Abstract

Terrorist attacks are a terrifying reality for countries all over the world. They can take the lives of innocent people, cause millions of dollars in property damage, and put a damper on the economy. Fortunately, many countries have developed terrorism insurance programs to cover property damage from these attacks and protect the economy from the harmful effects of these losses. In the United States, terrorism insurance comes in the form of the Terrorism Risk Insurance Act of 2002 and its extensions occurring in 2005, 2007, and 2015. In this paper, I give an overview of each of these acts, briefly acknowledge the similarities and differences among terrorism insurance programs around the world, and then examine the idea that the United States will always need the Terrorism Risk Insurance Program to protect the insurance industry and the economy.
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I. Introduction

On September 11, 2001, terrorists hijacked commercial airplanes and crashed them into the World Trade Center towers in New York City and the Pentagon in Virginia. These attacks occurred nearly fourteen years ago and instantly became a landmark event in the history of the United States. The events of that day planted fear and uncertainty in the backs of the minds of citizens and government officials alike. Nothing on this scale had ever happened to the United States before, and since the attack was unprecedented, no one knew how to handle it. Everyone was left wondering if this was ushering in a new age for the United States in which events like this would become commonplace. In the fourteen years that have since passed, the trend has fortunately been that events such as this are not the norm as people once feared they would become; however, this does not mean that the threat has not always loomed over the country. This threat is precisely why the United States government saw fit to pass legislation implementing the Terrorism Risk Insurance Program.

Prior to the terrorist attacks of September 11, 2001, terrorism was considered an insignificant risk to property and casualty insurance companies despite events such as the attack on the World Trade Center in 1993 and the Oklahoma City bombing in 1995. Because of this, terrorism tended to be covered under general insurance policies and there was no special consideration in ratemaking for the risk. It is for this reason that the attacks on the Pentagon and the World Trade Center left insurers reeling. They simply were not equipped or prepared for losses of this magnitude. In the wake of the attacks, insurance companies began to reevaluate terrorism as an insurance risk as the United States suddenly realized that terrorism
could happen on its soil. Insurers began doing everything they could to make sure they were adequately protected against future events, even if this meant removing terrorism from their policies. Similarly, financial institutions also began to reevaluate the risk terrorism posed for commercial construction loans and mortgages that were issued. Due to the high degree of uncertainty the risk of terrorism posed, financial institutions began making terrorism insurance a requirement for issuing such loans. However, this posed a problem for those looking to secure these loans. Insurers were worried about their ability to sustain another loss like the September 2001 attacks. As stated, many insurers felt that they had to remove terrorism from their policies because they could not accurately cover it. Those companies that did keep the coverage felt that due to the high degree of risk and unpredictability of terrorism, they could only offer the coverage at premiums so high that hardly anyone could afford them. In addition to this, limits on this coverage were driven significantly downward to amounts that insurance companies felt more comfortable paying out if something were to happen. Therefore, coverage was not available in many cases, and when it was, it came in the form of policies that did not make sense for most to purchase. In the months following the 2001 attacks, many commercial construction projects were halted because of this lack of terrorism insurance accessibility. This stunted a reeling U.S. economy as the country struggled to recover from the assaults. Fortunately, the government recognized this issue and moved to quickly stabilize the economy and help protect it from any further attacks that may come. Thus, in November 2002, the Terrorism Risk Insurance Act was signed into law. (Bacchus, Clark, and Rabs)

This paper will provide an overview of the Terrorism Risk Insurance Act of 2002 as well as the highlights of the extensions to the Terrorism Risk Insurance Program that took place in
2005, 2007, and 2015. Terrorism insurance programs in other countries around the world will be briefly covered before the argument is made that the United States economy still needs and will always need the Terrorism Risk Insurance Program or some program that provides a similar protection to the insurance industry and thus the United States economy.

II. The Terrorism Risk Insurance Act of 2002

As the country was still reeling from the attacks, the government began investigating what would be needed in order for insurers to offer terrorism insurance and what the consequences would be if terrorism insurance could not be offered at affordable rates for everyone. Congress found in these investigations that having terrorism insurance available at affordable rates was “critical to economic growth, urban development, and the construction and maintenance of public and private housing, as well as to the promotion of United States exports and foreign trade” (Terrorism Risk Insurance Act of 2002). It also noted that insurers are essential to the stability of the economy and that their ability to cover terrorism risks is vital to the recovery of our country following an attack. Congress then went on to recognize the inability for insurers to properly assess and price the risk, and therefore it concluded that the government “should provide temporary financial compensation to insured parties” so that the insurance industry could be protected while being given time to create “systems, mechanisms, products, and programs necessary to create a viable financial services market for private terrorism risk insurance” (Terrorism Risk Insurance Act of 2002). Based on these findings and conclusions, Congress passed the Terrorism Risk Insurance Act of 2002 to support insurance
companies in providing coverage for terrorism while the industry worked toward assessing the risk to a point where it could stand alone in providing the coverage.

