



Congress Expected to Act Late on 'Critical' TRIA Renewal

By [Arthur D. Postal](#) - September 11, 2013

Policy expert Robert Gordon with the Property and Casualty Insurers Association of America says he is "not overly optimistic" Congress will move promptly to reauthorize the Terrorism Risk Insurance Act before it sunsets next Dec. 31.

Gordon, PCI's senior vice president of policy development and research, said during a conference call today that Congress may continue to wait until the last minute before re-upping TRIA—just as it has done for two prior reauthorizations of the federal backstop since it was signed into law in November 2002.

Congress has chosen to do so even though the program is "critical," Gordon said.

Moreover, Gordon said, Congress is unlikely to act even though there is already anecdotal evidence that the uncertainty of a TRIA renewal is already impacting the insurance industry.

He cited concerns voiced by rating agencies, and especially the impact on renewals of workers compensation policies. Insurers are inserting riders in WC policies indicating they are null and void if TRIA is not reauthorized. Reinsurance capacity, too, is drying up, as the markets gird for potential shutdown of the program.

PCI unveiled a new poll indicating that 79.5 percent believe that the federal government would bear the major cost of paying for a terrorist event, and 67.6 percent support renewal of the program. The poll also showed that 90.1 percent of respondents believe that paying for a terrorist attack "should be at least in part a responsibility of the federal government."

The poll also indicated that the rural/urban divide on the issue is virtually "nonexistent," according to the polling firm, GS Strategy Group.

Gordon and Tom Litjen, a PCI vice president, scheduled the meeting in advance of a hearing on the issue tentatively scheduled for Sept. 19th by the House Financial Services Committee. Litjen called the hearing of "very serious importance," and said it is likely to be the first of several hearings Congress will hold on the issue.

Gordon added that PCI has submitted papers dealing with the program to the House FSC at the committee's request. He acknowledged that members of the committee are seeking ways to amend the program, but quickly noted that any "changes would see greater costs to consumers."

Gordon said that terrorism risk "is clearly a national problem." He further noted that TRIA only protects against a national terrorist attack.

As for changes, Gordon said PCI would certainly support changes in the TRIA program's certification program so that the Treasury secretary has clear rules he would follow on the deadline and other components dealing with certifying a terrorist event.

Gordon also addressed a policy analysis issued Tuesday by the libertarian Cato Institute. The analysis "suggests that the program should sunset as scheduled in 2014, thus ending this form of corporate welfare," Cato officials said.

The paper argues that, "If there was some ambiguity about the program's need before, there is none now." The analysis continued, "Terrorism risk is not more severe than other insurable risks such as natural catastrophes, and a federal backstop stakes public money to protect the insurance industry, and subsidize the terrorism risk insurance premiums for commercial policyholders.

"The private market is capable of underwriting this risk," the paper concluded.

Gordon responded by saying the Cato assertions are "simply false."

"Terrorism risk is not like natural catastrophes because it does not fall within the definition of an insurable risk," Gordon said. The two risks are "not comparable at all," he said, noting that there is strong capacity for reinsurance for natural catastrophes, but none for terrorism.