STATE OF MICHIGAN
RICK SNYDER
GOVERNOR

DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
LANSING

ANNETTE E. FLOOD
DIRECTOR

January 7, 2015

The Honorable Debbie Dingell
United States Congress
116 Cannon House Office Building
Washington, D.C. 20515

Re: TERRORISM RISK INSURANCE ACT REAUTHORIZATION

Dear Congressman Dingell:

The Terrorism Risk Insurance Act (TRIA) expired on December 31, 2014. As Director of the Michigan Department of Insurance and Financial Services, I urge you to make the reauthorization of TRIA one of the first orders of business for the 114th Congress. TRIA provides a backstop, in the form of reinsurance, for insurance companies that offer terrorism coverage to private businesses. In doing so, TRIA ensures that these companies will continue to offer terrorism coverage at affordable rates for businesses in Michigan and elsewhere in this country.

As you might know, the border crossing in Detroit is the busiest U.S.-Canadian border crossing in the country. Trading with Canada supports 7 million U.S. jobs and over half of this trade crosses the border in the Detroit area. This is no doubt one of the reasons that Detroit has been designated a "high-threat, high-density" city by the federal government. This designation is indicative of the high exposure to risk that an insurance company faces when it writes terrorism coverage for businesses located in these areas. Less populated areas can also be potential targets, especially when they host large events like the National Cherry Festival in Traverse City. As such, businesses in both rural and urban Michigan rely on TRIA to allow them to continue to obtain terrorism insurance coverage at affordable prices.

TRIA has cost taxpayers virtually nothing and requires insurers to absorb most conceivable terrorism losses. This fiscally responsible program protects America's economic vitality both before and after a terrorist attack.

TRIA is particularly critical to small and medium-sized insurers in Michigan that are required to cover losses resulting from a terrorist attack. Almost 98 percent of all business insurers that write terrorism coverage in the U.S. are small or medium-sized companies and account for nearly half of all premiums written for TRIA covered lines of insurance. Without the reinsurance that TRIA provides, the solvency of these smaller insurance companies could be jeopardized by a significant loss resulting from a terrorist attack.

These solvency concerns led many companies that are not otherwise required to offer terrorism coverage to write "pop up" exclusions into their policies, excluding this coverage should TRIA expire. Companies that did not write in these exclusions are now reassessing their risks in an effort to decide whether to continue to provide this coverage and, if so, for how long and at what price.

Should Congress fail to reauthorize TRIA, I am concerned that some insurers may be exposed to risks that could threaten their financial solvency. I am also deeply concerned that a failure to reauthorize TRIA will greatly reduce the availability of this coverage. This lack of coverage could have a severe negative impact on commerce in our state, causing businesses to delay or cancel any activities that might increase their exposure to loss from a terrorist attack—such as hosting large events or undertaking sizable capacity enhancement projects.

Therefore, I urge you to make the reauthorization of TRIA a top priority for the 114th Congress. If I can answer any questions or provide you with additional information, please do not hesitate to contact me. Thank you in advance for your attention to this important matter.

Sincerely,

Annette E. Flood
Director

cc: Governor Rick Snyder