



# **2024 Report on the Effectiveness of the Terrorism Risk Insurance Program**

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Terrorism Risk Insurance Program

**Advisory Committee on  
Risk-Sharing Mechanisms  
August 2024**

# Background: TRIP Data Collection and Reporting



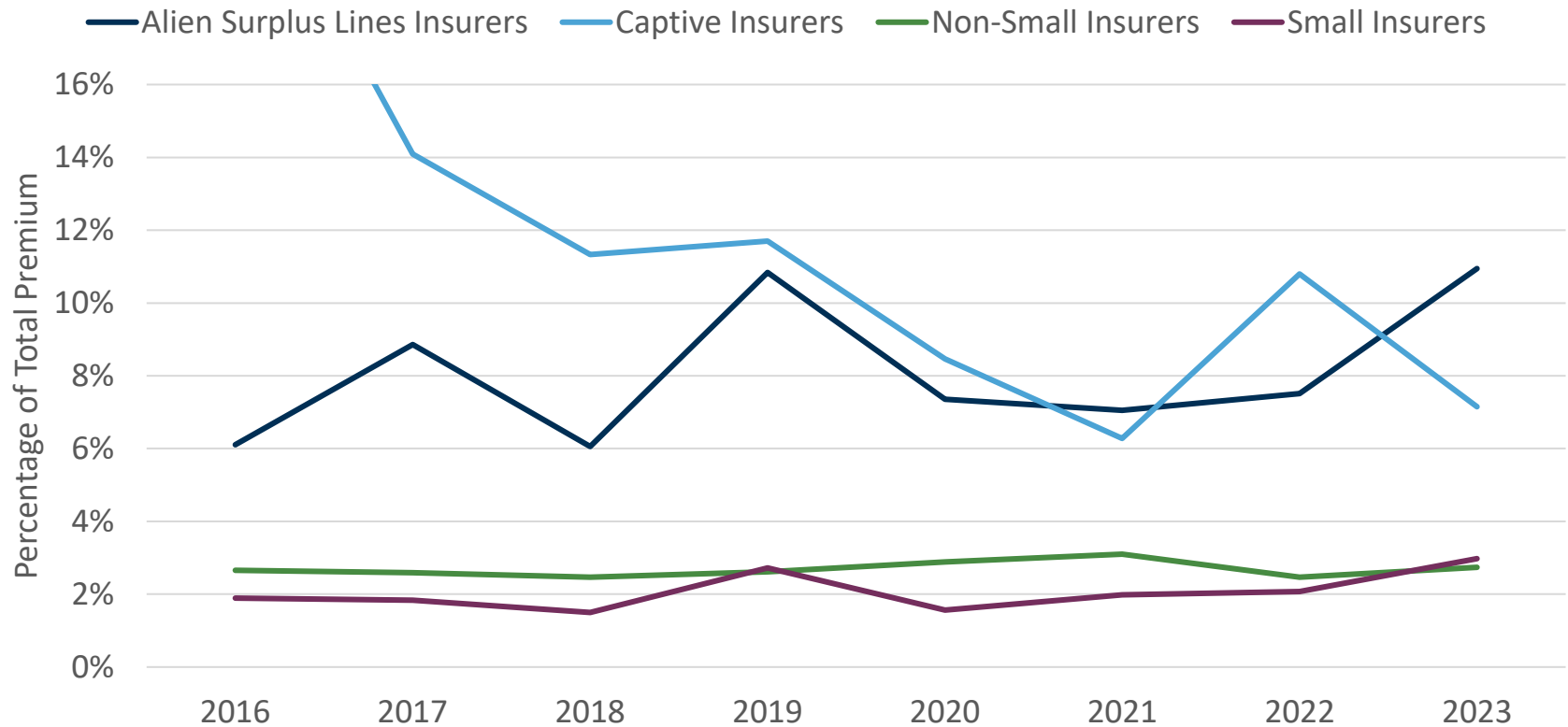
- **Requirement:** Under the 2015 TRIP Reauthorization Act, FIO must collect data annually from participating insurers relating to the effectiveness of the Program and, in even-numbered years, report to Congress on what that data shows in terms of whether the Program is meeting its objectives. In odd-number years, FIO reports to Congress on the competitiveness of small insurers in the terrorism risk insurance marketplace.
- **Prior Work:** FIO has now conducted nine data calls (covering calendar years 2015-2023) and has issued five reports on the effectiveness of TRIP, in 2016, 2018, 2020, 2022, and 2024 (provided to Congress on June 28, 2024). All of the prior TRIP Effectiveness Reports (including the June 2024 Report) are available on the TRIP website at <https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/federal-insurance-office/terrorism-risk-insurance-program/trip-reports-and-resources>.
- **Overview:** TRIP Effectiveness Reports examine a range of metrics relevant to the insurance backstopped by the Program, including premiums and pricing, take up, covered exposures, coverage of risks on a geographical basis, and private reinsurance availability. Each report typically focuses upon the results of the data collected in the prior three data calls.
- **Presentation:** Today's presentation examines the available data, and other TRIP metrics, over a longer time horizon to provide a broader view of the terrorism risk insurance marketplace, and TRIP, since the data collection and reporting requirements commenced.

