


**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: December 22, 2014

TO: Honorable Members of the Rules, Elections and Intergovernmental Relations Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No: 14-0002-S104
Assignment No: 14-12-0861

SUBJECT: Resolution (Buscaino - Cedillo) to support S. 2244

CLA RECOMMENDATION: Adopt the Resolution (Buscaino - Cedillo) to include in the City's 2013 - 2014 Federal Legislative Program SUPPORT for S. 2244 (Schumer), the Terrorism Risk Insurance Program Reauthorization Act of 2014.

SUMMARY

On November 12, 2014, a Resolution (Buscaino - Cedillo) was introduced in support of S. 2244 (Schumer) the Terrorism Risk Insurance Program Reauthorization Act of 2014, which would renew vital legislation which has provided a federal backstop for insurance claims related to acts of terrorism. The Resolution states that an act of terror committed against any target in the United States would have a hugely detrimental effect on the U.S. economy, and that terrorism insurance coverage, backstopped by the federal government through the Terrorism Risk Insurance Act of 2002 (TRIA) has provided a vital economic safety net against the effects of terrorism.

The Resolution states that the TRIA is set to expire on December 31, 2014, and that S. 2244 would ensure that this important program is extended until 2021. The Resolution, therefore, seeks an official position of the City of Los Angeles to support S. 2244, the Terrorism Risk Insurance Program Reauthorization Act of 2014, which would renew vital legislation that has provided a federal backstop for insurance claims related to acts of terrorism.

BACKGROUND

S. 2244 (Schumer) would reauthorize the Terrorism Risk Insurance Act (TRIA) of 2002, which was enacted to stabilize the cost of terrorism insurance. Prior to the terror attacks of September 11, 2001, commercial insurance policies often covered losses due to terrorism at no extra fee to policyholders. However, after the attack, insurance companies pulled back from terrorism insurance, as they had paid out over \$35 billion in claims as a result of the 9/11 attacks. This left many businesses and buildings without terrorism coverage, which was seen as a significant threat to the economy if another attack occurred. In order to rectify this, the federal government passed TRIA, a backstop that would, under certain circumstances, provide financial support to insurance companies after a terror attack. TRIA also nullified all exclusions for terrorism from commercial insurance policies, as a condition of being eligible for TRIA funds. This legislation, originally enacted in 2002 and extended in 2005 and 2007, is set to expire on December 31, 2014.

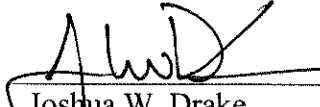
Without this legislation, private insurance companies would likely cease offering terrorism insurance, or be forced to significantly raise the cost of terrorism insurance plans. This would be

especially significant for policy holders in areas that are considered more at risk of being targeted by terrorists, such as larger cities. The bill would extend the legislation until 2021, and raise the federal coverage trigger from \$100 million to \$200 million. The legislation also includes an unrelated measure to create a National Association of Registered Agents and Brokers to streamline the payment of state brokerage licensing fees.

This legislation was passed by the Senate with amendments, and passed by the House with additional amendments. However, outgoing Senator Colburn (R-Oklahoma) has raised objections about the creation of the National Association of Registered Agents and Brokers, and has blocked its final passage of the House version in the Senate.

BILL STATUS

04/10/2014	Referred to the Senate Committee on Banking, Housing, and Urban Affairs
07/17/2014	Passed in Senate with amendments (93-4); received in the House of Representatives
12/10/2014	Passed by the House (417-7)
12/11/2014	Message on House action received in Senate and at desk; House amendments to Senate bill


Joshua W. Drake
Analyst

SMT:MF:jwd

Attachment: Resolution (Buscaino - Cedillo)

114-0002-5104
Risk 07-0002-5223

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, an act of terror committed against any target in the United States would have a hugely detrimental effect on the economy; and

WHEREAS, terrorism insurance coverage, backstopped by the federal government through the Terrorism Risk Insurance Act of 2002 (TRIA), has provided a vital economic safety net against the effects of terrorism; and

WHEREAS, without the protections provided through the TRIA, insurance companies are reluctant to offer insurance against acts of terrorism, which could have a negative effect on states and private investors who finance and insure large infrastructure projects; and

WHEREAS, the TRIA has been an important piece of legislation, and has stabilized the cost of terrorism insurance, which provides coverage for all acts of terrorism, including nuclear, chemical, biological and radiological attacks; and

WHEREAS, the TRIA, which was originally approved by Congress in 2002 and renewed in 2005 and again in 2007, is set to expire on December 31, 2014; and

WHEREAS, S. 2244 (Schumer), the Terrorism Risk Insurance Program Reauthorization Act of 2014, would renew this legislation until 2021; and

WHEREAS, the passage of S. 2244 would ensure that this vital program would continue on until the next decade;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2013 - 2014 Federal Legislative Program SUPPORT of S. 2244 (Schumer), the Terrorism Risk Insurance Program Reauthorization Act of 2014, which would renew vital legislation that has provided a federal backstop for insurance claims related to acts of terror.

PRESENTED BY Joe Buscaino
JOE BUSCAINO
Councilmember, 15th District

[Signature]
NOV 12 2014

SECONDED BY Gil Cedillo

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