The act set up a program that would expire in 2005 unless extended. In order for it to work, Congress had to ensure that there would be a high rate of participation. Therefore, participation in the program was made mandatory for all property and casualty insurers. The act only applies to certain lines of insurance, however. It used the term "property and casualty insurance" to mean "commercial lines of property and casualty insurance, including excess insurance, workers' compensation insurance, and surety insurance" (Terrorism Risk Insurance Act of 2002). Lines of insurance that were listed as excluded in the act include crop insurance, private mortgage insurance, title insurance, financial guaranty insurance, medical malpractice insurance, life and health insurance, flood insurance, and reinsurance. (Terrorism Risk Insurance Act of 2002)

The act was designed so that if another act of terrorism occurred, the government would share some of the costs of paying policy holders for their damages so that insurance companies would not go bankrupt from potentially catastrophic losses. When and if such an act occurred, however, there were some conditions that would have to be met before the government would become responsible for part of the losses. First, the total amount of the losses would have to exceed $5 million; if aggregate losses were less than this amount, they would not even be considered for federal assistance. If this condition was met, the next step was for the Secretary of State, the Secretary of the Treasury, and the Attorney general to certify the act as an official act of terrorism. If this happened, then the third and perhaps most
important criterion would come into play. This condition said that the aggregate industry losses for certified terrorism acts would have to exceed $100 million during that year. This was crucial because even if there were multiple acts of terrorism in a single year, they would not qualify for government assistance if their total amount of losses did not exceed $100 million. (Terrorism Risk Insurance Act of 2002)

Once the three conditions were met, the insurance industry had a deductible that would have to be satisfied. This deductible was figured as a percentage of the previous year's direct earned premiums for the insurer. It started out as one percent during the transition period and then increased to seven percent in year one of the program, ten percent in year two, and fifteen percent in year three. All losses above the deductible and below the $100 billion liability cap were then shared between the federal government and insurers. The government would pay ninety percent of these losses. The insurance industry would be responsible for the remaining ten percent up to a limit of $10 billion in the first year of the program, $12.5 billion in the second year, and $15 billion in the third year. Any losses above the $100 billion total liability cap in a given year were neither the responsibility of the federal government nor the insurance industry. It is important to note, however, that the portion of losses paid by the government would not simply be gone. The government was given the ability to charge insurance companies in the future in order to recoup the money it paid out to help them under this act. (Terrorism Risk Insurance Act of 2002)

With this program in place, the insurance industry as well as the rest of the country felt safer about the ability of the United States to financially handle potential future terrorist
attacks. One important part of the act was its guidelines to be used by the Secretary of State, Secretary of the Treasury, and Attorney General for defining an event as an act of terrorism. It states that the action had to be a “violent act or an act that is dangerous to human life, property, or infrastructure” (Terrorism Risk Insurance Act of 2002). The terrorist event must have resulted in damage within the United States or to a United States vessel outside the country. Moreover, the person(s) who carried out the event must have been acting on behalf of foreign persons or interests with the intent to influence the policies or actions of the United States government. It is important to note that the Terrorism Risk Insurance Program does not include any actions that occur as part of a war declared by Congress. Finally, the act also states that only the Secretary of State, Secretary of the Treasury, and Attorney General have the power to declare that an event was an act of terrorism, and that once they have done so, no one may challenge their decision. (Terrorism Risk Insurance Act of 2002)

III. Terrorism Risk Insurance Extension Act of 2005

With the expiration of the Terrorism Risk Insurance Program growing near, Congress recognized that despite the fact that it had been several years since the events of September 11, 2001, the insurance industry still was not equipped to handle the risk of terrorism on its own. In 2005 Congress therefore moved to extend the reach of the program for an additional two years to 2007. The original act of 2002 was kept mostly the same with a few small changes. Commercial automobile insurance, burglary and theft insurance, and surety insurance were added as excluded lines of insurance under the act, and directors and officers liability insurance was added as in included line. The insurer deductibles in the next two years were set
respectively as 17.5 percent and twenty percent of the previous year’s direct earned premiums.

