Duration	Positives	Drawbacks
Short-term	• Provides Congress near-term ability to amend the program (either for political- or market-based reasons)	• Policy exclusions will be immediately impacted • Effort to reauthorize the program will be constant • Capacity for long-term construction projects could be limited
Long-term	• Provides stability to the market • Allows market dynamics to take hold outside of the political reauthorization debate • Provides significant flexibility for long-term construction projects	• Any change to the program to reflect a political or market-based event would need to be done in the middle of the reauthorization period
Permanent	• Provides stability to the market • Removes political element of the periodic reauthorization debate • Provides maximum flexibility for long-term construction projects	• Changes to the program would need to pass through Congress outside of reauthorization debate (which has never occurred)

Not renewing TRIA could lead to some insurers withdrawing from the market and increasing insurance premiums.

It has been argued that TRIA imposes a burden on the federal government and eventually the taxpayers. According to the study by Rand Corporation,[2] if TRIA were to expire, several insurers would withdraw coverage resulting in a larger share of uninsured losses. This would increase other forms of federal assistance. The study finds that in absence of terrorist attack, the tax payer pays little and in event of terrorist attack experienced in past, including 9/11, TRIA is expected to save the taxpayer money. Erwann Michel-Kerjan and Howard Kunreuther find that under the 2015 TRIA program, tax payer is burdened only if terrorist induced losses are greater than USD 60 billion[3]. For losses lower than that, federal government has provision to recoup what it may initially pay out by imposing surcharges on insurance premiums. Hence, TRIA is designed in such a way that the insurance industry is responsible for all but extreme losses.

The 9/11 losses amounted to 46 billion USD in 2018 prices. There have been a few studies which have estimated the size and impact of potential losses[4]. The result of these studies can be divided into two categories: conventional terrorist threats and those caused by NBCR. The losses estimated under NBCR scenarios can range from 100 billion to as large as staggering USD 800 billion, which is far beyond the private re/insurance capacity. Swiss Re Institute estimates for the reinsurance market capacity for well-understood US nat cat risks are between USD 120 and 150 billion.

Expiration of TRIA would have a strong negative impact on the economy.

According to the Marsh 2019 terrorism risk report, the take-up rate for terrorism insurance in the US has been around 60% for over several years. In 2019, education, media, financial institutions, and real estate had the highest take up rates. Metropolitan areas such as New York City, Chicago, Atlanta, and San Francisco had much higher rates than other areas. If TRIA were to discontinue, surveys estimate that the take-up rate may fall anywhere from 38% to 76%[5]. Even if we were to take a decrease in the take-up rate in the lower end of the range, industries with a current high take-up rate in big metropolitan areas will suffer the most as the insurers withdraw from providing coverage and/or increase prices. Multiline insurers offering both property and worker compensation would be hard pressed due to the correlation in payout if a terrorist act were to occur. Due to the uncertainty around TRIA, Marsh is witnessing and expects more sunset provisions in policies and higher insurance costs as we approach December 2020.

A study by Glenn Hubbard and Bruce Deal quantified the macroeconomic consequences of TRIA expiring[6]. While the estimates of the study may be dated, we believe that the broader conclusions of the study are still valid. The report estimated that 5higher terrorism insurance costs resulting from non-renewal of TRIA in 2005 would have led to 326,000 fewer jobs being created due to job dislocation as employers reduce and relocate their work force. The GDP and net worth would decrease by 0.2% and 0.9%, respectively, even in absence of a terrorist attack and the cost would be significantly higher if a terrorist attack of 9/11 level occurred.

[2] Rand Corporation, "The Impact on Federal Spending of Allowing Terrorism Risk Insurance Act to Expire", Policy Brief, RR 661, 2014.

[3] E. Michel-Kerjan and H. Kunreuther, "A Successful Yet Somewhat Untested Case of Disaster Financing: Terrorism insurance under TRIA 2002-2020", Risk Management and Insurance Review, Vol. 21, No. 1, 2018,

[4] See references in footnotes 2 and 3.

[5] Rand Corporation, “Federal Role in Terrorism Insurance, Evaluation Alternatives in an Uncertain World”, MG-679-CTRMP, 2007

[6] R Glen Hubbard and Bruce Deal, “The Economic effects of federal participation in Terrorism Risk”, Risk Management and Insurance Review, Vol. 8, Issue 2, September 2005.