

Nearly Two Decades After 9/11, I.I.I. Examines Continued Need for U.S. Government's Terrorism Insurance Role

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NEW YORK, September 9, 2019 — Enacted after 9/11, the federal Terrorism Risk Insurance Act (TRIA) has been an essential component of the U.S.'s economy because the law has made [terrorism insurance](#) available and affordable, according to the [Insurance Information Institute \(I.I.I.\)](#).

Since becoming federal law in 2002, TRIA has brought stability to the U.S.'s terrorism insurance market, the I.I.I.'s just-released white paper, [A World Without TRIA: Incalculable Risk](#), states. In exchange for insisting insurers make terrorism insurance available to whoever wants this coverage, the federal government agrees [under the terms of TRIA](#) to reimburse insurers for certain losses which result from a certified act of terrorism.

“Without a federal backstop, insurance markets could be disrupted,” explained James Lynch, the I.I.I.'s Chief Actuary and Senior Vice President, Research and Education. “And with recently

exposed plots to commit terror attacks in the U.S. as well as trends in violent radicalization, domestic recruitment and homegrown terrorism, the need for terrorism insurance is still there.”

The I.I.I.’s white paper notes how the U.S. has twice gone without the federal government’s involvement in the terrorism insurance market since Sept. 11, 2001. The first time was the 14 months between 9/11 and TRIA’s enactment in November 2002. The second occasion was the two weeks in 2015 when TRIA briefly lapsed because Congress belatedly extended the law. In both instances, the terrorism insurance marketplace reeled, according to the I.I.I.’s white paper.

Before 9/11, terrorism insurance was included as a part of the package in standard commercial insurance policies. After 9/11, terrorism insurance has generally been offered separately at a price that more adequately reflects the risk. No act of terrorism in the U.S. has triggered TRIA—something only the U.S. Treasury Department can do—so the law has, to date, not required any expenditure of federal taxpayer dollars.

The current version of TRIA is set to expire at year-end 2020. “That sounds like a long way off,” Lynch said, “but uncertainty over whether the program will be renewed adds to the uncertainty of insurance contract renewals. Insurers must think more than a year in advance because contracts need to reflect the conditions on the ground every day their policies are in force. So, insurance policies written four months from today are being processed right now.”

For property/casualty and life insurers, as well as reinsurers, the impact of the 9/11 terrorist attacks was substantial, [producing insured losses of about \\$32.5 billion](#), or \$47 billion in 2019 dollars. It remains one of the largest insurance loss events in U.S. history. The policies impacted included property, life, liability, business interruption, aviation, workers compensation, and event cancellation.

“In a world without TRIA, it looks like terrorism insurance would be less available to businesses of all sizes who want, and need, these policies,” Lynch said. “Affordable coverage for major events such as the Super Bowl, the Summer Olympics, and major construction projects, would probably be threatened.” The I.I.I. will track the Congressional TRIA renewal process throughout this year and 2020 at its [blog](#).

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Article: [Does My Business Need Terrorism Insurance?](#)

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