

Bloomberg

NFL Joined by Developers Lobby for U.S. Terror Insurance

Kathleen Hunter
June 2, 2014

Renewal of a U.S. terrorism insurance plan is gaining momentum in Congress, thanks to some big-league backing from a coalition that includes professional football, baseball, basketball and hockey leagues.

The sports associations, along with insurers, developers, banks and the U.S. Chamber of Commerce, say their businesses could be wiped out by a Sept. 11-style attack, unless the U.S. government continues its program to help protect them against losses from terrorism.

Now they see improving odds for passing a measure extending the financial backstop for the insurance before it expires Dec. 31.

“I give it plus-90-percent,” said Mark Calabria, a former aide on the Senate Banking Committee who now directs financial regulation studies at the [Cato Institute](#), a group that supports free markets. “It benefits from the fact that there’s a not a very strong coalition against it, whereas there’s a very deep coalition for it.”

With these powerful interests pushing for it, the terrorism insurance measure could join several business-backed items that have worked their way to President [Barack Obama](#)’s desk this session. The measures are the few successes in a [U.S. Congress](#) on track to be one of the least productive in history.

Other business priorities that passed with bipartisan support were extensions of the nation’s farm programs and federal flood insurance as well as a \$12.3 billion water projects bill.

Terrorism Worries

“It is critical that arenas and stadiums continue to be insured against a terrorist act,” the [National Football League](#), [Major League Baseball](#), the National Basketball League, the [National Hockey League](#) and other sports associations wrote in a Sept. 18 letter to lawmakers. The terrorism backstop program is “the only reason that such insurance remains available to policyholders,” they said.

Advocates say they're optimistic that Congress may complete work on an extension by the end of July. The House and Senate are poised this month to advance somewhat different bills renewing and reshaping the program, starting tomorrow when the Senate Banking Committee considers an extension for seven years that raises commercial insurers' co-payments.

"We've obviously been very active in lobbying this issue," said Justin Lumadue, director of congressional and public affairs at the U.S. Chamber of Commerce, one of 260 business groups signing an April 10 letter that urged swift renewal of the law.

Federal Reimbursement

Created in 2002 to jump-start the commercial insurance market after the Sept. 11 attacks, the program guarantees federal reimbursement to insurers once the industry's aggregate losses from a terrorist incident exceed \$100 million.

The government's annual liability is capped at \$100 billion. The law was renewed in 2005 and 2007.

Insurers paid \$31.6 billion in claims following the 2001 attacks that killed almost 3,000 people. The Coalition to Insure Against Terrorism, a Washington-based organization of businesses pushing for the law's renewal, estimates that 300,000 jobs were lost following the Sept. 11 attacks because of the lack of terrorism insurance coverage.

Before 2001, damage from terrorism was typically covered in policies without additional charges because the possibility of an attack was seen as remote. After that, providers excluded acts of terror from commercial contracts and coverage became expensive if it was offered at all, according to a [March report](#) from the [Congressional Research Service](#).

Workers' Compensation

Allowing the law to expire would make it harder for some employers to get workers' compensation insurance, which is mandatory for almost all U.S. employers, according to a May 7 [study](#) by the RAND Corporation, a nonprofit research institution. Without the federal program, "insurance companies would limit their terrorism risk exposure by declining coverage to employers facing high terrorism risk," the study said.

A big part of the lobbying effort has centered on educating lawmakers, many of them [House Republicans](#), who joined Congress since the law was last extended seven years ago, said Thomas Santos, vice president for federal affairs at the American Insurance Association.

"We spent a lot of time in the beginning of this Congress educating those members, both on and off the Financial Services Committee, on what this program is, how it works mechanically," Santos said. He said his group has been successful in warning lawmakers that waiting until the end of the year to pass a measure could disrupt insurance coverage.

'Economic Disruptions'

“The longer they wait, the more economic disruptions we’ll see, and I think they both know and appreciate that,” Santos said.

In addition to increasing insurers’ co-payment to 20 percent from 15 percent, the Senate bill would raise by \$10 billion the amount that the [U.S. Treasury](#) must recoup through premium surcharges after reimbursing their losses.

Business groups have raised concerns about those provisions, as well as elements of a discussion draft circulated last month to members of the House Financial Services Committee. That proposal would raise to \$500 billion the threshold for industry-wide losses that must be incurred from terrorist attacks waged by conventional weapons.

Industry groups want to assure that any changes don’t reduce the availability of insurance. They’re pressing for as long an extension as possible, maintaining that a lengthier renewal would provide more certainty.

Seven-Year Extension

The Senate bill is a seven-year extension, while the House draft is for three years.

“Many congressional members have noted that TRIA will get done,” said Anthony Cimino, vice president of government affairs for risk management at the Financial Services Roundtable, which represents large banks and insurers. “That makes us optimistic, but we still must work constructively to ensure it does get done, and in a timely manner.”

There’s still plenty to debate in Congress on the insurance backstop. House Financial Services Chairman [Jeb Hensarling](#), a Texas Republican, previously said he wanted to abolish the program and replace it with private insurance, though he recently agreed it should be extended in some form.

“Those of us who spend a lot of time in the policy arena know that politics is the art of the possible,” said Nat Wienecke, senior vice president for federal government relations at the [Property Casualty Insurers Association of America](#), adding that proponents of the law have recognized since Hensarling became panel chairman that there would be changes to the current program.

“I think we’re in a pretty good place,” Santos said. “I don’t know that there are any very large stumbling blocks or hurdles.”