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Issue Paper

Terrorism Risk Insurance

August 2014

PIA:

- **Supports a long-term, straight-forward extension of the Terrorism Risk Insurance Program Reauthorization Act.**
- **Supports a Terrorism Risk Insurance Program that provides economic certainty and fills a private market void.**
- **Supports a Terrorism Risk Insurance Program that allows for wide industry participation.**

Shortly after the events of September 11, 2001, the property/casualty sector of the insurance industry determined that it could not sustain an additional terrorist attack without serious financial consequences befalling consumers and the nation's economy. As a result, the Terrorism Risk Insurance Act (TRIA), or PL 107-297, was written and signed into law in 2002. This law resulted in the creation of the Terrorism Risk Insurance Program (TRIP).

Due to the catastrophic nature of a terrorist attack, many insurers exclude terrorism coverage from their policies. The high level of exposure, particularly for certain geographic areas, has created an increased need for such insurance. However, the private market has been unable to offer sufficient options for a variety of reasons, including no loss-data to price policies and a total unpredictability of risk due to no thorough loss history detailing methods, severity or consistent reasoning.

The Terrorism Risk Insurance Program reduces those concerns by offering a feasible solution through what has been a successful public/private partnership. In a day and age that the threat of a terrorist attack is ongoing, it is critical that Congress reauthorizes this program.

One of the reasons that the program has been so successful is due to wide industry participation. As Congress moves forward on reauthorizing the program, it is important to keep the program at a point where all companies, small and large, have an opportunity to participate. An increase to cost thresholds, including higher deductibles or a higher share of losses over the deductible, could price this program out of the hands of many insurers, which PIA cautions against.

PIA lauds the Senate's passage of S.2244, the Terrorism Risk Insurance Program Reauthorization Act and encourages the House to bring their TRIA bill, HR.4871, to the floor as soon as possible or vote on the Senate bill. The Terrorism Risk Insurance Program fills a large void in the market and provides a level of certainty in an uncertain time. It is critical that Congress extend TRIA well before its current expiration of December 31, 2014, to provide stability to consumers and the market.

For additional information on this issue, please contact PIA's federal affairs department or visit <http://www.pianet.com/issues-of-focus/tria>.

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