



**INSURANCE  
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# The Terrorism Risk Insurance Authorization (TRIA) Program

NCOIL Annual Meeting, Austin, TX  
December 12, 2019

James Lynch, FCAS MAAA, Chief Actuary

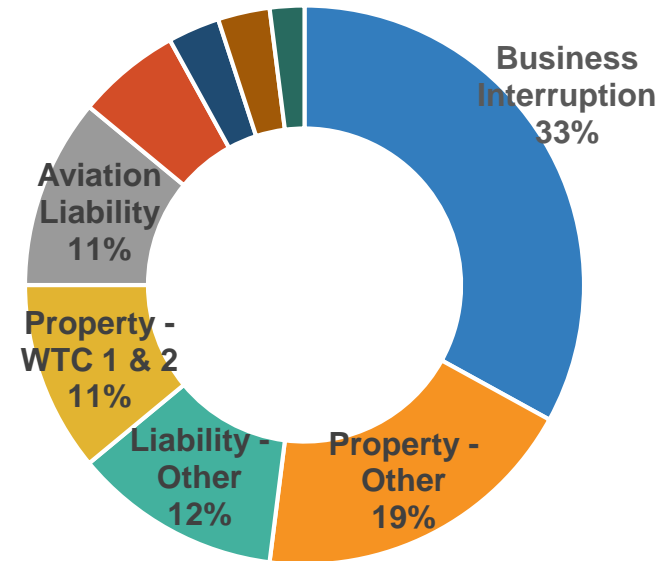
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# 9/11 leads to the passage of TRIA

Insured Losses: About \$47 Billion\*



## 9/11 Losses by Line



\* I.I.I. estimate in 2019 dollars

# Post 9/11: Insurance Markets Freeze

## The World Without TRIA

From I.I.I.'s news archives



*Insurance rates are rising sharply across the U.S.*

By Joseph Treaster

*The New York Times*, October 25, 2001

The cost of insurance for large corporations as well as small businesses, factories, farms, homeowners and drivers has been rising rapidly since the September 11 terrorist attacks. **As the demand for insurance increases, insurers are increasing the rates for a wide range of products sold throughout the nation.** Tim Caesar, a commercial insurance broker in Santa Barbara, California, explained that the insurance industry is facing enormous liabilities as a result of the attacks and has to raise prices for coverage throughout the nation.

**After 9/11, Reinsurers Stopped Covering Terrorism; Insurers Curtailed Coverage Where They Could**

# Why terrorism is hard to underwrite



Terrorism risk poses unique difficulties for insurers and other insurance service providers.

