UNITED STATES DEPARTMENT OF THE TREASURY

Terrorism Risk Insurance Program
2020 Program Mechanics

Advisory Committee on Risk-Sharing Mechanisms
September 30, 2019

Federal Insurance Office
September 2019

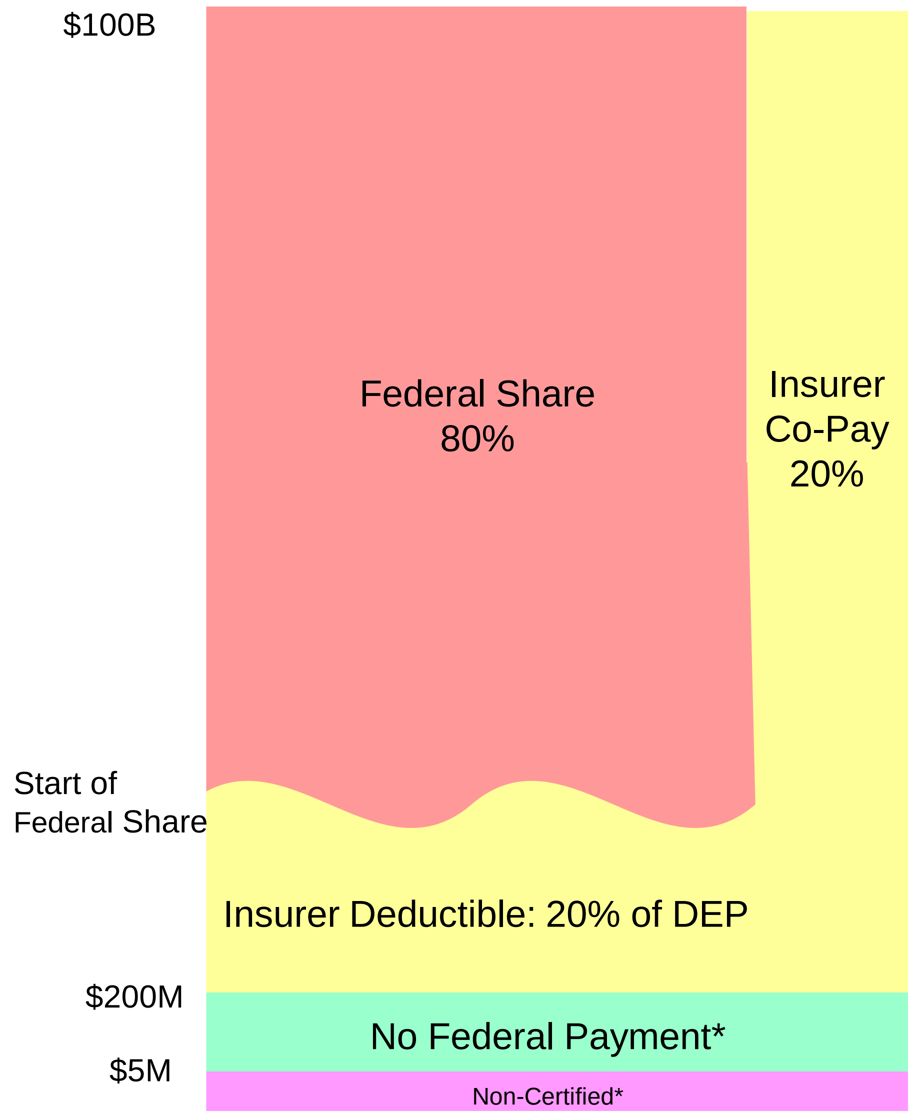
TRIP Overview: Federal Share in 2020

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 (which has increased by $20M per year since the last reauthorization)
- **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 (a decrease from 85% in 2015); insurers pay 20% (an increase from 15%)
- **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

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 set by statute at $37.5B for 2019; beginning in 2020 it will be calculated based upon the average aggregate insurer deductibles over the prior three years.
- 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