



MARSH PROPERTY PRACTICE

# Managing Terrorism Risk as TRIPRA Nears Expiration

The Terrorism Risk Insurance Protection and Reauthorization Act (TRIPRA) is set to expire on December 31, 2020.

Based on history, it's unlikely that an extension or reauthorization of TRIPRA will be addressed in Congress until we approach the expiration date. And although legislators in both chambers of Congress generally recognize the important role of the federal backstop in ensuring market stability, terrorism insurance buyers should prepare for several potential adverse outcomes, including:

- A lapse in the program before it is reauthorized.
- Reauthorization with significant changes.
- A failure to extend the program.

As TRIPRA's expiration approaches, risk managers should develop and execute strategies to prevent potential disruptions in their coverage. Marsh can help you to plan for potential outcomes and evaluate your risk financing options so you can remain protected from terrorism risks in 2020 and beyond.

## Federal Backstop Supports Terrorism Insurance Market

With \$100 billion in capacity TRIPRA provides the US with the world's largest public/private terrorism risk-sharing mechanism. TRIPRA defines an "act of terrorism" as a violent act or an act that is dangerous to human life, property, or infrastructure that occurs on US territory (or on a US mission or air carrier or vessel outside of the US) and is committed by an individual or individuals as part of an effort to coerce the US civilian population or to influence the policy or affect the conduct of the US government by coercion.

### WHO IT'S FOR

Any business whose property terrorism insurance coverage is reinsured through TRIPRA.

### WHAT YOU GET

- Dedicated terrorism insurance expertise from experienced advisors that have placed coverage for hundreds of businesses across the US and globally.
- Relationships with all insurers writing terrorism insurance.
- Deep understanding of coverage options to consider in the event of a lapse of TRIPRA or a significant change, including accessing standalone insurance markets and managing sunset clauses.
- Industry-leading analytical capabilities to inform decisions about program structures.

For TRIPRA to apply, the following conditions must be met:

- Insured losses from the event exceed \$5 million.
- An event is “certified” as an act of terrorism by the US government.
- The insurance industry “trigger” or overall loss level (at \$180 million as of 2019 and set to increase to \$200 million in 2020) is met.

Under TRIPRA, insurers are required to “make available” terrorism coverage for property, liability, workers’ compensation, and ocean and inland marine risks. While no event has been certified as an act of terrorism since the federal terrorism backstop was originally established in 2002, TRIPRA has kept the US terrorism insurance market stable, contributing to reduced costs and expanded availability for buyers.

## Understanding Your Options

Although Marsh and other insurance industry groups are actively lobbying for the reauthorization of the current terrorism insurance backstop without significant amendments, risk professionals should

prepare for all eventualities. Organizations should consider alternatives to minimize any disruptions of their terrorism insurance coverages if there is any lapse in program funding and/or a change in program dynamics. Marsh can help businesses:

- Explore options in the standalone terrorism insurance market. Standalone policies do not require the government to certify an act of terrorism in order for a claim to be paid and can offer broader definitions and triggers, including coverage for nuclear, biological, chemical, and radioactive (NBCR) attacks. And, unlike TRIPRA coverage — which applies to insureds’ US locations only — standalone policies can offer global coverage.
- Secure options to buy out their retentions and coinsurance participation if they run property terrorism coverage through captives. Marsh can help you move coverage to the standalone marketplace and help you develop insurer relationships to address coverage in the event that TRIPRA expires.
- Manage potential sunset clauses in property terrorism policies, which insurers may impose in upcoming renewals for policies that would be in effect beyond December 31, 2020.

For more information on how Marsh can help you manage your terrorism insurance program, contact your Marsh representative or:

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## WHY MARSH?

With extensive experience placing terrorism insurance coverage for hundreds of businesses across the US and globally, Marsh has the skillset and knowledge to help you build an effective terrorism insurance program. Our specialized terrorism insurance brokers in New York and London have relationships with all insurers writing terrorism insurance. We have experience in crafting solutions for local or global location schedules and expertise in a variety of related risk solutions, including active assailant coverage, political violence coverage, and underwriting terrorism risk via captives. And using our industry-leading data and analytics capabilities, we can help you make smarter decisions about how to structure your program and how much coverage to purchase to help protect your business, your people, and your assets from terrorism risk.

Marsh is one of the Marsh & McLennan Companies, together with Guy Carpenter, Mercer, and Oliver Wyman.

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