



## Terrorism Risk Insurance Program

### Overview

Casualty Actuarial Society  
"In Focus: Government in Insurance"  
October 4-5, 2010

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Senior Analyst  
US Treasury Department

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## Terrorism Risk Insurance Program

### History

#### Terrorism Risk Insurance Act ("TRIA")

- Enacted and signed into law November 2002  
Created Terrorism Risk Insurance Program ("TRIP")
- Extended in 2005
- Reauthorized 2007 until EOY 2014

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## Terrorism Risk Insurance Program

### Purpose

- Address Insurance Market Disruptions
- Ensure Availability and Affordability of Commercial P&C Terrorism Coverage
- Provide Transition Period
- Strengthen Overall Economy

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## Terrorism Risk Insurance Program

### Office

- Part of Domestic Finance Office in Treasury Department
- Headquartered in Washington, DC
- Small Staff
  - 4 Professionals with over 130 cumulative years of Insurance Experience
  - 2 Administrative Personnel
- Outsourced: Claims, System and Audit Functions

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## Terrorism Risk Insurance Program

### Functions

Stand-by Reinsurance Mechanism which:

- Pays “federal share” of incurred losses resulting from certified terrorist event
- Assures insurer compliance with TRIA
- Timely Assesses and report potential losses
- Oversees implementation and collection of “recoupment fees”
- Communicates with insurance industry stake holders

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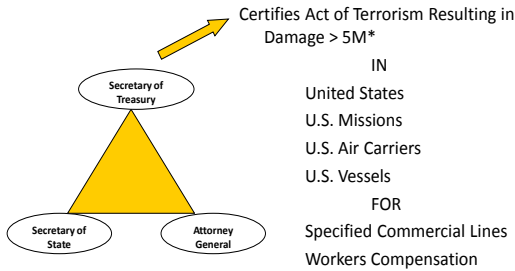
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## Terrorism Risk Insurance Program

### Trigger



\*Program Trigger \$100M

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### Terrorism Risk Insurance Program

- All Acts of Terrorism Covered
- Insurer Deductible 20%
- Insurer “Co Pay” 15%
- \$100B “HARD” Cap on losses

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### TERRORISM RISK INSURANCE PROGRAM

#### Coverage Excluded

- Medical Malpractice
- Reinsurance
- Life & Health
- Crop Peril
- Financial Guaranty Liability
- Flood
- Commercial Auto
- Burglary & Theft
- Surety
- Farm Owners Multi Peril
- Professional Liability

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### TERRORISM RISK INSURANCE PROGRAM

#### Exclusions

- Nuclear
- Biological
- Chemical
- Radiological
- Punitive Damages

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## **Terrorism Risk Insurance Program**

### **Insurer Obligations**

- **Make Terrorism Coverage Available**
- **Respond to Data Calls**
- **Accurately and Completely Adjust and Report Claims**
- **Collect Recoupments**

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## **Terrorism Risk Insurance Program**

### **TRIA Impact**

- **Terrorism Impact on availability has been minimized**
- **“Take-up” rate is increasing from 25% of businesses at the inception of the program to 61% in 2009\***
- **Premiums have decreased from \$37 per M in 2008 to \$25 per M in 2009\***
- **Some Reinsurers Reentering Market**

\*The Marsh Report Terrorism Risk Insurance 2010

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## **Terrorism Risk Insurance Program**

### **Pricing**

- **Dearth of Data**
- **Modeling More Useful for Exposure Management than Rate Making**
- **Policy limits, Frequency Expectations, Concentration of Risks and Market Pressures Key Elements in Premium Setting**

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## **Terrorism Risk Insurance Program**

### **Horizon**

- **Presidential Commission**
- **Report on NBCR**
- **World Events**

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