



## Terrorism Risk Insurance Program Reauthorization Act Signed into Law January 12, 2015

The Terrorism Risk Insurance Act was passed through to law after the following sequence of events:

- **House Approval:** Wednesday, January 7, 2015
  - The House of Representatives overwhelmingly approved legislation to extend the terrorism insurance program until 2020 by a vote of 416-5.
- **Senate Approval:** Thursday, January 8, 2015
  - Within 24 hours, the Senate voted 93-4 in favor of reauthorizing the federal terrorism insurance program.
- **President Approval:** Monday, January 12, 2015
  - The President signed into law the TRIPRA of 2015 to extend the federal terrorism insurance backstop through 2020.

### TRIA EXTENSION & COVERAGE CHANGES

- The TRIA program is extended for six years until December 31, 2020. Over this time period, the trigger for activating the backstop will gradually increase to \$200M from the current \$100M.
- The insurance industry's retention will increase to \$37.5B from \$27.5B. This increase will be phased in with \$2B increments until the deductible reaches the new limit.
- Insurers' co-insurance will go up by 1% annually until it reaches 20% (currently at 15%).
- Note:
  - The bill did not specifically apply to coverage retroactively; there is a question as whether terrorism is available after December 31, 2014, and before the reauthorization of the act on January 12, 2015. Guidance from the Treasury Department is anticipated to be issued and apply the bill effective January 1, 2015 (this also happened after the 2005 and 2007 TRIA reauthorizations).
  - Since the existence of TRIA, there has been no cost incurred by the US government or taxpayers.

### TRIA DEFINED

The Terrorism Risk Insurance Act (TRIA), which was signed into law on November 25, 2002, was designed to be a temporary risk-sharing program that utilized the federal government as a backstop for insurance claims relating to terrorist events. The program has been renewed twice, the first in 2005 with the passage of the Terrorism Risk Insurance Extension Act (TRIEA) and the second in 2007 with passage of the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA).

The government provides terrorism insurance once the trigger has been activated, but only after:

- Losses from the act of terrorism exceed \$200M (increased from \$100M with recent legislation) in a single year.
- An event has been certified an act of terrorism by the Secretary of the Treasury, Secretary of the State and Attorney General of the United States.
- Insurers pay a sizable deductible before federal assistance is available.
- For events that result in aggregate losses up to \$37.5B (increased from \$27.5B with recent legislation), any federal assistance through TRIA must be recouped over time through a surcharge on commercial policies in covered lines of coverage.

Contact Steve Gaitley 415.402.6512 or Jordan McCarthy at 415.399.6452 if you have any questions or would like to discuss further.