The extension kept the government’s share of terrorism losses at ninety percent during the fourth year of the program, but then decreased it to eighty-five percent in the fifth year. The aggregate retention amounts for the insurance industry were set at $25 billion for year four of the program and $27.5 billion for year five. (Terrorism Risk Insurance Extension Act of 2005)

IV. Terrorism Risk Insurance Program Reauthorization Act of 2007

The next extension of the Terrorism Risk Insurance Program was signed just days before the program’s expiration in 2007, and while it maintained essentially the same program structure, it made a few important changes as well. First, the act extended the program for seven more years rather than two years as the previous acts had done. This was beneficial for the United States economy because it “reduced the uncertainty for long-term commercial projects that there would be coverage for damage caused by terrorism” (“Terrorism Risk and Insurance”). An even more important change, though, was that this extension broadened the program’s scope of coverage for acts of terrorism. The original Terrorism Risk Insurance Act of 2002 and its extension in 2005 only covered acts of terrorism committed by foreign terrorists. In 2007, however, Congress decided to also include domestic acts of terrorism in the program. This would become a relevant point in the Boston Marathon bombings of 2013.

Another important piece of the reauthorization was that it gave a specific process for Congress to follow when determining pro rata payments for insurers following a terrorism loss. Prior to this act, there had been no real guideline for this process; thankfully, this lack of structure had never been an issue. The act also made some adjustments to the methods that
would be used for the federal recoupment of losses. Finally, the act ordered that a report be done on the “availability and affordability of insurance coverage for losses caused by terrorist attacks involving nuclear, biological, chemical, or radiological materials” as well as “the outlook for such coverage in the future” and the ability of the insurance industry to manage the risk associated with nuclear, biological, chemical, or radiological terrorist attacks (Terrorism Risk Insurance Program Reauthorization Act of 2007). It was also ordered that the reports on terrorism insurance as a whole that had begun with the original act in 2002 continue being done.

V. Terrorism Risk Insurance Program Reauthorization Act of 2015

As 2014 was drawing to a close, the expiration for the Terrorism Risk Insurance Program was growing near and Congress had trouble coming to an agreement in order to pass an extension. There was great uncertainty within the insurance industry as time was running out for lawmakers to come to an agreement. If the program expired, insurers would no longer be required to offer terrorism insurance, and without the program’s support, most would also be unable to offer it. Despite the fact that the Terrorism Risk Insurance Program had been supporting the insurance industry for more than a decade, the industry still did not have anywhere near the amount of actuarial data needed to properly project rates for terrorism coverage; the United States had not seen any other terrorist events like those of September 11, 2001 during the time of the Terrorism Risk Insurance Program. There was great worry that coverage would rapidly become unaffordable as it had once been and then this would have negative impacts on the economy. There was even buzzing about whether major events that
would draw large crowds such as the Super Bowl would still be held if the Terrorism Risk Insurance Program was allowed to expire. With the expiration drawing nearer and nearer, it began to become apparent that Congress would not get an extension passed before it adjourned for the year. Insurers took note of this and began taking steps to protect themselves against tragedies following the program’s expiration. Some carriers even began “issuing non-renewal notices to high profile financial service companies” in order to allow their terrorism coverages to expire with the program (Bacchus, Clark, and Rabs). As 2014 ended, Congress adjourned and the Terrorism Risk Insurance Program Reauthorization Act of 2007 expired along with a great deal of terrorism coverage all across the country.

Aware of the impact that the expiration of the Terrorism Risk Insurance Program could have, Congress made passing an extension a top priority when it reconvened in 2015. On January 12, 2015, the Terrorism Risk Insurance Program Reauthorization Act of 2015 was signed into law. The act extends the Terrorism Risk Insurance Program until the end of the year 2020. Several significant changes to the original act were made in this reauthorization. One major change in terms of the certification of an act of terrorism is that the Secretary of State is no longer involved with deciding if an event was an act of terrorism. Instead, the Secretary of the Treasury must now consult with the Attorney General and the Secretary of Homeland Security to make this decision.

