



Congress Approves Reauthorization of Terrorism Risk Insurance Act

Quick Facts

- On Jan. 8, 2015, Congress passed a bill that extends TRIA through 2020.
- The bill maintains TRIA's core functionality while gradually expanding the insurance industry's responsibility for paying for acts of terrorism.
- The TRIA bill establishes the National Association of Registered agents and Brokers.
- TRIA's reauthorization is expected to bring stability to insurance markets and various industries.

The new bill extends TRIA for an additional six years through 2020, and maintains TRIA's core function while gradually expanding the insurance industry's responsibility for paying for acts of terrorism.

On **Jan. 8, 2015**, Congress reauthorized the Terrorism Risk Insurance Act (TRIA), the federal terrorism risk insurance backstop. TRIA was allowed to expire on Dec. 31, 2014. On Jan. 12, 2015, President Obama signed the bill into law.

Revisions to TRIA

The new bill extends TRIA for an **additional six years** through 2020, and maintains the core function of TRIA while gradually expanding the insurance industry's responsibility for paying for acts of terrorism.

The bill contains **annual increases** in the amount of total losses from a certified act of terrorism required before TRIA's backstop kicks in from \$100 million to \$200 million. The bill also increases the federal government's mandatory recoupment from \$27.5 to \$37.5 billion. Additionally, the bill raises the private industry total recoupment of covered losses from 133 percent to 140 percent.

Significance

TRIA's renewal brings stability to the property and casualty insurance market. It is welcome news for the real estate, construction and hospitality industries, all of which depend on terrorism risk insurance as a precondition to

finance developments and to maintain operations.

TRIA's extension also brings more certainty to the workers' compensation insurance marketplace. Insurers that offer workers' compensation coverage are required by law to include coverage for injuries caused by terrorism.

Additional Provisions

Among the bill provisions unrelated to the TRIA program is a provision that creates the National Association of Registered Agents and Brokers, an organization that would establish standards that insurance producers would have to meet in order to do business in other states—a departure from the current system that requires producers to meet requirements in their home states and every other state in which they operate.

The bill also contains an unrelated measure that exempts farmers, ranchers, small businesses and other nonfinancial end users of derivatives from capital requirements created by the Dodd-Frank Wall Street Reform Act.