

HOUSE CONCURRENT RESOLUTION NO. 1019

A CONCURRENT RESOLUTION, Petitioning Congress to reauthorize federally provided terrorism reinsurance for insurers.

WHEREAS, insurance protects the United States economy from the adverse effects of the risks inherent in economic growth and development while also providing the resources necessary to rebuild physical and economic infrastructure, offer indemnification for business disruption, and provide coverage for medical and liability costs from injuries and loss of life in the event of catastrophic losses to persons or property; and

WHEREAS, the terrorist attack of September 11, 2001, produced insured losses larger than any other man-made event in United States history, with claims paid by insurers to their policyholders eventually totaling some \$32.5 billion, making this the second most costly insurance event in United States history; and

WHEREAS, the sheer enormity of the terrorist-induced loss, combined with the possibility of future attacks, produced financial shockwaves that shook insurance markets causing insurers and reinsurers to exclude coverage arising from acts of terrorism from virtually all commercial property and liability policies; and

WHEREAS, the lack of terrorism risk insurance contributed to a paralysis in the economy, especially in construction, tourism, business travel, and real estate finance; and

WHEREAS, the United States Congress originally passed the Terrorism Risk Insurance Act of 2002, Pub. L. 107-297 (TRIA), in which the federal government agreed to provide terrorism reinsurance to insurers and reauthorized this arrangement via the Terrorism Risk Insurance Extension Act of 2005, Pub. L. 109-144, and the Terrorism Risk Insurance Program Reauthorization Act of 2007, Pub. L. 110-160 (TRIPRA); and

WHEREAS, under TRIPRA the federal government provides such reinsurance after industry-wide losses attributable to annual certified terrorism events exceed one hundred million dollars; and

WHEREAS, coverage under TRIPRA is provided to an individual insurer after the insurer has incurred losses related to terrorism equal to twenty percent of the insurer's previous year earned

premium for property-casualty lines; and

WHEREAS, after an individual insurer has reached such a threshold, the insurer pays fifteen percent of residual losses and the federal government pays the remaining eighty-five percent; and

WHEREAS, the Terrorism Risk Insurance Program has an annual cap of one hundred billion dollars of aggregate insured losses, beyond which the federal program does not provide coverage; and

WHEREAS, TRIPRA requires the federal government to recoup one hundred percent of the benefits provided under the program via policy holder surcharges to the extent the aggregate insured losses are less than twenty-seven billion five hundred million dollars and enables the government to recoup expenditures beyond that mandatory recoupment amount; and

WHEREAS, without question, TRIA and its successors are the principal reason for the continued stability in the insurance and reinsurance market for terrorism insurance to the benefit of our overall economy; and

WHEREAS, the presence of a robust private and public partnership has provided stability and predictability and has allowed insurers to actively participate in the market in a meaningful way; and

WHEREAS, without a program such as TRIPRA, many of our citizens who want and need terrorism coverage to operate their businesses all across the nation would be either unable to get insurance or unable to afford the limited coverage that would be available; and

WHEREAS, without federally provided reinsurance, property and casualty insurers will face less availability of terrorism reinsurance and will therefore be severely restricted in their ability to provide sufficient coverage for acts of terrorism to support our economy; and

WHEREAS, unfortunately, despite the hard work and dedication of this nation's counterterrorism agencies and the bravery of the men and women in uniform who fought and continue to fight battles abroad to keep us safe here at home, the threat from terrorist attacks in the United States is both real and substantial and will remain as such for the foreseeable future:

NOW, THEREFORE, BE IT RESOLVED, by the House of Representatives of the Eighty-Ninth Legislature of the State of South Dakota, the Senate concurring therein, that the United States Congress and the President of the United States reauthorize the Terrorism Risk Insurance Program.

Adopted by the House of Representatives,
Concurred in by the Senate,

February 13, 2014
February 19, 2014

Brian Gosch
Speaker of the House

Arlene Kvislen
Chief Clerk of the House

Matt Michels
President of the Senate

Jeannette Schipper
Secretary of the Senate