Property Casualty Insurers
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Terrorism Risk Insurance Act Backgrounder

The Terrorism Risk Insurance Act (TRIA) became law on November 26, 2002. It established a federal program of shared public and private compensation for privately-insured commercial property and casualty losses resulting from certified acts of terrorism. Its purposes were to:

- Address market disruptions following the 9/11 terrorist attack;
- Ensure availability and affordability of commercial property-casualty terrorism insurance; and
- Allow private markets to stabilize and build capacity, all while preserving state insurance regulation and consumer protections.

TRIA was amended by the Terrorism Risk Insurance Extension Act of 2005 and the Terrorism Risk Insurance Program Reauthorization Act of 2007.

How TRIA Works:

TRIA is a government reinsurance program that requires insurers to make terrorism coverage available and then provides a high-level federal backstop in the event of large catastrophic losses. The program is designed so that insurers – not taxpayers – are likely to bear the brunt of most terrorism incidents. Only a terrorism incident large enough to shock the U.S. insurance industry would bring TRIA into play. The U.S. secretaries of Treasury and State, along with the Attorney General, must certify an act of terrorism in order for the backstop to be triggered. Acts by both foreign and domestic terrorists are eligible.

Generally, commercial property, general liability, workers compensation, and some miscellaneous lines of coverage are eligible for the federal program. Insurers must offer terrorism coverage for the covered lines. Insurers are not required to offer coverage for nuclear, biological, chemical and radiological (NBCR) terrorist acts, but the backstop does apply to those coverages when they are written. Commercial property and casualty insurers that earn premiums in specified lines of insurance covering U.S. risks are required to participate in the program. Commercial insurance customers have the freedom to choose if they want to purchase terrorism coverage.

The program comes into play if terrorism-related damages total at least $100 million. At that point each insurer would cover a deductible of 20 percent of its annual earned premium for TRIA-covered lines of business. For a terror incident on the scale of 9/11, the total insurance industry deductible could be as high as $27.5 billion.