## TRIP-Eligible DEP by Insurer Category (\$ billions)

	2022 TRIP data call		2023 TRIP data call		2024 TRIP data call	
	2021 TRIP-Eligible DEP	% of Total	2022 TRIP-Eligible DEP	% of Total	2023 TRIP-Eligible DEP	% of Total
Alien Surplus Lines Insurers	\$ 12.1	5%	\$ 17.0	6%	\$ 16.4	6%
Captive Insurers	14.4	4%	12.0	4%	14.0	5%
Non-Small Insurers	186.9	78%	209.3	78%	221.2	77%
Small Insurers	26.2	11%	31.2	12%	33.6	12%
<b>Total</b>	<b>\$ 239.6</b>	<b>100%</b>	<b>\$ 269.5</b>	<b>100%</b>	<b>\$ 285.2</b>	<b>100%</b>

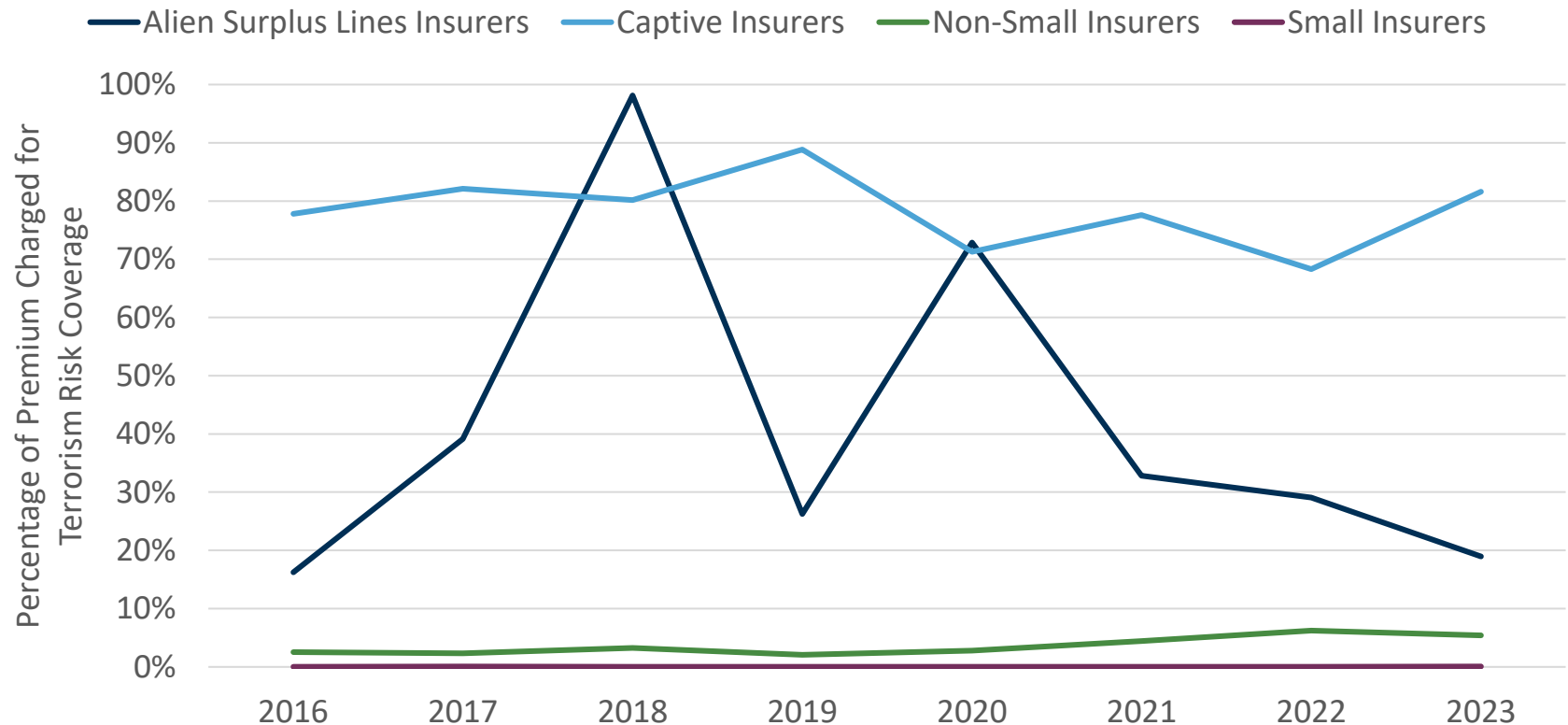
Domestic-based insurance groups (consisting of non-small and small insurers) have consistently comprised about 90 percent of the market in the TRIP-eligible lines of insurance since FIO began collecting data in 2016. Alien surplus lines and captive insurers make up the balance of the market, each comprising about 5 percent of the market by direct earned premium.

