

PROVIDING FOR THE CONSIDERATION OF THE SENATE AMENDMENT TO
THE BILL (H.R. 2761) TO EXTEND THE TERRORISM INSURANCE PROGRAM
OF THE DEPARTMENT OF THE TREASURY, AND FOR OTHER PURPOSES

DECEMBER 6, 2007.—Referred to the House Calendar and ordered to be printed

Mr. ARCURI, from the Committee on Rules,
submitted the following

R E P O R T

[To accompany H. Res. 849]

The Committee on Rules, having had under consideration House Resolution 849, by a non-record vote, report the same to the House with the recommendation that the resolution be adopted.

SUMMARY OF PROVISIONS OF THE RESOLUTION

The resolution provides for the consideration of the Senate amendment to H.R. 2761, the Terrorism Risk Insurance Revision and Extension Act of 2007. The resolution makes in order a motion by the Chairman of the Committee on Financial Services to concur in the Senate amendment with the House amendment printed in this report. The resolution waives all points of order against the motion except clause 10 of rule XXI. The resolution provides that the Senate amendment and the motion shall be considered as read. The resolution provides one hour of debate on the motion equally divided and controlled by the chairman and ranking minority member of the Committee on Financial Services. The resolution further provides that the Chair may postpone further consideration of the motion to a time designated by the Speaker.

EXPLANATION OF WAIVERS

Although the rule waives all points of order against consideration of the motion (except for clause 10 of rule XXI) the Committee is not aware of any points of order against the motion. The waiver of all points of order against the motion is prophylactic in nature.

SUMMARY OF THE HOUSE AMENDMENT TO THE SENATE AMENDMENT
TO H.R. 2761

The amendment incorporates the entirety of the Senate amendment to H.R. 2761, and adds certain provisions from the original House-passed H.R. 2761.

The amendment adds group life to TRIA's covered lines, and creates a separate \$5 billion recoupment pool for group life. Property and casualty insurance would retain its separate \$27.5 billion recoupment pool. The amendment also caps the level of Federal exposure at \$1 million per certificate holder under any group life insurance policy.

The amendment provides that for an act of terrorism resulting in aggregate industry insured losses exceeding \$1 billion, the deductible that would apply to insurers affected by that particular \$1 billion or greater act of terrorism decreases to the following percentage: 5% if such act occurs in 2008, 5.5% if such act occurs in 2009, and increasing by 50 basis points each additional Program Year. However, such percentage will reset to 5% in the Program Year following a \$1 billion or greater act of terrorism, and start increasing again by 50 basis points each subsequent additional Program Year. The Secretary may combine multiple acts of terrorism in the same Program Year in the same geographic area for determining whether the \$1 billion threshold has been exceeded. In addition, the trigger will decrease to \$5 million if a certified act of terrorism occurs for which resulting aggregate industry insured losses exceed \$1 billion.

Also, the amendment adds other provisions including lowering the trigger from \$100 million to \$50 million generally, and clarifies that the provisions of the bill will apply beginning on January 1, 2008.

TEXT OF THE HOUSE AMENDMENT TO THE SENATE AMENDMENT TO
H.R. 2761

At the end of the matter proposed to be inserted by the amendment of the Senate, insert the following:

SEC. 6. COVERAGE OF GROUP LIFE INSURANCE.

(a) FINDINGS AND PURPOSE.—Section 101 of the Terrorism Risk Insurance Act of 2002 (15 U.S.C. 6701 note) is amended—

(1) in subsection (a)—

(A) in paragraph (5), by striking “and” at the end;

(B) by redesignating paragraph (6) as paragraph (8); and

(C) by inserting after paragraph (5) the following new paragraphs:

“(6) group life insurance companies are important financial institutions whose products make life insurance coverage affordable for millions of Americans and often serve as their only life insurance benefit;

“(7) the group life insurance industry, in the event of a severe act of terrorism, is vulnerable to insolvency because high concentrations of covered employees work in the same locations, because primary group life insurers do not exclude terrorism risks while most catastrophic reinsurance does exclude such risks, and because a large-scale loss of life would fall outside of actuarial expectations of death; and”;

(2) in subsection (b)(1), by inserting “and group life insurance” after “property and casualty insurance”.

(b) DEFINITIONS.—Section 102 of the Terrorism Risk Insurance Act of 2002 (15 U.S.C. 6701 note), as amended by the preceding provisions of this Act, is further amended—

(1) in paragraph (1)(B)(ii), by inserting “and group life insurance” before “losses”;

(2) in paragraph (5), in the matter preceding subparagraph (A)—

(A) by inserting “, or group life insurance to the extent of the amount at risk,” after “property and casualty insurance”;

(B) by inserting a comma after “insurer”; and

(C) by adding after and below subparagraph (B) the following:

“Such term shall not include any losses of an insurer resulting from coverage of any single certificate holder under any group life insurance coverages of the insurer to the extent such losses are not compensated under the Program by reason of section 103(e)(1)(D).”;

(3) in paragraph (6)—

(A) in subparagraph (A)(i), by inserting “, or group life insurance,” after “excess insurance”; and

