

Terrorism Risk Insurance Act

On November 26, 2002, President Bush signed the Terrorism Risk Insurance Act (TRIA). The bill has been renewed numerous times, to ensure terrorism coverage remains available and affordable to businesses. The latest extension will continue the program until December 2020, though past renewals have made several modifications to TRIA's scope:

- Longer renewal periods have reduced the uncertainty for long-term commercial projects, ensuring there will be coverage for damage caused by terrorism.
- The law added domestic terrorism to acts defined as terrorism but left out coverage for attacks using weapons of mass destruction. The original legislation covered only acts committed by foreign terrorists.
- The bill also provided for prorated payments by insurers when losses exceed a \$100 billion cap and required periodic reports to Congress by the President's Working Group on Financial Markets.

Coverage Considerations

To underwrite terrorism insurance, decide whether to offer coverage and what price to charge, insurers must be able to quantify the risk. The likelihood of an event and the amount of damage it would cause are the key factors in determining risk level. The extension of TRIA guarantees a continued federal backstop, so it offers a measure of certainty as to the maximum size of losses the insurer would have to pay, thus making coverage available even though the threat of terrorism remains.

Insurance is regulated at the state level, which means terrorism coverage exclusions can vary widely depending on geographic location. At Marshall & Sterling, Inc., we can help you understand your coverage options and any exclusions that apply. We will assist you in making the best strategic risk management decisions by helping you to analyze your property risk exposures and working with you to mitigate your potential risk for losses resulting from an act of terrorism.

Contact us at 845-454-0800 to learn more about your coverage options.

The Terrorism Risk Insurance Act's original intent was to create a federal backstop for insurance claims related to acts of terrorism, protecting businesses from these devastating acts.

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