# Terrorism Risk Premium as a Percentage of Total TRIP-Eligible Lines Insurance Premium, 2016-2023



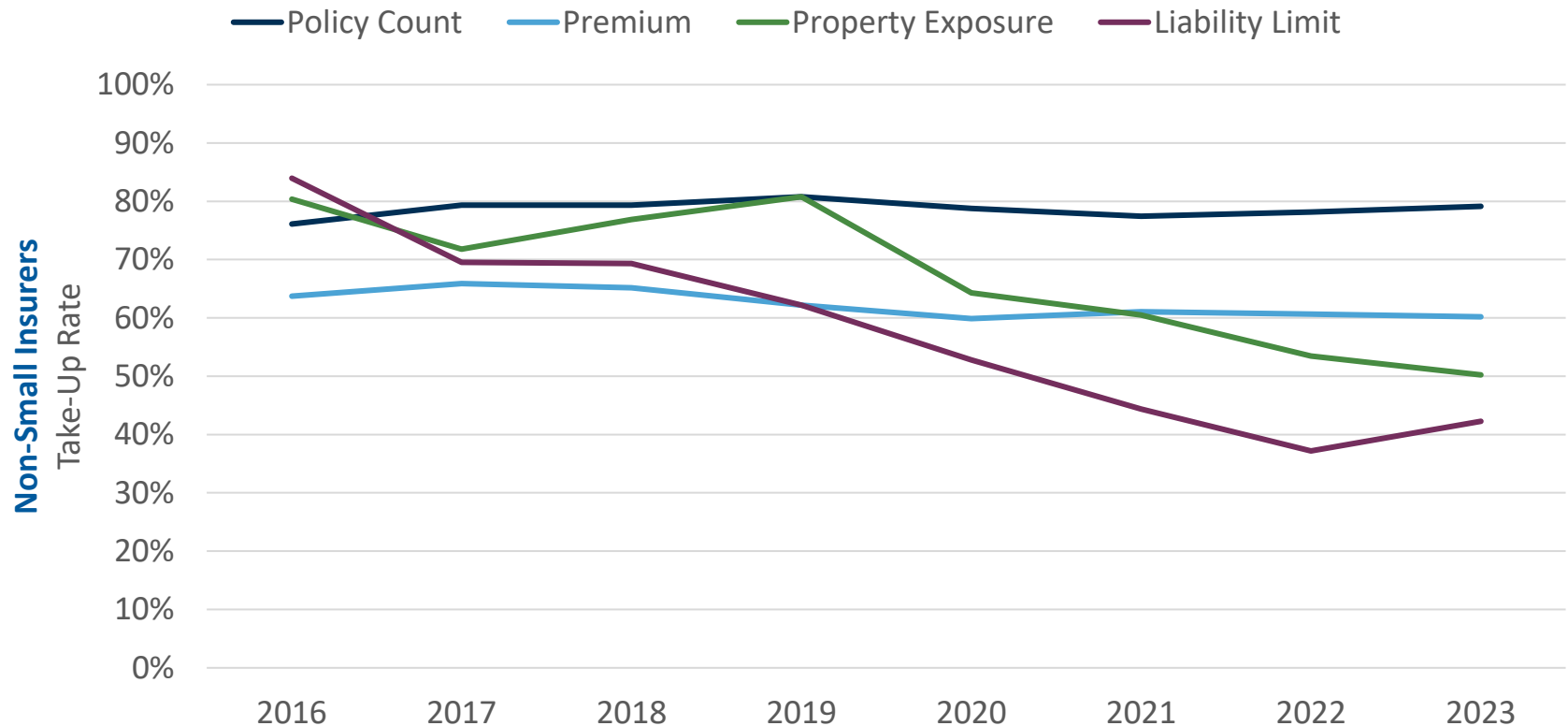
Non-small and small insurers have consistently reported between 2.5 and 3 percent of total premium charged over the period as attributable to terrorism risk. Charges by alien insurers and captive insurers are larger and more variable.

# Standalone Terrorism Insurance as a Percentage of the Total Terrorism Risk Insurance Premium, 2016-2023



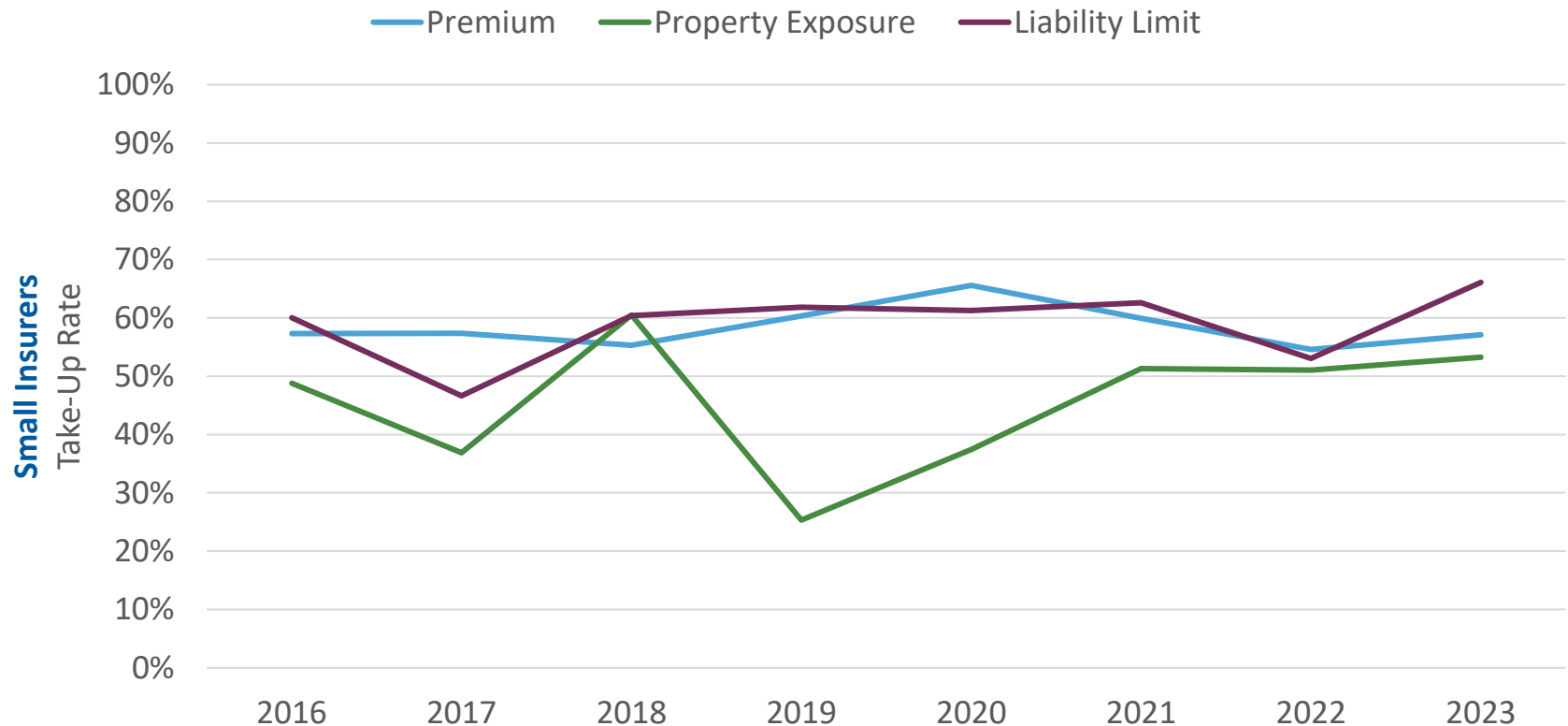
Standalone terrorism insurance represents only a small percentage of terrorism risk insurance writings for non-small insurers. Few small insurers issue any standalone terrorism insurance at all. By contrast, for alien insurers the percent (while variable over the years) is markedly higher, and for captives it represents the majority of terrorism risk insurance that they issue.