(B) in subparagraph (B), by inserting “or, in the case of group life insurance, that receives direct premiums,” after “insurance coverage.”;

(4) in paragraph (7)—

(A) in subparagraph (F)—

(i) by striking the first comma and inserting “(i) with respect to property and casualty insurance,”; and

(ii) by inserting before the semicolon the following: “(ii) with respect to group life insurance, the value of an insurer’s amount at risk for a covered line of insurance over the calendar year immediately preceding such Program Year, multiplied by 0.0351 percent”;

(B) in subparagraph (G)—

(i) by inserting “with respect to property and casualty insurance, and such portion of the amounts at risk with respect to group life insurance,” after “such portion of the direct earned premiums”; and

(ii) by inserting “and amounts at risk” after “such direct earned premiums”;

(5) by redesignating paragraph (16) as paragraph (18); and

(6) by inserting after paragraph (15) the following new paragraphs:

“(16) GROUP LIFE INSURANCE.—The term ‘group life insurance’ means an insurance contract that provides life insurance coverage, including term life insurance coverage, universal life insurance coverage, variable universal life insurance coverage, and accidental death coverage, or a combination thereof, for a number of individuals under a single contract, on the basis of a group selection of risks, but does not include ‘Corporate Owned Life Insurance’ or ‘Business Owned Life Insurance,’ each as defined under the Internal Revenue Code of 1986, or any similar product, or group life reinsurance or retrocessional reinsurance.

“(17) AMOUNT AT RISK.—The term ‘amount at risk’ means face amount less statutory policy reserves for group life insurance issued by any insurer for insurance against losses occur-

ring at the locations described in subparagraph (A) of paragraph (5).”.

(c) MANDATORY AVAILABILITY.—Section 103(c) of the Terrorism Risk Insurance Act of 2002 (15 U.S.C. 6701 note) is amended by striking “During each Program Year” and all that follows through “property and casualty insurance” in paragraph (2) and inserting the following:

“(1) AVAILABILITY OF COVERAGE FOR INSURED LOSSES.—During each Program Year, each entity that meets the definition of an insurer under section 102 shall make available, in all of its insurance policies for property and casualty insurance and in all of its insurance policies for group life insurance,”.

(d) FEDERAL SHARE OF COMPENSATION.—Section 103(e)(1) of the Terrorism Risk Insurance Act of 2002 (15 U.S.C. 6701 note) is amended by adding at the end the following new subparagraph:

“(D) LIMITATION ON COMPENSATION FOR GROUP LIFE INSURANCE.—Notwithstanding any other provision of this Act, the Federal share of compensation under the Program paid by the Secretary for insured losses of an insurer resulting from coverage of any single certificate holder under any group life insurance coverages of the insurer may not during any Program Year exceed \$1,000,000.”.

(e) SEPARATE RETENTION POOL.—Section 103(e)(6)(E) of the Terrorism Risk Insurance Act of 2002 (15 U.S.C. 6701 note) is amended by striking clauses (i) and (ii) and inserting the following new clauses:

“(i) for property and casualty insurance, the lesser of—

“(I) \$27,500,000,000; and

“(II) the aggregate amount, for all such insurance, of insured losses during such Program Year; and

“(ii) for group life insurance, the lesser of—

“(I) \$5,000,000,000; and

“(II) the aggregate amount, for all such insurance, of insured losses during such Program Year.”.

(f) SEPARATE RECOUPMENT.—Section 103(e)(7) of the Terrorism Risk Insurance Act of 2002 (15 U.S.C. 6701 note), as amended by the preceding provisions of this Act, is further amended—

(1) in subparagraph (A)—

(A) in clause (i), by inserting “applicable” before “insurance”; and

(B) in clause (ii), by striking “all insurers” and inserting “all applicable insurers (pursuant to subparagraph (G))”;

(2) in subparagraph (B)—

(A) in the heading, by inserting “APPLICABLE” before “INSURANCE”; and

(B) by inserting “applicable” before “insurance”; and

(3) by adding at the end the following new subparagraph:

“(G) SEPARATE RECOUPMENT.—“The Secretary shall provide that—

“(i) any recoupment under this paragraph of amounts paid for Federal financial assistance for insured losses for property and casualty insurance shall

be applied to property and casualty insurance policies; and

“(ii) any recoupment under this paragraph of amounts paid for Federal financial assistance for insured losses for group life insurance shall be applied to group life insurance policies.”.

(g) **POLICY SURCHARGE FOR TERRORISM LOSS RISK-SPREADING PREMIUMS.**—Section 103(e)(8) of the Terrorism Risk Insurance Act of 2002 (15 U.S.C. 6701 note) is amended—

(1) in subparagraph (A)—

(A) in the matter preceding clause (i), by striking “Any” and inserting “Subject to paragraph (7)(G), any”;

(B) in clause (i), by inserting “and group life insurance policies” after “policies”; and

(C) by striking clause (iii) and inserting the following new clause:

“(iii) be based on—

“(I) a percentage of the premium amount charged for property and casualty insurance coverage under the policy; and

“(II) a percentage of the amount at risk for group life insurance coverage under the policy.”; and

(2) in subparagraph (C)—

(A) by inserting “with respect to property and casualty insurance,” after “annual basis,”; and

(B) by inserting before the period at the end the following: “and, with respect to group life insurance, the amount equal to 0.0053 percent of the amount at risk for covered lines under the policy”.

