TRIA Reform Act of 2014

Section by Section

Section 1. Short Title.
This bill may be cited as the "TRIA Reform Act of 2014."

Section 2. References.
Clarifies that all amendments contained in this bill refer to the Terrorism Risk Insurance Act of 2002 (15 U.S.C. 6701 note).

Section 3. Extension of Program.
Extends the Terrorism Risk Insurance Program for five years through December 31, 2019.

Section 4. Certification of Acts of Terrorism.
Beginning on January 1, 2015, requires the Treasury Secretary, when deciding whether to certify an "act of terrorism," to consult with the Secretary of Homeland Security and the Attorney General of the United States. Requires the Secretary to issue a preliminary certification within 15 days after an event followed by a final determination within 90 days to certify an event as an act of terrorism. This section also removes the $5 million threshold for certifying acts of terror.

Section 5. Separate Treatment of Conventional Terrorism from NBCR Terrorism.

- ***Bifurcation of the definition of "act of terrorism"***

Beginning on January 1, 2016, for each event certified as an act of terrorism, the Treasury Secretary shall include a determination whether the event does or does not involve Nuclear, Biological, Chemical, or Radiological (NBCR) terrorism.

- ***Federal Share of Insured Losses (Co-Pay)***

Beginning on January 1, 2016, annually reduces the federal share of payments for non-NBCR acts of terrorism to 80 percent of insured losses by 2019. For acts involving NBCR terrorism, the federal share of payments would remain at 85 percent of insured losses.

- ***Program Trigger***

Beginning January 1, 2016, increases the program trigger for non-NBCR acts of terrorism by $100 million per year up to $500 million by January 1, 2019. For acts involving NBCR terrorism, the program trigger would remain at $100 million. For purposes of determining if industry losses have exceeded the trigger, the Treasury Secretary shall not include acts resulting in $50 million or less in insured losses.

Section 6. Availability of Coverage.
Requires the Treasury Secretary to promulgate regulations to allow small insurers to voluntarily opt-out of TRIA's mandatory availability requirement if their state regulator

determines continued participation by such insurer would create a financial hardship or that it would be financially infeasible for the insurer to provide coverage for insured losses.

Section 7. Terrorism Loss Risk-Spreading Premiums Amount.
Beginning on January 1, 2016, increases the amount that the Treasury Secretary is required to collect through terrorism loss risk-spreading premiums from 133 to 150 percent of the federal payments made subject to mandatory recoupment.

Section 8. Increase of Aggregate Retention Amount.
Beginning on January 1, 2016, increases the insurance marketplace aggregate retention amount to equal the sum of insurer deductibles for the preceding program year for all participating insurers. Clarifies that the amount of federal payments subject to mandatory recoupment shall be equal to the lesser of the total of federal payments made or the insurance marketplace aggregate retention amount.

Section 9. Terrorism Loss Risk-Spreading Premium.
Beginning on January 1, 2016, requires the Treasury Secretary when establishing terrorism loss risk-spreading premiums, to begin collecting such premiums within 18 months after the occurrence of the certified act for which they are imposed and, in the case of premiums imposed on a discretionary basis, limits the premium to not less than 3 percent of the annual premiums charged for property and casualty insurance coverage.

Section 10. Risk-Sharing Mechanism.
Asserts that Congress finds it is desirable to encourage the growth of nongovernmental, private market reinsurance capacity for terrorism risks, and requires the Treasury Secretary to establish an Advisory Committee to encourage the creation and development of private market risk-sharing mechanisms.

Section 11. Reporting of Terrorism Insurance Data.
Beginning on January 1, 2016, the Treasury Secretary shall collect the following information: (1) lines of insurance with exposure to terrorism; (2) premiums earned on terrorism risk coverage; (3) the geographical location of risk exposure; (4) the pricing of terrorism risk insurance; (5) the take-up rate of terrorism risk insurance; (6) the amount of private reinsurance for acts of terrorism purchased; and (7) such other data as the Secretary deems appropriate. Requires the Secretary to collect the data in a manner that does not reveal proprietary information of the participating insurers, and to provide the House and Senate Committees of jurisdiction an analysis of such data on an annual basis.

Section 12. Delivery of Notice to Policyholders.
Requires insurers to issue disclosure notices to policyholders only at the time of offer and renewal of the policy rather than at the time of offer, *purchase,* and renewal, as required under current law.

Section 13. Definition of Control.

Clarifies definition of "control" for certain reciprocal insurers where the establishment of an attorney-in-fact relationship could currently be misinterpreted by Treasury and result in misallocated deductible, liability cap, recoupment, and liability.

Section 14. Annual Study of Small Insurer Market Competitiveness.

Requires the Treasury Secretary to conduct an annual study of small insurers participating in the TRIA program to identify any competitive challenges they may face in the terrorism risk insurance marketplace.

Section 15. CBO and OMB Studies Regarding Budgeting for Costs of Federal Insurance Programs.

Requires the Congressional Budget Office (CBO) and the Office of Management and Budget (OMB) to each conduct a study on the application of accrual accounting concepts to budgeting for the costs of TRIA and other federal insurance programs, and report their findings to the House and Senate Committees of jurisdiction.

Section 16. GAO Study on Upfront Premiums and Capital Reserve Fund.

Requires the Government Accountability Office (GAO) to study the viability of the Federal government assessing and collecting upfront premiums from insurers for terrorism reinsurance coverage or requiring insurers to create capital reserve funds for terrorism-related risks. This study would also provide a comparative analysis of the types of systems implemented in other countries that collect or assess premiums or create capital reserve funds.