# Take-Up Rate Trends, 2016-2023: Non-Small Insurers



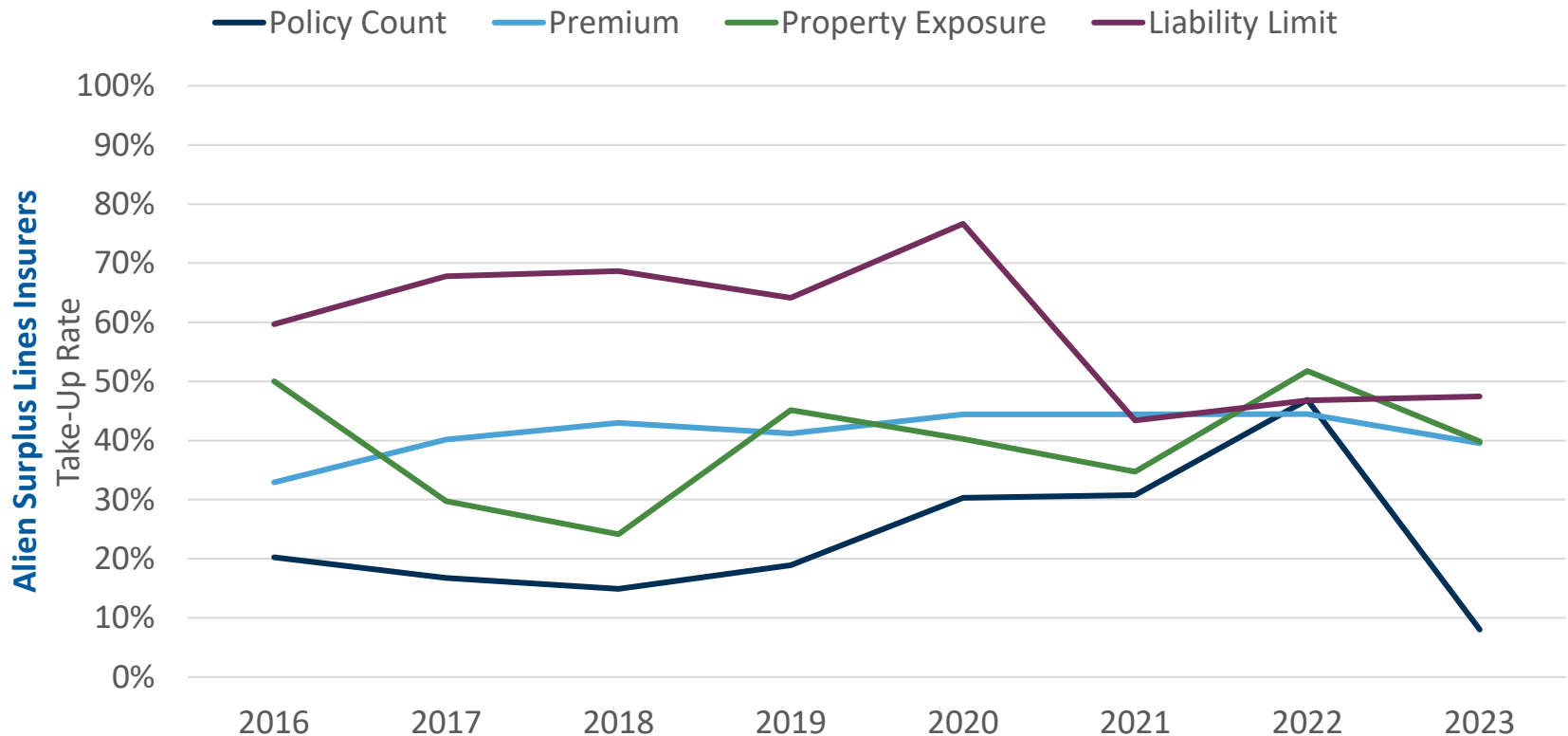
Non-Small Insurers (with TRIP-Eligible Lines Premium of \$1 billion or more) represent about 80 percent of the entire market. Although take up by number of policies has remained consistently high, there has been a modest decline in take up as measured by premium and a more pronounced decline when measured by property exposure and liability limits.

