

United States Senate

October 18, 2018

COMMITTEES:
AGING
ARMED SERVICES
BANKING, HOUSING,
AND URBAN AFFAIRS
FINANCE
HEALTH, EDUCATION, LABOR,
AND PENSIONS
SMALL BUSINESS
AND ENTREPRENEURSHIP

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, NW, Room 7100
Washington, DC 20548

Dear Mr. Dodaro:

The Terrorism Risk Insurance Act (TRIA) is set to expire on December 31, 2020, and its potential reauthorization will be considered by the 116th Congress. The Terrorism Risk Insurance Program first created by TRIA in 2002 was envisioned to be a temporary federal program to provide for a transparent system of shared public and private compensation for certain insured losses resulting from a certified act of terrorism. The program required the private insurance industry to shoulder a significant portion of losses from acts of terrorism, with a federal backstop kicking in only at catastrophic levels. The program was reauthorized in 2005, 2007, and 2015, with changes made over the years to increase the private sector's share of terrorism losses while decreasing taxpayer exposure.

Beginning next year, Congress will once again consider whether to reauthorize the program and if any structural program reforms should be implemented. During previous reauthorization debates, the Government Accountability Office (GAO) has provided helpful data to Congress on the state of the terrorism risk insurance market and the efficacy of TRIA. As Congress prepares to debate a future TRIA reauthorization, I request that the GAO provide answers to the following questions and, as appropriate, make recommendations to the Congress or relevant agencies as to the need to reauthorize the program and/or reform the program:

The Need For TRIA

1. In the absence of TRIA, are insurance companies able to offer terrorism risk coverage for commercial property and casualty policies?
2. To what extent would policy terms, availability, and affordability of terrorism risk insurance change without TRIA? Would any changes affect certain types of insurance (such as workers' compensation) more than others and what are the implications for the insured?
3. What type of locations and industries are in most of need of terrorism risk insurance coverage and how would they be affected by not reauthorizing TRIA?
4. When TRIA expired in 2014, some insurance rating agencies indicated there might be ratings downgrades of insurers. Would insurers suffer ratings downgrades if TRIA were

not reauthorized before year-end 2020? Would the impact be more severe on any particular types of insurers?

Taxpayer Exposure Under TRIA

5. How have the incremental changes to the program triggers from 2015 to 2020 affected taxpayer exposure and how have insurers responded to these changes?
6. How does the current \$100 billion cap in loss sharing affect the availability and affordability of terrorism risk insurance?

Potential Improvements to the Terrorism Risk Insurance Program

7. Is the Department of Treasury's process for certifying acts of terror adequately transparent and predictable? What are the views of insurers and other stakeholders regarding the certification process?
8. Is the process for making claims and cost sharing transparent to insurers? What are the views of insurers and other stakeholders regarding the process for making claims and cost sharing?
9. How do risks insured by captive insurance companies differ from other types of insurers and to what extent could any differences affect captives' participation in TRIA?

TRIA and Nonconventional Terrorism Risks

10. Recent studies have indicated that a top emerging risk in the insurance market is business interruption arising from cyber-attacks. How has the content and volume of coverage for this risk evolved since the last TRIA reauthorization? What are the views of insurers and stakeholders regarding the Treasury Department's guidance on coverage of cyber risks?
11. What effect could the absence of TRIA have on insurers' willingness and ability to provide coverage for nuclear, chemical, biological, and radiological risks?

I look forward to your timely response and thank you for your attention to this matter.

Sincerely,



U.S. Senator Tim Scott
Chairman
Subcommittee on Housing, Transportation, and
Community Development