Other changes made in the reauthorization were to the structure of how coverage and payment would occur. The insurer deductible was set at twenty percent of the previous year’s direct earned premium. The federal government’s share of compensation for losses is set at
eighty-five percent of losses above the deductible until the start of 2016. After that, the government's share will decrease by one percentage point per year until it reaches eighty percent. The program trigger has been changed for each year of the program until expiration. The trigger was changed so that aggregate industry losses must exceed $100 million in 2015, $120 million in 2016, $140 million in 2017, $160 million in 2018, $180 million in 2019, and $200 million in 2020 in order for the industry to qualify for assistance from the federal government. The reauthorization act also adjusted the government recoupment process and the insurance marketplace aggregate retention amount. ("Terrorism Risk Insurance Act (TRIA")

Congress also wrote a few housekeeping items into the Terrorism Risk Insurance Program Reauthorization Act of 2015 in order to attempt to provide some clarity on the ability of the insurance industry to provide terrorism coverage and the direction in which it is heading. The Secretary of the Treasury is required to study and report by October 2015 on the process of certifying an event as an act of terrorism. One main topic that is expected to be covered here is the "establishment of a reasonable timetable by which the Secretary must make an accurate determination on whether to certify an act as an act of terrorism" ("Terrorism Risk Insurance Act (TRIA")). Insurers are also required to submit reports at the end of June every year starting in 2016 on various types of information on the coverage of terrorism losses. The Secretary of Treasury is to take these reports and then compile information on the challenges for small insurers of participating in the terrorism risk insurance marketplace. Finally, the Secretary of the Treasury is required to create a committee of people from the insurance industry to provide input on developing a risk-sharing program for terrorism coverage that does not involve the government. ("Terrorism Risk Insurance Act (TRIA")

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VI. The Existence of Terrorism Insurance Abroad

Terrorism insurance is not unique to the United States. Even before the terrorist attacks of 2001 shook the world, other countries began passing their own legislation regarding coverage for the terrorism risk. Some of this was due to terrorist attacks that they had experienced on their own soil. Regardless of when it was passed, though, insurance for the terrorism risk exists all around the world. Major countries that have their own programs for insuring terrorism include Australia, Austria, Belgium, France, Germany, the Netherlands, South Africa, Spain, and the United Kingdom, but programs can be found in other countries around the world as well (Airmic Technical). These programs all have substantial similarities and differences when compared to the Terrorism Risk Insurance Program in place in the United States.

One key point of similarity and difference among the world’s terrorism insurance programs is in the way these programs define an act of terrorism and trigger the program. While the United States requires the government to certify an event as an act of terrorism before coverage will apply, no formal declaration is needed in France; an attack must simply meet the definition of terrorism spelled out in the legislation for coverage to kick in. Policies are similar to this in Russia and Spain, but the United Kingdom requires the issue of a certificate proclaiming that an act of terrorism has occurred, similar to the operation of the United States’s Terrorism Risk Insurance Program. (Airmic Technical)

Another key point of comparison among terrorism insurance programs is the excluded lines of insurance. Two major exclusions seen in nearly every terrorism risk insurance program
in the world are life insurance and health insurance. This is because these programs are
designed specifically for property/casualty lines of insurance. Other common exclusions include
marine insurance, aviation insurance, automobile insurance of various types, burglary and theft
insurance, liability insurance of various types, and financial insurance of various types. Some
countries, such as France, the Netherlands, and the United Kingdom, have exclusions for perils
such as war, nuclear attacks, or other chemical/biological warfare. While the United States does
not have a specific exclusion for nuclear, biological, chemical and radiological terrorism, these
perils are also not explicitly covered under the terrorism insurance policy. (Airmic Technical)

While the Terrorism Risk Insurance Program of the United States is a federal backstop
program to protect the insurance industry, many other countries insure terrorism using a risk
pool in which insurance companies protect each other rather than having the government do
so. The government does provide a layer of protection in some of these pools, but most of the
responsibility falls on the insurance companies. In the Netherlands, a specific terrorism
reinsurance company was created to provide the protection that insurance companies needed
to be able to insure terrorism. In the United Kingdom, there is a risk pool formed by insurers,
but the government "acts as the reinsurer of last resort, guaranteeing payments above the
industry retention" to provide an overarching security to the industry. ("Terrorism Risk and
Insurance")

VII. The Need for TRIA: Should We Keep Renewing It?

The Terrorism Risk Insurance Program has been in place nearly consistently for almost
thirteen years, but as the expirations for each act have drawn near, critics have raised questions
as to whether the industry still needs this federal backstop for terrorism losses. This was seen particularly prevalently as the 2007 extension was nearing expiration in 2014. While the program was reinstated very shortly after its expiration, the debate will undoubtedly continue and even heat up once the current program extension approaches its expiration in the year 2020 as many argue that the Terrorism Risk Insurance Program was meant to be only a temporary solution to the problem of insuring against terrorism. However, when one examines the continuing lack of actuarial data on terrorism, the effect that a catastrophic blow to the insurance industry can have on the entire economy, and the infrequency and wildly varying severity of terrorist events, it is apparent that the insurance industry still desperately needs the government’s risk-sharing program to provide coverage for terrorism losses, and there will probably never be a time when the industry can function without this program or something similar to it.