# Take-Up Rate Trends, 2016-2023: Small Insurers



Small Insurers (with TRIP-Eligible Lines Premium of less than \$1 billion) represent just over 10 percent of the market. As distinguished from non-small insurers, their take-up figures as measured by premium, property exposure (albeit with some fluctuations over time), and liability limits remain generally the same in 2023 as they reported for 2016.

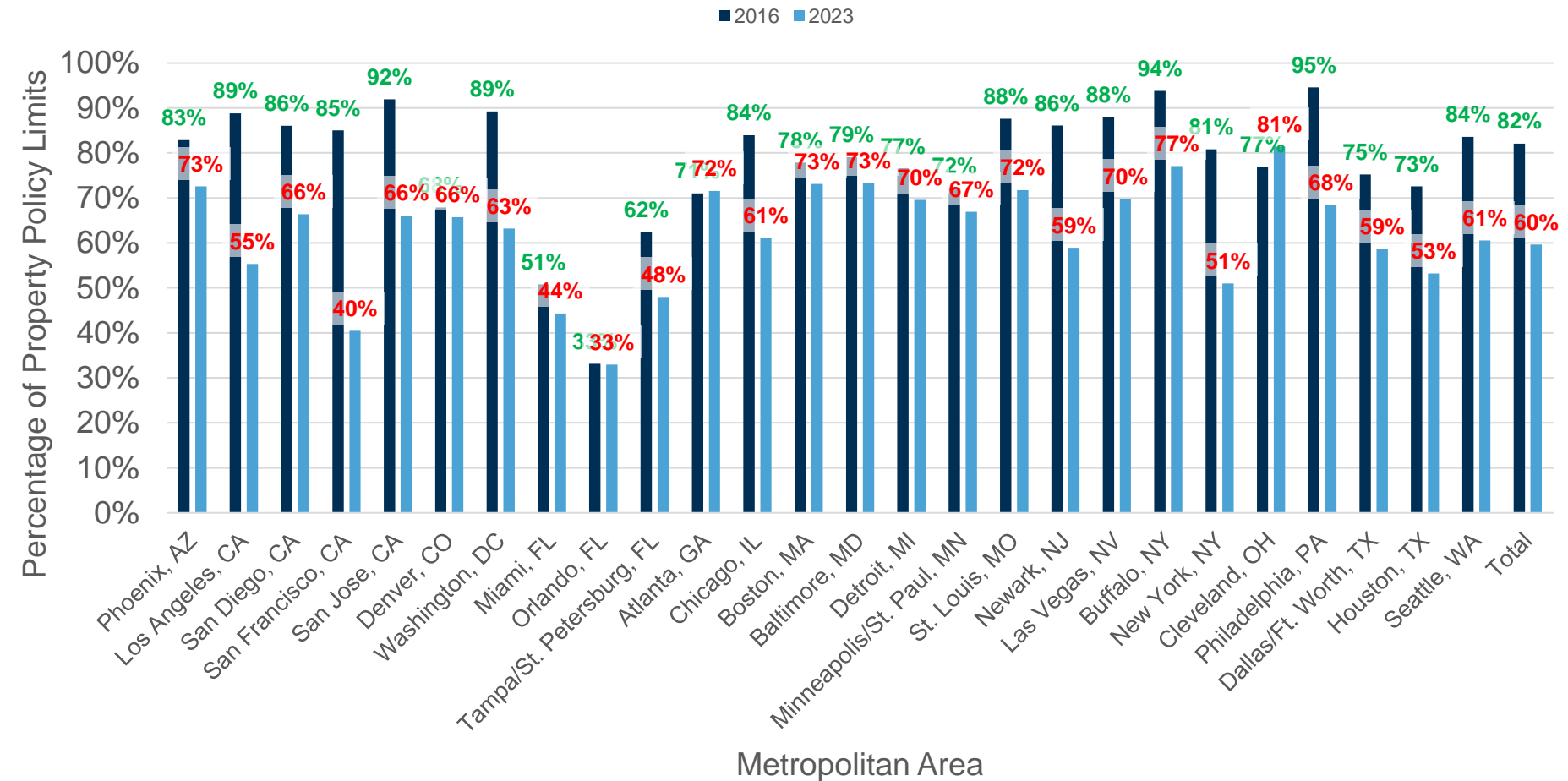
# Take-Up Rate Trends, 2016-2023: Alien Surplus Lines Insurers



Alien surplus lines insurers have reported the lowest take-up rates for terrorism risk insurance since 2016. Although take up as measured by premium has remained relatively constant, take up by policy count, property limits, and liability limits has declined, suggesting a decline in the amount of terrorism risk insurance provided as compared with the premium charged.

