



# Terrorism Risk Insurance Program: Update on Current Activities

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Federal Insurance Office

Presentation to the Advisory Committee on Risk-Sharing Mechanisms

February 1, 2024

- **Update on Recent Activities:** Since the last ACRSM meeting on July 26, 2023, TRIP has continued to address the operational readiness and administration of the Program, including
  - Security upgrades to the TRIP Claims System;
  - Reauthorization of TRIP Claims System forms and processes; and
  - Calculation of the Insurance Marketplace Aggregate Retention Amount (IMARA) for 2024.
- **Upcoming Activities:** There are also a number of upcoming events to highlight relating to TRIP, including
  - The 2024 TRIP Data Call;
  - Terrorism Risk Insurance Modeling; and
  - The 2024 IFTRIP Annual Conference.
- **Federal Insurance Response to Catastrophic Cyber Incidents:** A further Status Update on this work, which emerges out of the 2019 TRIP Reauthorization Act, will be addressed later in the meeting.



- **Security Upgrade for TRIP Claims System:** In the event of the certification of an “Act of Terrorism” by the Treasury, TRIP is prepared to receive claims through a web-based facility that will permit insurers to submit and Treasury to review documentation supporting payments made by insurers. The TRIP Claims System has recently undergone a security upgrade, including the migration of the system to the Treasury Cloud. In addition to the receipt of claims information, the TRIP Claims System is structured to receive data in connection with a certification process, and if necessary to manage the collection of surcharges imposed by Treasury through either a mandatory or discretionary recoupment process.
- **Documentation Requirements:** The information required for submission of claims for the federal share of compensation, and other purposes associated with the Program, is an “information collection” within the meaning of the Paperwork Reduction Act, which requires that any forms associated with that information collection be reauthorized every three years, through a public notice and comment process, with approval from the Office of Management and Budget (OMB). OMB recently approved the continued use of the forms for an additional three-year period, to January 31, 2027. There were no changes to the forms or information sought in this recent renewal.
- **Information:** Although the TRIP Claims System will not be opened for receipt of claims until there has been the certification of an “Act of Terrorism,” information concerning its operation, including copies of the forms identifying the information that will be required in support of a claim, a data call, or a recoupment process can be found 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/federal-share-claim-process>.



## Purpose

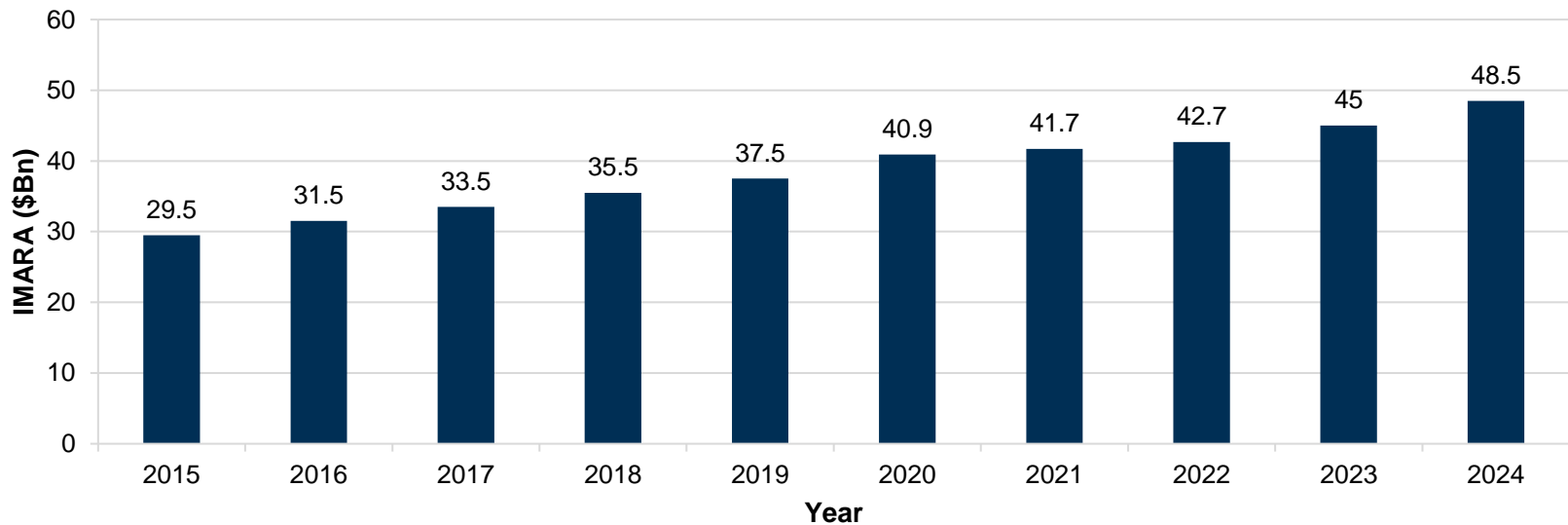
The Insurance Marketplace Aggregate Retention Amount (IMARA) is the measure that defines whether Treasury must recoup amounts it pays as the federal share of compensation.

