TERRORISM RISK INSURANCE ACT (TRIA)

OUR POSITION:
ICSC supports a full reauthorization of TRIA, as it has remained an effective mechanism for keeping terrorism risk insurance available and affordable in the post-9/11 marketplace.

Prior to the attacks of September 11, 2001 coverage for "acts of terrorism" was generally rolled into a business's commercial insurance policy. After the September 11 attacks, most primary insurers and reinsurers began excluding terrorism risk insurance from their policies, due to their inability to model and effectively price such coverage.

As a result, it became almost impossible for businesses to acquire the needed terrorism risk insurance to safeguard assets and satisfy lender requirements. The extremely limited terrorism coverage that was available immediately following the attacks was prohibitively expensive and carried high deductibles, liability limits, and further exclusions.

Without proper terrorism risk insurance, not only were property owners left bearing the full risk of loss from future attacks, they were in default of existing loan agreements and unable to meet lender requirements for future capital needs.

In order to bring stability to the insurance and real estate markets, the U.S. Congress passed the Terrorism Risk Insurance Act of 2002 (TRIA) to give primary insurers and reinsurers the confidence needed to offer coverage for acts of terror by protecting insurers against unmanageable losses.

In addition, TRIA also provides a mechanism that would allow for the swift payment of claims by insurers to policyholders in the case of an attack, minimizing the possibility of long-lasting economic repercussions due to delayed claims fulfillment.

The threat posed by a terrorist attack has not diminished since the creation of TRIA in 2002 and the vital importance of TRIA in helping to keep terrorism risk insurance available and affordable in the marketplace remains. Congress has subsequently extended the program in 2005 and again in 2007, with additional taxpayer protections, including a recoupment provision that requires the backed collection of 133% of claims paid out to insurers through TRIA. Due to the invaluable role that TRIA continues to play in the marketplace, its necessity will remain as long as the war on terror continues.

TRIA is set to expire at the end of calendar year 2014, unless Congress acts.

TRIA remains the only viable option to ensuring that terrorism risk insurance remains available and affordable to the commercial marketplace.

If TRIA is not extended, many insurers may exclude coverage for acts of terror on commercial policies, leaving policyholders unable to protect their investments and secure lender capital.

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