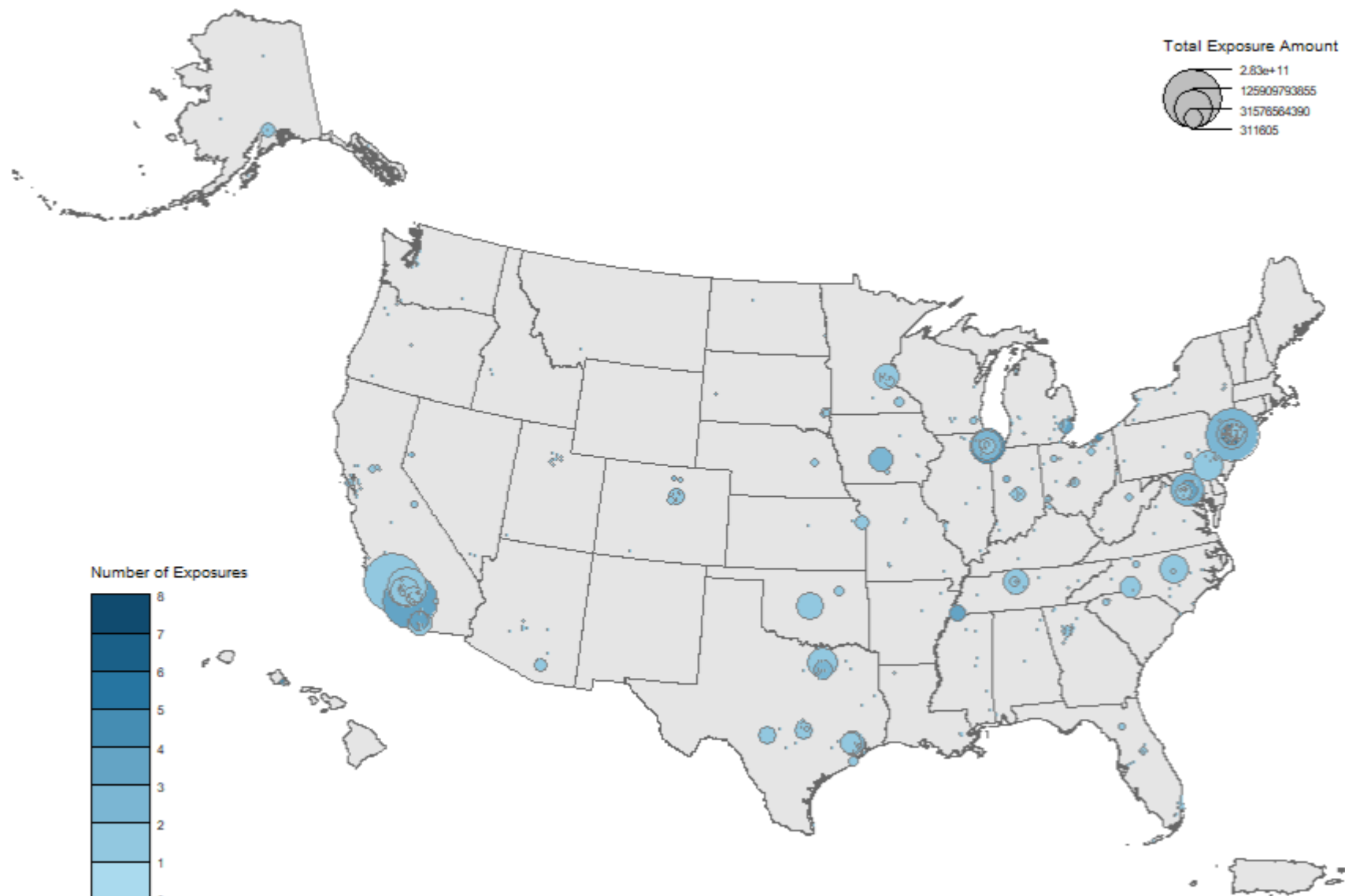


# Take-Up Rate by Metropolitan Area Trends: Non-Small Insurers

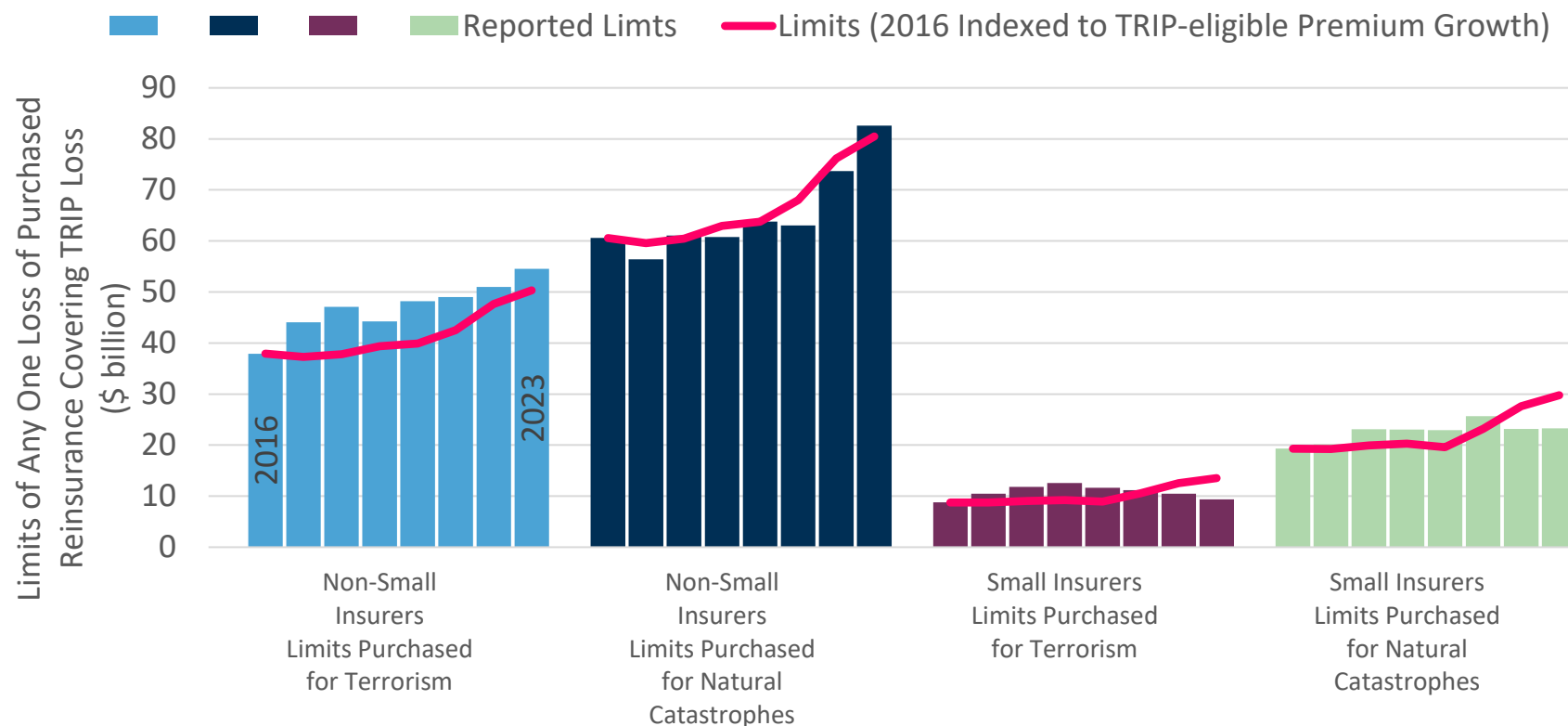


Between 2016 (the number in green) and 2023 (the number in red), aggregate take-up rates by property policy limits as reported by Non-Small Insurers have declined in nearly every metropolitan area. In