



Advisory Committee on Risk-Sharing Mechanisms

Update on 2020 Committee Recommendations

Presentation to the Advisory Committee on Risk-Sharing Mechanisms

July 26, 2023

2020 ACRSM Recommendations for Further Study

As part of an upcoming TRIA Effectiveness Study, Treasury / FIO should consider studying the following issues:

❖ Short-Term:

- Cyber: Evaluate the evolving cyber market in the context of the Program, including the issues set forth on slide 22 of this report.
- NCBR: Explore (i) whether a change of the cap, IMARA, and deductibles for NCBR are appropriate; (ii) if not, how to address growing uninsured NCBR risk above the \$100B cap; and (iii) consideration and analysis of NCBR fire following laws and exclusion/inclusion statistics
- Certification Process: Explore ways to resolve uncertainty over the certification process, including:
 - clarification regarding the extent to which cyber incidents that occur outside the U.S. with damage outside the U.S., but with impacts both inside and outside the U.S., are covered and the related certification process;
 - requiring the Secretary to commence a review upon receipt of a written petition by a TRIP participant that can demonstrate at least \$5 million in losses or in industry aggregate losses; and
 - considering shortening certain timelines and increasing the requirement to provide public notices, including: (i) shortening the 30-day notification period for Treasury to notify the public it has commenced a review; (ii) requiring the Secretary to provide public updates of the status of review; and (iii) shortening the 60-day period in which the Secretary must announce an extension of a review.

❖ Long-Term:

- IMARA: Given recent addition of IMARA to the program construct, FIO should look at its impact on the program of indexing IMARA.
- Recoupment: What is the appropriate recoupment? Should there be a mechanism to prevent the government from recouping more than it paid for a terrorist attack?
- Alternative Carrier Mechanisms: Examine ways to limit the incentives to use alternative carrier mechanisms that shift virtually all of their terrorism risk to other policyholders and insurers, including calculating deductibles and co-shares from a number other than Direct Earned Premium for certain types of insurers. Consider the fact that the existing program could expose the unfairness of the program post single parent loss, particularly the issue of recoupment and how much is allocated to the industry vs. the alternative carrier mechanism.
- Risk Transfer: Explore ways for Treasury to facilitate risk transfer to global risk markets, including the effect pre-funding mechanisms might have on the program and the existing insurance market.
- Non-Profits Availability & Affordability: Consider expanding the study called for under the 2019 Reauthorization Act