

ALERT

TRIA Reauthorized: Triggers and Retentions Raised

By Carrie Maylor DiCanio

Recently there was welcome news for policyholders facing terrorism-related risks: President Obama signed into law the Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA), a bill that extends the Terrorism Risk Insurance Act (TRIA) for six years.

What is TRIA?

TRIA originally was enacted to facilitate the provision of terrorism coverage by the insurance industry after 9/11. Under TRIA, the federal government acts as a reinsurer for terrorism losses in excess of a certain amount. Through the program, the federal government shares losses with the insurance industry pursuant to a specific formula and so acts as a “backstop” for loss caused by a major terrorist attack. In exchange, insurance companies are required to offer terrorism coverage to all policyholders according to the same terms and conditions as other coverages. Types of insurance covered by the program include property, general liability, workers compensation, and captive insurance. It has been said that, in addition to benefiting the insurance industry and policyholders, TRIA benefits the federal government and taxpayers by reducing the amount of disaster assistance the government would pay in the event of a major terrorist attack with losses of less than \$50 billion. By way of comparison, insurance industry loss in TRIA-eligible lines due to 9/11 was \$31.5 billion at the time (the equivalent of \$41.8 billion in 2014). (See RAND Corporation Policy Brief, April 2014.)

TRIPRA: Changes that Start in January 2016

TRIPRA includes the following significant changes to TRIA, which start in January 2016. First, the law increases the total amount of loss that the insurance industry must pay through deductibles and copayments by \$2 billion per year until the total amount reaches \$37.5 billion (previously that amount was \$27.5 billion). Second, the bill increases the amount an insurance company must pay above its deductible and copayment by 1% each year until that amount reaches 20% (previously 15%). Third, the law increases the amount of loss required to trigger the program by \$20 million increments until that amount reaches \$200 million (previously \$100 million).

TRIPRA also creates a National Association of Registered Agents and Brokers (NARAB) to supervise insurance agents and brokers.

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The article appearing in this alert does not constitute legal advice or opinion. If you require more information, legal advice or an opinion with respect to a specific situation, please contact the authors.

NARAB will centralize the licensing process for registered insurance agents and brokers and allow them to conduct business in multiple states.

Check Your Policy

Despite the storm warnings forecasted by commentators when Congress failed to renew TRIA at the end of 2014, the temporary expiration appears to have had little effect, as many insurance companies provided a terrorism coverage grace period through the end of January. However, policyholders should confirm that that terrorism coverage is in place and consult with an insurance coverage attorney to determine whether these changes will have any impact on coverage. ▲

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