger would make terrorism risk insurance unaffordable and less available because it would drive small and medium-sized insurers out of the market entirely," Maloney said. "It also would not save taxpayers any money, since the program runs at zero cost to the federal government."

King said many House Republicans outside the Financial Services Committee agree with him and the Democrats. The bill was supposed to be brought to the House floor Thursday, but a significant number of Republicans opposed it, according to King.

Instead, King, Maloney, and the other dissenters prefer the Senate version of the bill because it would keep the trigger at $100 million. The Senate bill was introduced by Charles Schumer, D-N.Y., and approved unanimously by the Banking Committee. It will face a Senate floor vote in the coming days, according to the office of Majority Leader Harry Reid, D-Nev.