SEC. 7. LARGE EVENT RESET.

The Terrorism Risk Insurance Act of 2002 (15 U.S.C. 6701 note) is amended—

(1) in section 102(7)—

(A) in subparagraph (F), by striking “and” at the end;

(B) in subparagraph (G), by striking the period at the end and inserting “; and”; and

(C) by adding at the end the following new subparagraph:

“(H) notwithstanding subparagraph (F)(i), if aggregate industry insured losses resulting from a certified act of terrorism exceed \$1,000,000,000, for any insurer that sustains insured losses resulting from such act of terrorism, the value of such insurer’s direct earned premiums over the calendar year immediately preceding the Program Year, multiplied by a percentage, which—

“(i) for the Program Year consisting of calendar year 2008 shall be 5 percent; and

“(ii) for each Program Year thereafter, shall be 50 basis points greater than the percentage applicable to the preceding Program Year, except that if an act of terrorism occurs during any such Program Year that results in aggregate industry insured losses exceeding \$1,000,000,000, the percentage for the succeeding Pro-

gram Year shall be 5 percent and the increase under this clause shall apply to Program Years thereafter; except that for purposes of determining under this subparagraph whether aggregate industry insured losses exceed \$1,000,000,000, the Secretary may combine insured losses resulting from two or more certified acts of terrorism occurring during such Program Year in the same geographic area (with such area determined by the Secretary), in which case such insurer shall be permitted to combine insured losses resulting from such acts of terrorism for purposes of satisfying its insurer deductible under this subparagraph; and except that the insurer deductible under this subparagraph shall apply only with respect to compensation of insured losses resulting from such certified act, or combined certified acts, and that for purposes of compensation of any other insured losses occurring in the same Program Year, the insurer deductible determined under subparagraph (F)(i) shall apply.”; and

(2) in section 103(e)(1)(B)—

(A) in clause (ii), by striking the period at the end and inserting a semicolon; and

(B) by adding after and below clause (ii) the following: “except that if a certified act of terrorism occurs for which resulting aggregate industry insured losses exceed \$1,000,000,000, the applicable amount for any subsequent certified act of terrorism shall be the amount specified in section 102(1)(B)(ii).”.

SEC. 8. AVAILABILITY OF LIFE INSURANCE WITHOUT REGARD TO LAWFUL FOREIGN TRAVEL.

Section 103(c) of the Terrorism Risk Insurance Act of 2002 (15 U.S.C. 6701 note), as amended by the preceding provisions of this Act, is further amended by adding at the end the following new paragraph:

“(2) AVAILABILITY OF LIFE INSURANCE WITHOUT REGARD TO LAWFUL FOREIGN TRAVEL.—During each Program Year, each entity that meets the definition of an insurer under section 102 and any other entity that issues insurance contracts that provide life insurance coverage shall make available, in all of its life insurance policies issued after the date of the enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2007 under which the insured person is a citizen of the United States or an alien lawfully admitted for permanent residence in the United States, coverage that neither considers past, nor precludes future, lawful foreign travel by the person insured, and shall not decline such coverage based on past or future, lawful foreign travel by the person insured or charge a premium for such coverage that is excessive and not based on a good faith actuarial analysis, except that an insurer may decline or, upon inception or renewal of a policy, limit the amount of coverage provided under any life insurance policy based on plans to engage in future lawful foreign travel to occur within 12 months of such inception or renewal of the policy but only if, at time of application—

“(A) such declination is based on, or such limitation applies only with respect to, travel to a foreign destination—

“(i) for which the Director of the Centers for Disease Control and Prevention of the Department of Health and Human Services has issued a highest level alert or warning, including a recommendation against non-essential travel, due to a serious health-related condition;

“(ii) in which there is an ongoing military conflict involving the armed forces of a sovereign nation other than the foreign destination to which the insured person is traveling; or

“(iii)(I) that the insurer has specifically designated in the terms of the life insurance policy at the inception of the policy or at renewal, as applicable; and

“(II) with respect to which the insurer has made a good-faith determination that—

“(aa) a serious fraudulent situation exists which is ongoing; and

“(bb) the credibility of information by which the insurer can verify the death of the insured person is substantially compromised; and

“(B) in the case of any limitation of coverage, such limitation is specifically stated in the terms of the life insurance policy at the inception of the policy or at renewal, as applicable.”.

SEC. 9. PROGRAM TRIGGER.

Section 103(e)(1)(B)(ii) of the Terrorism Risk Insurance Act of 2002 (15 U.S.C. 6701 note) is amended by striking “\$100,000,000” and inserting “\$50,000,000”.

SEC. 10. APPLICABILITY.

The amendments made by this Act shall apply beginning on January 1, 2008. The provisions of the Terrorism Risk Insurance Act of 2002, as in effect on the day before the date of the enactment of this Act, shall apply through the end of December 31, 2007.