

PROPOSED PROJECT PLAN

Advisory Committee on Risk-Sharing
Mechanisms (ACRSM)

Proposed Project Plan Overview

- Determine whether Terrorism Risk Insurance Program (TRIP) should be restructured
- If the ACRSM is of the view that TRIP should be restructured, then what is the alternative?
- If the ACRSM agrees that a restructuring is necessary, and agrees on what the restructuring ultimately should be, then what is the plan to transition from the current TRIP to the restructured alternative?

Proposed Timeline

- **October 31, 2017:** Resolve policy questions related to whether an alternative to TRIP is required, what the alternative should be (if required), and what the transition process should be (if required)
- **February 28, 2018:** Approve report outline
- **May 31, 2018:** Complete initial draft
- **August 31, 2018:** Complete second draft
- **November 15, 2018:** Complete final draft
- **December 28, 2018:** Publish final report

General Considerations for All Subcommittees

- What are the costs to policyholders and insurers resulting from any restructuring changes?
- Does TRIP facilitate appropriate coverage for current terrorism risks?
- Does available data permit analysis of the issues by the ACRSM?
- Do any proposed changes to TRIP permit terrorism coverage to remain available and affordable for all policyholders?
- What specific issues are presented by Nuclear, Biological, Chemical, and Radiological (NBCR) and Cyber risks?
- Review differences in state laws as they affect TRIP and any potential restructuring
- How does the lack of predictive aggregate terrorism models and underwriting intelligence affect any potential restructuring of TRIP?
- Compare market appetite for terrorism risk insurance with current capacity
- Communicate with stakeholders to obtain input
- Define appropriate Program Cap, lines of business to be covered, areas of exclusion, and other program parameters in connection with any restructuring recommendation

Note: This list of considerations is not exhaustive

Subcommittee Considerations: Primary Insurers

- Necessity of terrorism risk insurance and benefits of current TRIP
- To what extent are private reinsurance or the capital markets available to support terrorism risk insurance written by primary insurers?
- How would a restructured TRIP provide substantially similar benefits to primary insurers?

Note: This list of considerations is not exhaustive

Subcommittee Considerations: Reinsurers

- To what extent is private reinsurance capacity available to replace TRIP, and what is the long-term viability of such support?
- Does the current TRIP depress private reinsurance capacity for terrorism risk reinsurance?
- Can private reinsurers provide reinsurance support for the Federal exposure under TRIP on an aggregate basis?

Note: This list of considerations is not exhaustive

Subcommittee Considerations: Capital Markets

- To what extent is capital markets capacity available to replace TRIP support, and what is the long-term viability of such support?
- Can the capital markets provide support for Federal exposure under TRIP on an aggregate basis?

Note: This list of considerations is not exhaustive

Subcommittee Considerations: Exploration of Terrorism Risk Approaches in Other Areas

- What terrorism risk mechanisms and pooling arrangements used in other countries could be adopted as part of a restructuring of TRIP?
- Should best practices be imported from similar U.S. insurance programs (i.e., National Flood Insurance Program, Federal Crop Insurance, California Earthquake Authority) as part of a restructuring of TRIP?

Note: This list of considerations is not exhaustive

Subcommittee Considerations: Consumer Interests

- What are the differing needs of urban vs. rural areas in connection with terrorism risk insurance?
- How might businesses located in metropolitan areas deemed to be at greater risk of terrorist activity be affected by any restructuring of TRIP?
- Does TRIP minimize the risk of flight from the insurance and reinsurance market in the event of a significant terrorist attack? If so, how can this benefit be retained in any restructuring of TRIP?

Note: This list of considerations is not exhaustive

Proposed Subcommittees

- Direct Insurers
- Reinsurance
- Capital markets
- Exploration of terrorism risk approaches in other countries
- Consumer interests