aggregate, the metropolitan areas captured in the annual data collection have experienced a ~22% decrease in take up as measured by property policy limits.

# Largest TRIP Property Exposure Aggregate By ZIP Code Non-Small Insurers



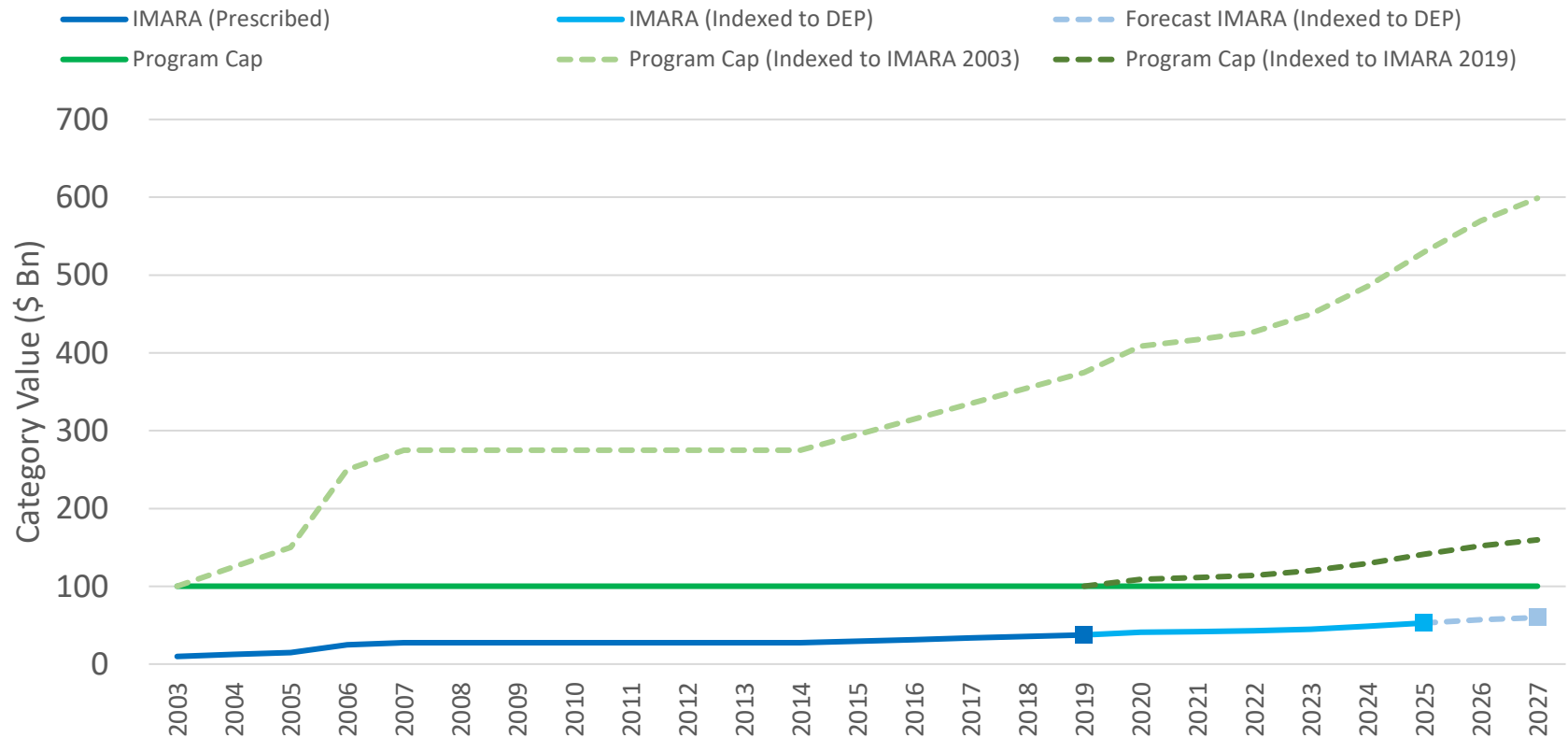
# Reinsurance Limits Trends, 2016-2023: Non-Small and Small Insurers