Critics of the renewals of the program have argued that the insurance industry no longer needs the federal backstop for terrorism losses, and the adjustment of the loss-sharing mechanisms by Congress indicates a shift toward the insurance agency taking on more of the risk for terrorism losses. They say that the insurance industry has “healed and could price in and model the danger of terror attacks, but the permanent Washington backstop interferes with such commercial evolution” (“Taxpayer Insurance for Business, Yeah”). It is easy to say that we no longer need the program since there have been no terrorist attacks for the last fourteen years with the exception of the Boston Marathon bombing. However, critics that say these things fail to understand that insurers are no more capable of insuring the terrorism risk than they were during the insurance crisis immediately following the attacks of 2001 primarily
because of this lack of further attacks. Since there have been no other terrorist attacks, actuaries have not been able to gather any data about the frequency or severity of terrorist attacks and therefore have no more data than they had in 2001 to form an accurate predictive model for the possibility of future terrorist attacks. With no useful models for pricing terrorism insurance and predicting losses, the insurance industry is in no better shape for insuring terrorism on its own now than it was on September 12, 2001. Organizations that specialize in risk management can put together models to the best of their abilities, but “because of the lack of underlying credible data, only time and unfortunate incidents will provide the real risk assessments” (Bacchus, Clark, and Rabs). In other words, the only thing that will improve the industry’s ability to insure terrorism on its own is the occurrence of more terrorist attacks, which everyone hopes to avoid.

There are additional issues with data availability besides a lack of terrorist attacks, however. Even for events that have occurred, insurers do not have access to a lot of the information about these attacks that they would need to formulate models. This is because “data on terrorist groups’ activities and current threats are normally kept secret by federal agencies for national security reasons” (Kunreuther and Michel-Kerjan 205). With this information unavailable, it is difficult for insurers to gain an understanding of the capabilities and opportunities of terrorists to carry out their destructive plans. Additionally, terrorists must base their actions on the actions of those they wish to attack. If the government is tightening security and taking other such actions, this will affect what the terrorists do because they will be searching for ways to work around all of the measures that are being put into place to
subdue them. Such a complicated system of moves and countermoves makes trying to predict terrorist attacks a tough task even if there is data to work with.

The root purpose and importance of insurance is to provide financial security and ensure stability in the face of the threat of catastrophe. This is true of personal insurance for individuals and it is true of the Terrorism Risk Insurance Program for the United States economy. The insurance industry is vital to the stability of the United States economy; without insurance, catastrophic losses would be detrimental to businesses and individuals alike. When the Terrorism Risk Insurance Program was put into place, it was because the program was needed to "smooth out the effects of the terrorist attacks and the economic downturn" (Manns 2523). As the Senate discussed the issue of renewing the program before the end of 2014, Senator Mike Crapo noted, "Getting terrorism risk insurance right is important both to protect taxpayers and to limit the financial and physical impacts of any future terrorist attacks." (qtd. in Crittenden) Senator Charles Schumer also added, "Economic development, construction and hundreds of thousands of jobs depend on this program." (qtd in Crittenden) The program had bipartisan support and passed by a landslide because the men and women of Congress understand the necessity of the program to the economy. The losses of the terrorist attacks of 2001 hit the insurance industry hard. Insurers immediately began to warn the government that if no action was taken and another event like these attacks happened, it was likely that the insurance industry would collapse. The Terrorism Risk Insurance Program exists to protect the insurance industry from catastrophic terrorism losses, and this makes it possible for the insurance industry to protect the public from these losses in turn. If the program did not exist, either insurance companies would collapse while trying to insure terrorism losses alone, or
businesses would go bankrupt by trying to sustain the losses by themselves in an environment where insurers are unwilling and unable to offer coverage for the terrorism risk.

