

ONE HUNDRED THIRD LEGISLATURE

SECOND SESSION

LEGISLATIVE RESOLUTION 440

Introduced by Karpisek, 32.

Read first time February 11, 2014

Committee: Banking, Commerce and Insurance

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 on September 11, 2001, produced insured losses larger than any natural or man-made event in history, with claims paid by insurers to their policyholders eventually totaling approximately \$32.5 billion, making this attack 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 and caused 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 the construction, tourism, business travel, and real estate finance sectors; and

WHEREAS, the United States Congress originally passed the Terrorism Risk Insurance Act of 2002 (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 and the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA); and

WHEREAS, under TRIPRA, the federal government provides such reinsurance after industry-wide losses attributable to annual certified terrorism events exceed \$100 million; and

WHEREAS, coverage under TRIPRA is provided to an individual insurer after the insurer has incurred losses related to terrorism equal to 20% 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 15% of residual losses and the federal government pays the remaining 85%; and

WHEREAS, the Terrorism Risk Insurance Program has an annual cap of \$100 billion of aggregate insured losses beyond which the federal program does not provide coverage; and

WHEREAS, TRIPRA requires the federal government to recoup 100% of the benefits provided under the program through policyholder surcharges to the extent the aggregate insured losses are less than \$27.5 billion and enables the government to recoup expenditures beyond that mandatory recoupment amount; and

WHEREAS, without question, TRIA and its successor acts 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-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 obtain insurance or unable to afford the limited coverage that would be available; and

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

WHEREAS, despite the hard work and dedication of this nation's counterterrorism agencies, and the bravery of the men and women in uniform who 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 so for the foreseeable future.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED THIRD LEGISLATURE OF NEBRASKA, SECOND SESSION:

1. That the Legislature urges the United States Congress to reauthorize federally provided terrorism reinsurance for insurers in order to maintain stability in the insurance and reinsurance markets, to continue to deliver substantive and direct benefits to businesses, workers, and

consumers, and to protect the overall economy in the aftermath of a terrorist attack on the United States.

2. That a copy of this resolution be sent to President Barack Obama, the Speaker and the Clerk of the United States House of Representatives, the President Pro Tempore and the Secretary of the United States Senate, and each member of Nebraska's congressional delegation.