Non-Small Insurers have over time purchased more and more reinsurance limits covering terrorism risk, although those purchases have always lagged their purchases of natural catastrophe reinsurance. Small Insurers have also purchased less terrorism risk than natural catastrophe reinsurance. However, the reinsurance purchases of Small Insurers have not materially increased over time.

# TRIP Mechanics

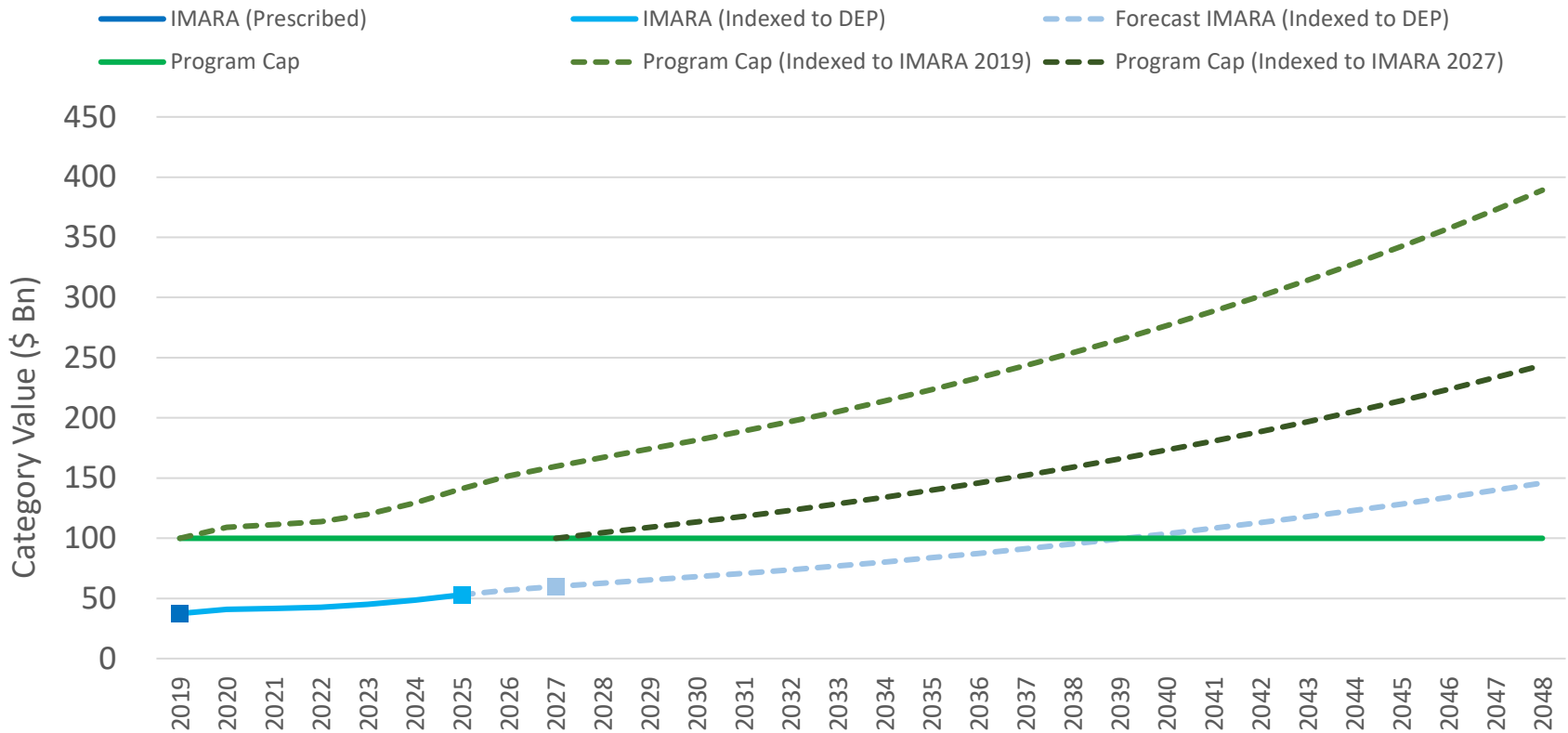
## IMARA and Program Cap, 2003-2027



This Slide illustrates the Program Cap and IMARA figures that govern in part recoveries under TRIP. The dotted lines associated with the Program Cap show how it would have changed if adjusted for changes in the IMARA from 2003, and then alternatively from 2019. The dotted line associated with the IMARA from 2025 to 2027 is a projection of its increase under the current formula.

# TRIP Mechanics

## IMARA and Program Cap, 2019-2048 (Projected)



This Slide illustrates the Program Cap and IMARA figures beginning in 2019 with various projections. The IMARA projection illustrates the ongoing increase in the IMARA through application of the current formula. The Program Cap projections show the current cap of \$100 billion, an increase in the Program Cap consistent with IMARA beginning in 2019, and an increase in the Program Cap consistent with IMARA beginning in 2027.