



UNITED STATES
**DEPARTMENT OF
THE TREASURY**



Terrorism Risk Insurance Program 2019 Reauthorization Act

**Advisory Committee on Risk-Sharing Mechanisms
February 5, 2020**

Federal Insurance Office
February 2020

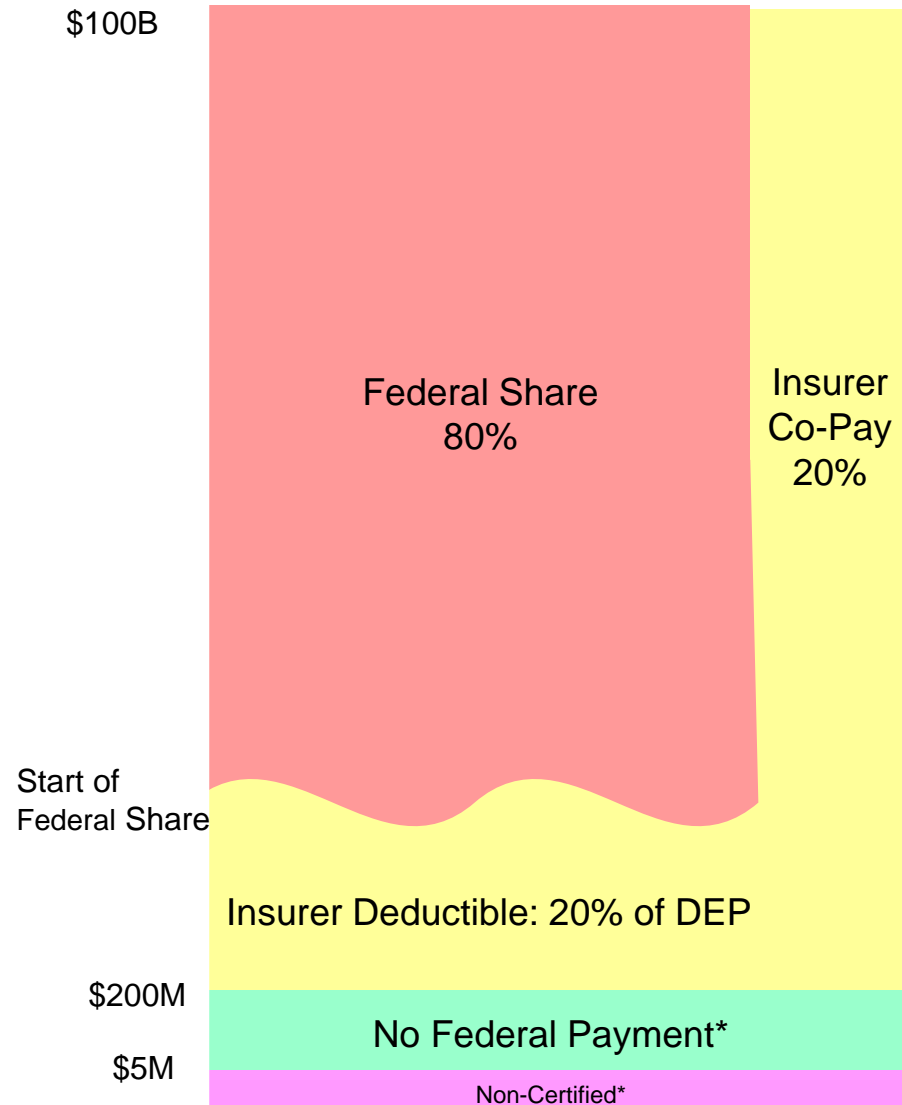
TRIP Overview: Federal Share 2020-2027

Conditions for Treasury Payment

- ◆ **Certification** of act of terrorism (which must result in at least \$5M in insured losses)
- ◆ **Program Trigger:** No Treasury payment unless aggregate insured losses, of all insurers, during a calendar year exceed \$200M
- ◆ **Insurer Deductible:** 20% of direct earned premiums (DEP) for TRIP-eligible lines of prior year

Limit on Treasury's Liability

- ◆ **Co-Pay:** Treasury pays 80% of losses above deductible
- ◆ **Program Cap:** Treasury and insurers have no obligations after combined losses reach \$100B



*These amounts will be included in insurer deductible and federal payment calculations once the Program Trigger is reached