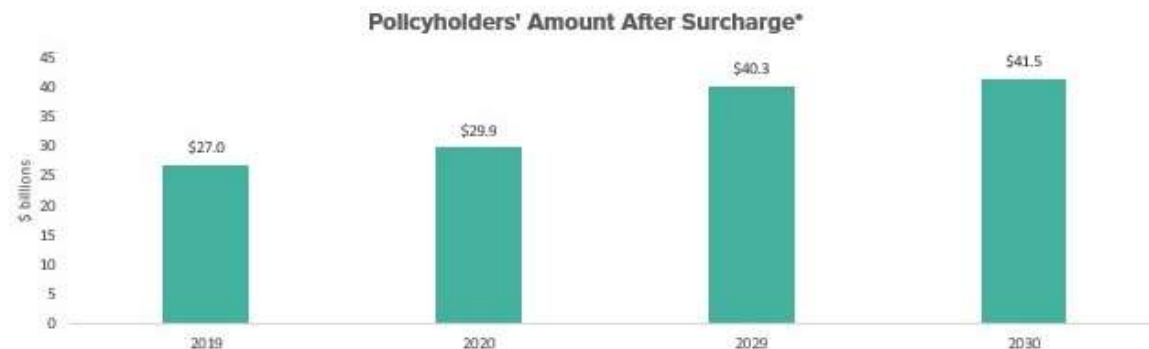
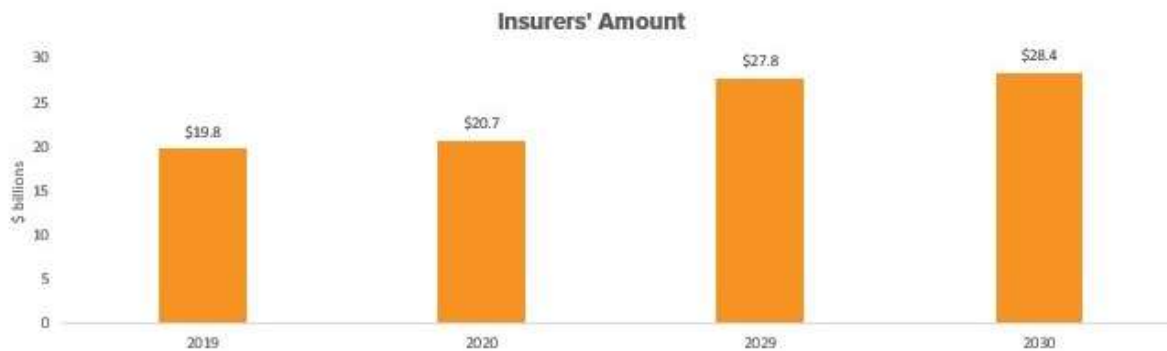
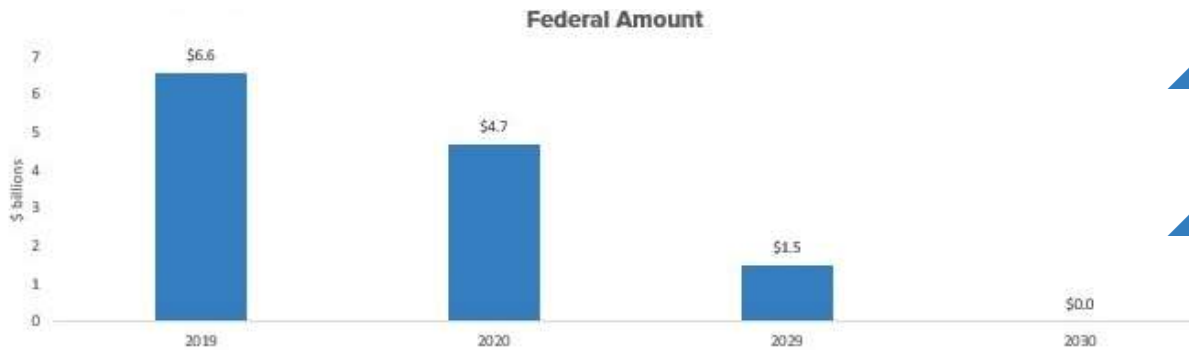
- ▲ Historical loss data is scarce
- ▲ Acts of terrorism are not random
- ▲ There are many “attack modes”
- ▲ Attacks are often geographically concentrated

# How TRIA Works in One Slide



- ▲ Mandatory Offer of Coverage in Most Commercial Lines
- ▲ For Events > \$200 Million in 2020
  - ◆ Each Insurer Can Recover from Government 80% of Loss in Excess of A Deductible
  - ◆ Government Must Recover 100% of Its Outlay from Policyholders

# If 9/11 Losses Were Covered by TRIA



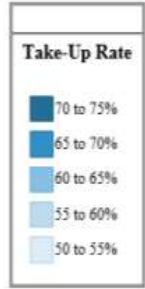
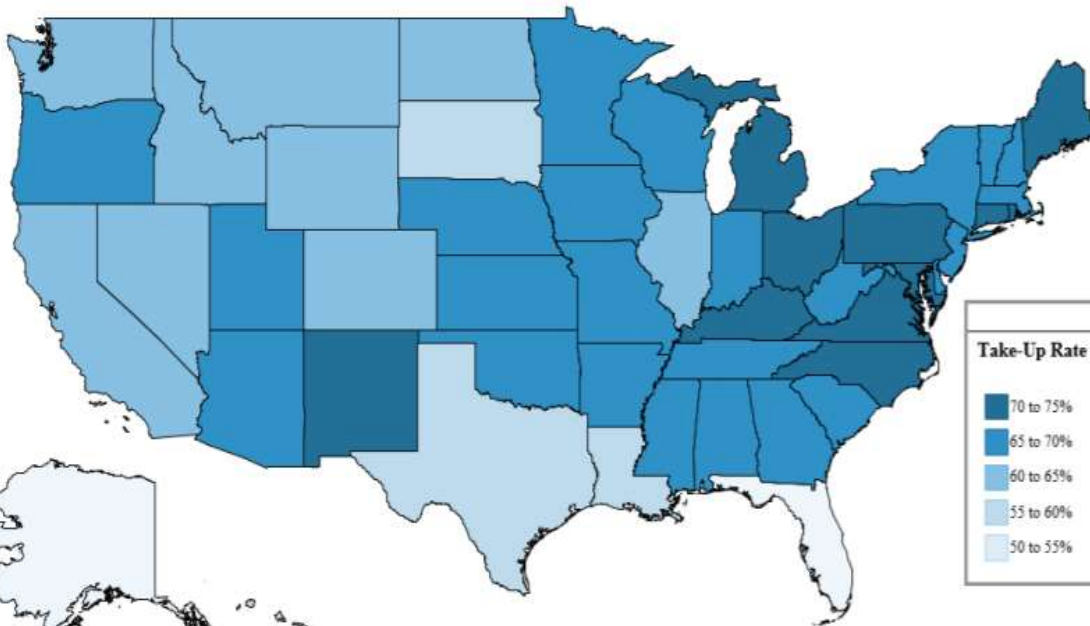
- ▲ Law Has Changed Over Time
- ▲ Federal Outlay Has Shrunk
- ▲ Insurers Net Cost Has Increased
- ▲ Policyholder Surcharge Has Increased