When the terrorist attacks on the World Trade Center and the Pentagon happened on September 11, 2001, the entire world was shocked by the magnitude of the event. These attacks were by far the single most costly terrorist event of all time, coming in at nearly $25 billion (2013 dollars) in insured property losses ("Terrorism Risk and Insurance"). The next most costly terrorist event occurred in 1993 and resulted in roughly $1.2 billion (2013 dollars) in insured property losses, a substantial drop-off from the losses of the 2001 attacks ("Terrorism Risk and Insurance"). With such a wide range of loss amounts to consider, insurance companies cannot accurately gauge how much they would need to charge for terrorism insurance premiums or how much they would need to hold in reserves to be able to cover potentially disastrous claims without going bankrupt. The industry simply cannot bank on the idea that any future occurrences will be minor; the entire point of insurance, after all, is to provide protection against losses that would otherwise be catastrophic. Tom Santos, the vice president of federal affairs for the American Insurance Association, said of the issue, "We know that terrorism is a peril that doesn’t really pass the test of insurance. Insurers or carriers can’t model for it. They can’t underwrite their frequency. They don’t know where the event’s going to happen." (qtd. in Scholtes 1841) This can be easier to see through comparisons. Insuring natural disasters such as hurricanes and earthquakes is similar to insuring terrorism in that predicting the losses is much more complex and difficult than predicting losses for other lines of insurance such as life insurance. However, "unlike natural catastrophes, there are currently so few data points on the occurrence of terrorism that it is extremely difficult to calculate probabilities of a risk's
occurrence and its magnitude" (Manns 2517). Insurers can study the movement of the earth's plates or weather patterns to help them insure earthquakes or hurricanes, but there is no equivalent to this for the terrorism risk. In fact, "terrorists often purposefully avoid attacking in patterns in order to minimize the possibility of capture and presumably to maximize terror" (Manns 2517). This wild unpredictability goes against one of the fundamental requirements of an insurable risk, which is why terrorism is such a difficult risk to insure.

VIII. Conclusion

Terrorism is a serious threat to countries all around the world. It can take the lives of large groups of innocent citizens and can cause extensive damage to infrastructure. These tragedies can have negative effects on the economy as well as unsettling people around the world. Fortunately, the United States along with many other countries globally have taken steps to protect the economy from the ruin that can follow a terrorist attack. Most other countries have formed risk pools to insure terrorism, but in America, terrorism insurance comes in the form of the Terrorism Risk Insurance Program in place since 2002 and currently set to run through the year 2020. The program requires property/casualty insurers to offer terrorism insurance and distributes the risk between these insurers and the federal government. It is designed so that in the event of a catastrophic terrorism attack, insurance companies will be shielded from collapsing under the weight of astronomical insured property losses. If an attack occurs and certain specifications are met, the insurance industry must pay a deductible. Once this happens, the federal government takes a percentage of losses up to a certain limit, leaving
the remaining percent to insurers. The federal government can then recoup the claims it paid out by charging insurers premiums at a later date.

When one assesses the state of the insurance industry and the qualities of terrorism as an insurable risk, it is apparent that the United States still needs the Terrorism Risk Insurance Program to protect it from future terrorist attacks. With the lack of usable data to model terrorism, the need for the insurance industry to be stable for the sake of the economy in the event of a terrorist attack, and the total lack of predictability of when terrorism will occur and how much the losses will be, the insurance industry needs help if it is to be expected to provide coverage for the terrorism risk. If the government were to decide to get rid of the Terrorism Risk Insurance Program, it would have to have a viable alternative to put into place immediately or risk economic turmoil. Many ideas for solutions have been put forth by various economists and insurance experts since the program’s first extension in 2005, but little has been done to date to assess the feasibility of these ideas. For now, the men and women of Congress seem content to allow the Terrorism Risk Insurance Program to remain the insurance industry’s source of stability in the event of a terrorist attack despite criticisms they receive for this. Some even argue that it is the government’s duty to provide assistance with terrorism insurance because “security policies actively shape the risk of terrorism that insurance companies set out to cover” (Aradau and van Munster 193). Whether this is true or not, the reality is that until initiative is taken to propose a real, permanent solution to the issue of properly insuring terrorism, it is likely that Congress will continue to renew the Terrorism Risk Insurance Program each time it expires. One need only look to the policies of other countries to see that terrorism insurance is widely regarded as a necessity for any developed country wishing to safeguard
against the severe negative economic effects that a major terrorist attack can have. Failing to have a program in place for terrorism insurance in the United States will leave property/casualty insurers helpless and the United States economy vulnerable in the event of a terrorist attack.
IX. Works Cited