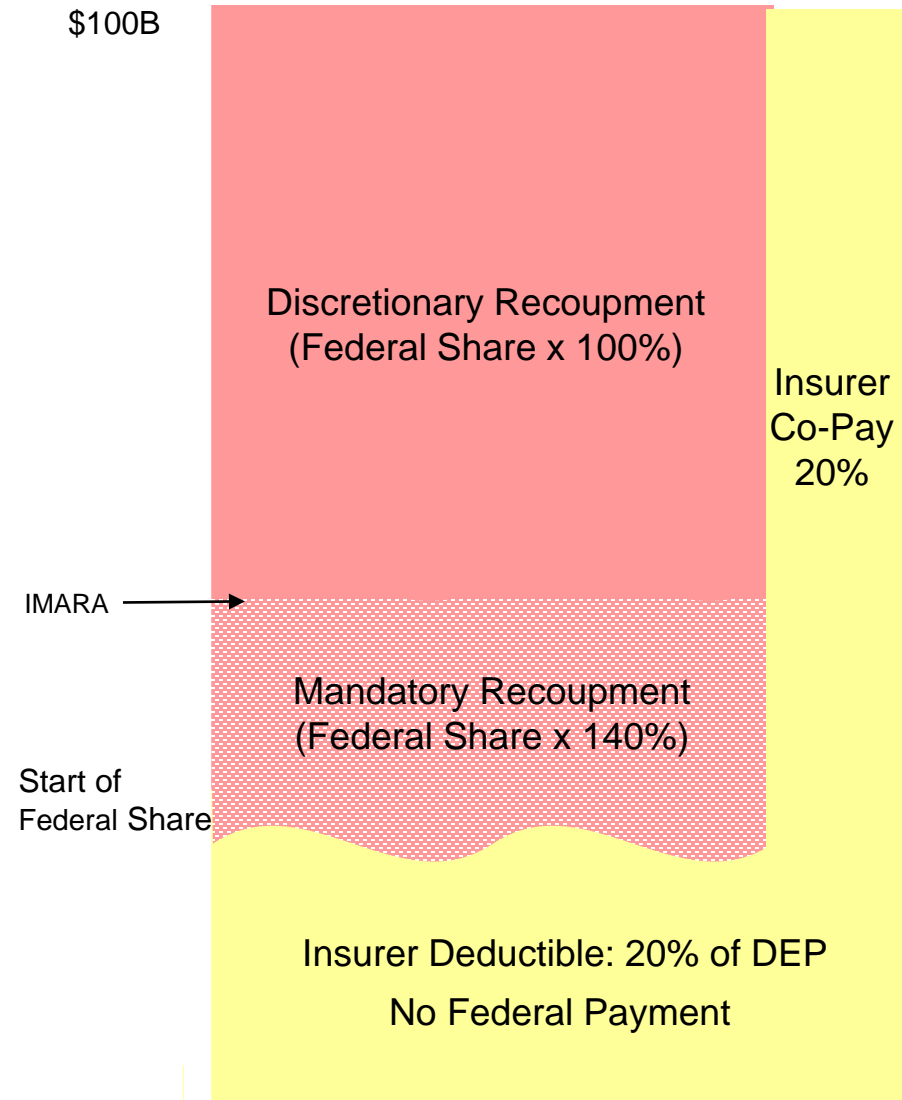
TRIP Overview: Recoupment

Recoupment

- ◆ Recoupment is the statutory process by which Treasury recovers some or all of the payments it expends after a certified act of terrorism.
- ◆ Treasury recoups expenditures by imposing a charge on all commercial policyholders in the United States, which is collected and remitted to Treasury by insurers.
- ◆ Treasury is required by statute to recoup expended funds up to the Insurance Marketplace Aggregate Retention Amount (IMARA). The IMARA is calculated based upon the average aggregate insurer deductibles over the prior three years. The 2020 IMARA is \$40.9 billion.
- ◆ Above the IMARA, it is within the Secretary's discretion whether to recoup Treasury payments.

Recoupment Mechanics

- ◆ TRIP requires mandatory recoupment below the IMARA to be made at a 140% rate
- ◆ Discretionary recoupment, if made, is at a 100% rate and subject to certain percentage limitations on a yearly basis



- ◆ GAO has been directed by the 2019 Reauthorization Act to make a report to Congress within 180 days of enactment which addresses the following issues:
 - the overall vulnerabilities and potential costs of cyber attacks to the United States public and private infrastructure that could result in physical or digital damage;
 - whether state-defined cyber liability under a property and casualty line of insurance is adequate coverage for an act of cyber terrorism;
 - whether such risks can be adequately priced by the private market; and
 - whether the current risk-share system under TRIA is appropriate for a cyber terrorism event.
- ◆ In addition, GAO is also requested to provide recommendations on how Congress could amend TRIA “to meet the next generation of cyber threats.”

Terrorism Risk Insurance and Places of Worship

- ◆ The 2019 Reauthorization Act specifically requires Treasury’s periodic Program Effectiveness Reports to address “the availability and affordability of terrorism risk insurance, which shall include an analysis of such availability and affordability specifically for places of worship.”
- ◆ Treasury has previously analyzed the availability and affordability of terrorism risk insurance generally in its Program Effectiveness Reports, but has not to date collected information that would permit specific assessment relating to places of worship.