December 9, 2019

CBO Estimate of the Statutory Pay-As-You-Go Effects of S. 2877, the Terrorism Risk Insurance Program Reauthorization Act of 2019, as Reported by the Senate Committee on Banking, Housing, and Urban Affairs on December 3, 2019

	By Fiscal Year, Millions of Dollars											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2024	2020-2029
	Net Increase or Decrease (-) in the Deficit											
Pay-As-You-Go Effect	0	160	120	-120	-490	390	250	20	-570	-1,010	-330	-1,250
Memorandum:[a]												
Changes in Outlays	0	160	350	470	550	610	660	700	540	320	1,530	4,360
Changes in Revenues	0	0	230	590	1,040	220	410	680	1,110	1,330	1,860	5,610

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those procedures are shown here.

S. 2877 would extend the Terrorism Risk Insurance Program for seven years through the end of calendar year 2027. That program requires the Treasury to provide financial assistance to property and casualty insurance companies that receive claims from commercial policyholders affected by a qualifying terrorist attack. Outlays reflect CBO's estimate of the annual expected value of federal payments to insurance companies; revenues reflect an assessment placed on all property and casualty insurance companies equal to 140 percent of the expected federal costs that are less than a statutorily specified amount. Under S. 2877, all of those assessments must be collected by the Treasury by the end of fiscal year 2029. CBO anticipates that the Treasury would pay a substantial amount of insurance claims after the end of fiscal year 2029 because the value of such claims are typically disputed for many years following a catastrophic loss.

By extending requirements contained in the Terrorism Risk Insurance Act, S. 2877 would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would require public and private entities to offer terrorism insurance, to collect and report information to the federal government, and to collect surcharges from policyholders. The bill also would preempt some state laws that regulate insurance. CBO estimates that the aggregate cost for the intergovernmental mandates would exceed the threshold established in UMRA ($82 million in 2019, adjusted annually for inflation) in at least one of the first five years the mandates are in effect. The cost of the private-sector mandates would exceed the threshold established in UMRA in each of the first five years the mandates are in effect ($164 million in 2019, adjusted annually for inflation).

a. Positive numbers represent increases in outlays and revenues. The deficit effect is calculated by subtracting revenues from outlays.

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