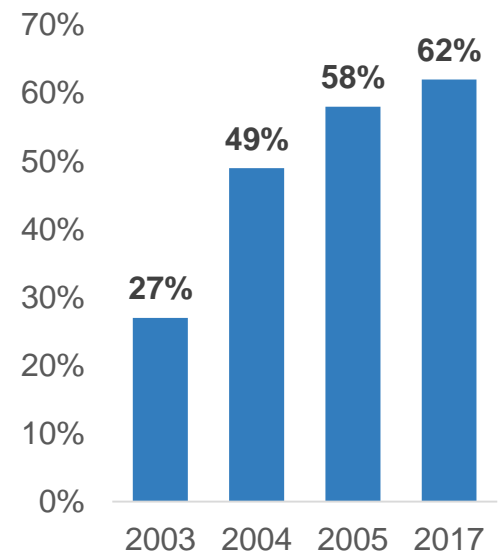
Source: Reinsurance Association of America  
\*Mandatory surcharge on all policies covered by TRIA

# Has TRIA Met Its Goals?

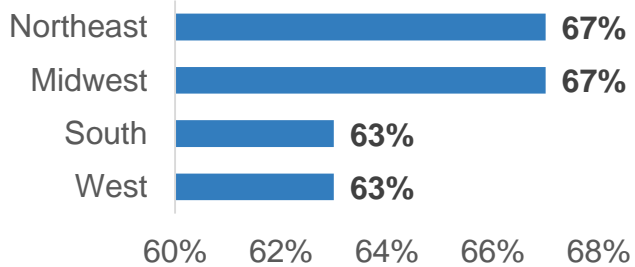
Since 2003:  
Cost of Risk  
Down > 80%



## Take-up Rates



## By Region



Source: Federal Insurance Office. State, regional data from FIO. Time series from Aon.

# Is Backstop Still Necessary?

## 2015 – Two Weeks Without TRIA

From I.I.I.'s news archives

### *Don't sweat the Super Bowl...but everything else?*

By Allen Wastler

CNBC.com, December 15, 2014

Many industries are expressing concerns about Congress possibly missing the deadline for renewing the Terrorism Risk Insurance Act (TRIA), a law that was enacted after the 9/11 attacks that requires the government to share the cost of future attacks with insurers. Supporters of the renewal contend that without TRIA, affordable coverage for major events, such as the Super Bowl, and buildings and construction projects will not be available. If TRIA is not renewed, insurers are likely to invoke exclusions in existing policies that disallow claims for terrorism, and banks are likely to deny credit for the projects that require such insurance as part of a loan agreement. Although *Businessweek*, in its report on the impending deadline for the renewal of TRIA, suggested that the Super Bowl could be canceled if Congress does not approve an extension before the deadline, the NFL reports that the Super Bowl will be played.





# The Drive to Renew

## Why now?

- ▲ Reinsurance Treaties
- ▲ 2020 Insurance Policies (Especially Workers Compensation)
- ▲ Possible Rate Pressures: 30%-40%?

## Provisional Plans

- ▲ Conditional endorsements
- ▲ Reinsurance treaties



# Pending Legislation



- November 19: House Passes Reauthorization
- November 20: Identical Legislation, Senate Committee on Banking, Housing, and Urban Affairs
- Bipartisan Support, Major (Re)insurance Initiative
- No Substantive Congressional Opposition
- Passage by Early Next Year Likely



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Thank you for your time  
and your attention!

Triple-I White Paper – [A World Without TRIA: Incalculable Risk](#)  
Blog Post – [How TRIA Would Handle 9/11 Today](#)