CalChamber
CALIFORNIA CHAMBER OF COMMERCE

March 19, 2014

The Honorable Ken Cooley
California State Assembly
State Capitol, Room 2188
Sacramento, CA 95814

**SUBJECT: AJR 34 (COOLEY): TERRORISM RISK INSURANCE
SUPPORT- AS INTRODUCED FEBRUARY 13, 2014**

Dear Assembly Member Cooley:

The California Chamber of Commerce **SUPPORTS** your **AJR 34,** urging Congress to extend the Terrorism Risk Insurance Program for U. S. economic stability and continuity following a terrorist attack.

The Terrorism Risk Insurance Act (TRIA) is part of a Federal plan for economic continuity and recovery after a severe terrorist attack on the United States. Enacted following the September 11th attacks, the plan rapidly stabilized the insurance market and broke through the paralysis that plagued the economy, particularly in construction, real estate, finance and other vital sectors. TRIA requires insurers to offer coverage for terrorism to policyholders in certain commercial insurance lines. Policyholders are free to accept or reject the offer, but terrorism coverage may not be excluded in these lines unless the policyholder has had the opportunity to purchase such coverage on the same terms, amounts and limitations applicable to other perils.

Insurer Responsibility. Under TRIA, all insurance against terrorism risk is written in the private marketplace with no upfront federal liability. If an act of terrorism occurs, and results in at least $100 million in aggregate losses, the insurer will pay claims up to its “insurer deductible.” As much as $35.5 billion in insured losses may be retained by insurers (in addition to policyholder deductibles) before any Federal co-pay support.

Policyholders. The commercial policyholders pay the premium for terrorism coverage and retain any individual policy deductibles as applicable. If there are any federal payments, commercial policyholders will be responsible for repaying such assistance through a policy surcharge, up to certain mandatory amounts, as well as additional discretionary amounts determined by the Treasury Secretary. Finally, any aggregate losses beyond $100 billion will be borne entirely by policyholders.

Federal Role. The federal government provides confidence to the private market that terrorism losses will not paralyze economic activity. No federal assistance will be provided unless the act of terrorism results in at least $100 million in aggregate insured losses. Even then, federal assistance is only if an insurer has paid out losses in excess of its “insurer deductible,” and then only 85% of losses above that deductible amount. Any federal assistance is limited to severe, catastrophic acts of terrorism. In any event, all losses recognized in the TRIA plan go first through the private insurance mechanism where much of the loss is retained by design. In absence of TRIA, which ensures industry participation, the federal share of such a disaster could well be larger.

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Taxpayer Protection. For terrorist events that result in aggregate losses up to $27.5 billion, any federal assistance paid out under the TRIA plan must be recouped over time through a surcharge on all commercial policies in covered lines. For any truly catastrophic event that exceeds that figure, federal assistance may still be recouped, at the discretion of the Treasury Secretary.

The Terrorism Risk Insurance Act stabilizes the commercial insurance marketplace, guaranteeing coverage availability to all businesses. For these and other reasons, we are pleased to **SUPPORT** your **AJR 34**.

Sincerely,

Marti Fisher
Policy Advocate

cc: Brian Putler, Office of the Governor
District Office, Assembly Member Cooley

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