**SCHUMER, HELLER, KIRK INTRODUCE CRITICAL BIPARTISAN AGREEMENT TO RE-AUTHORIZE AND EXTEND TERRORISM RISK INSURANCE PROGRAM – DEAL IS ESSENTIAL FOR DEVELOPMENT AND ECONOMIC SECURITY IN HIGH-RISK CITIES POST- 9-11***Following 9/11, Private Insurance Companies Could Not Offer Sufficient Coverage Against Threat of Terrorism; Terrorism Risk Insurance Provides Backstop Against The Risk

Terrorism Risk Insurance Program Is Set to Expire At End of 2014, But Schumer, Heller, Kirk Plan Would Extend Program for 7 More Years*

**(Washington, D.C.)** – U.S. Senators Charles E. Schumer (D-NY), Dean Heller (R-NV) and Mark Kirk (R-IL) today announced that they have reached a crucial bipartisan agreement on legislation that will re-authorize and extend the Terrorism Risk Insurance Act (TRIA) program, which is set to expire at the end of 2014. Created in 2002, the TRIA program is a critical priority for high-risk cities post-9/11. The program provides a federal backstop for insurance coverage against losses from devastating terrorist attacks. This insurance is crucial to spurring new development and protecting existing real estate in high-risk urban areas. TRIA has been reauthorized in 2005 and in 2007. After months of negotiating, Schumer and Heller introduced this reauthorization legislation today, which is cosponsored by Senators Reed, Murphy and Johanns.

“In a post-9-11 New York, Terrorism Risk Insurance has proven to be an absolutely essential partnership between the government and the private sector that has turned rebuilding downtown Manhattan from a question to a certainty,” said Senator Schumer. “But there is still more to be done and this crucial bipartisan plan will reauthorize and extend the Terrorism Risk Insurance Act before it expires at year’s end. Redevelopment and economic growth should be encouraged in New York and other high-risk areas across the country, even in the face of unfathomable terrorist events, and I will work with my colleagues to get TRIA passed this year to preserve this essential tool.”

“In the current economic environment, certainty is a valuable commodity for businesses. TRIA should be extended in order to help Nevada businesses succeed, especially those in the hospitality and tourism industries. By extending the Terrorism Risk Insurance Act, this legislation will ease the concerns of businesses throughout Nevada, especially Las Vegas, about the threat of TRIA expiring,” said Senator Dean Heller.

[JOHANNS]

Key Details of Agreement:

The program, which was set to expire at the end of this year, will be extended for an additional 7 years. It will include two changes to the current program, which were necessary in order to gain Republican support for the seven year plan,that will be phased in over 5 years:

1. **Co-pay**: In the event of a terrorist attack, insurance companies would first be obligated to pay a portion of their premiums (20% of the prior year’s direct earned premium for covered commercial lines) as a deductible. Following that deductible payment, however, the program currently requires that the federal government cover 85% of each company’s losses until the amount of losses totals $100 billion. Each company is obligated to pay the other 15% of losses. In other words, after an insurer’s losses exceed its deductible, it faces a 15% co-pay on all additional terrorism losses~~, and then~~ in conjunction with the federal government’s 85% recoupable co-pay.

* The proposed legislation would increase an insurers’ co-pay from 15 to 20%, with the government still covering 80% of each company’s additional losses. As stated, this increase would be phased in incrementally over five years.

1. **Recoupment**: When aggregate insured losses are less than $27.5 billion, the TRIA program currently imposes mandatory policy surcharges that require recoupment of federal payments made under the program. In other words, recoupment by the federal government is mandatory if the insurance industry’s aggregate uncompensated loss is less than $27.5 billion.  Additionally, under the current program, when aggregate insurer deductibles and co-payments exceed $27.5 billion, TRIA provides the Secretary of the Treasury the authority to recoup federal payments above that amount based on pre-established factors and conditions.
* The proposed legislation would raise the mandatory recoupment threshold to $37.5 billion, so that when the insurance industry’s aggregate uncompensated losses are below $37.5 billion the government will be required to recoup its TRIA payments outlaid to insurers.

After 9/11, it quickly became clear that private insurance companies would not provide coverage for losses related to terrorist attacks because attacks were deemed too unpredictable, and the potential losses too large. The TRIA program, however, has enabled private insurance companies to provide policies in high-risk areas and to high-risk developments such as stadiums, malls, ports and airports.

Now that his bipartisan bill has been introduced, Schumer, Heller and Kirk urged their colleagues to work with them to quickly pass the legislation since policies are starting to be written that extend into 2015. Without certainty about the availability of the TRIA program moving forward, it is unclear whether policies will maintain the same protections as they have had in the past against losses sustained as the result of a terrorist attack.

The program was made necessary after the September 11th attacks when private insurers became reluctant to insure real estate owners for fear of massive losses from terrorist attacks. TRIA has reversed that negative trend by making the federal government the insurer of last resort for catastrophic losses with strong taxpayer protections that provide for recoupment of support paid out by the government. Schumer was one of the original authors of the TRIA legislation in 2002.

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