- It is the average sum of insurer deductibles under TRIP over the prior three years. Thus, the IMARA for Calendar Year 2024 is based upon the average of all insurer deductibles in 2023, 2022, and 2021. Because the TRIP deductible is 20 percent of TRIP-eligible lines premium in the prior year, the deductibles for 2023, 2022, and 2021 are based upon 2022, 2021, and 2020 TRIP-eligible lines premium.
- Accordingly, the IMARA will increase each year if industry premiums in the TRIP-eligibles lines of insurance also increase.
- If industry payments in connection with certified acts of terrorism in a particular calendar year are below the IMARA, any amounts paid by Treasury must be recouped, at a rate of 140 percent, at least up to an amount where the industry payments and the amount subject to recoupment reach the IMARA.
- To the extent industry payments in a particular calendar year are above the IMARA, Treasury may (but is not required) to recoup amounts it has expended. Such recoupment above the IMARA is made at a rate of 100 percent.

# Insurance Marketplace Aggregate Retention Amount (IMARA) (continued)



**Calculation for CY2024:** In 2020, the current methodology for calculating the IMARA commenced. FIO calculates the IMARA each year and publishes the figure in the Federal Register. The IMARA for CY2024, \$48.5 billion, was published in the Federal Register (88 FR 87843) on December 19, 2023. The chart below shows the growth of the IMARA year-over-year from 2015 to 2024.



**Further Study:** The Committee noted in its May 2020 Report and Recommendations that, as the IMARA continues to increase, FIO should consider whether “Mandatory Recoupment and the growing IMARA can lead to unintended results.” FIO is continuing to evaluate the impact of the IMARA in relation to other Program mechanics.



## TRIP Data Call

The annual TRIP Data Call was established by the 2015 TRIP Reauthorization Act to permit the Secretary to evaluate the effectiveness of TRIP, including whether terrorism risk insurance is available and affordable. The first data call (held on a voluntary basis) was conducted in 2016. Since 2016 Treasury has conducted seven mandatory data calls, and the 2024 TRIP Data Call will be the eighth mandatory data call. FIO uses the data to satisfy the reporting requirements also imposed by the 2015 TRIP Reauthorization Act, which require a report on the effectiveness of the Program (in even-numbered years) and a report on the competitiveness of small insurers in the terrorism risk insurance marketplace (in odd-numbered years).

**2024 TRIP Data Call:** There are no substantive changes in terms of the information that will be requested in the 2024 TRIP Data Call. A notice announcing the commencement of the TRIP Data Call will be published in the Federal Register, at some point after state statutory reporting by insurers to state regulators has concluded at the beginning of March 2024.



- **Terrorism Risk Modeling:** FIO has augmented its ability to model terrorism risk events, including their potential impact upon TRIP, through the acquisition of a commercial terrorism risk model as well as a separate application developed specifically for TRIP that evaluates impacts of modeled events upon TRIP. These tools provide FIO with additional information regarding the private market for terrorism risk, as well as the operation of the Program in various future circumstances.
  - In the 2023 Small Insurer Report, Treasury used the models to analyze the likely impact of the Program Trigger on the ability of Small Insurers to access the Program, and the likely impact of the Program Cap on limiting payment of the federal share of compensation and insurer payments in connection with certain potential acts of terrorism.
- **Cyber Risk Modeling:** FIO is also in the process of installing a cyber risk model that will permit it to model the impacts of various cyber terrorism events and cyber incidents.
- **Reporting:** As it did in its 2023 Small Insurer Report, FIO will continue to report on its evaluation of various modeled events and their implications for the Program, and to engage with the ACRSM and industry stakeholders on those issues.



- **IFTRIP:** IFTRIP is the International Forum of Terrorism Risk (Re)Insurance Pools, which is an organization of the national risk pooling arrangements of 15 nations. IFTRIP is a forum for the development of best practices and areas of common interest in the insurance of terrorism risk. FIO serves as the Chair of IFTRIP.
- **Annual Conference at Treasury:** IFTRIP has historically conducted an annual conference, consisting of a “Pools Only” meeting on the first day, followed by a public conference on the second day, involving the Pools, stakeholders, academics, governmental representatives and others. The public conference has typically consisted of panel discussions and presentations in the area of terrorism risk insurance, as well as the role of public-private partnerships more generally.
- **2024 Details:** Planning is now underway for an in-person IFTRIP Annual Conference to be held the week of April 22, 2024 in Washington, DC, which will be the first public in-person conference since 2019. Treasury will be hosting the Pools Only meeting at Treasury, with the public conference to be held in Washington at an off-site location. Further details and information will be circulated by IFTRIP shortly. We look forward to ACRSM participation and engagement in this event.