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Academy Casualty Practice Council Urges Long-Term Reauthorization of Terrorism Risk Insurance Act

WASHINGTON – The American Academy of Actuaries' Casualty Practice Council sent [letters](#) to the leadership of the U.S. House of Representatives and Senate today urging long-term reauthorization of the Terrorism Risk Insurance Act. The letters, which were copied to all members of Congress, stated:

On behalf of the American Academy of Actuaries' Casualty Practice Council, we are writing to urge passage of reauthorization of the Terrorism Risk Insurance Act (TRIA), which is set to expire on December 31. We wish to underscore the importance of the terrorism risk insurance program and to raise concerns over its imminent expiration should Congress not act to reauthorize it before adjournment.

TRIA provides a needed backstop for extreme losses arising from acts of terrorism, a peril that is very difficult to fully insure in the private market, partly because of the extreme difficulty in predicting terrorism losses where terrorists adjust their methods to circumvent mitigation efforts. The program also assists insureds by providing an orderly claims settlement process and offers a recoupment mechanism by which the private sector reimburses the federal government for its outlays. Overall, this program brings stability to an insurance marketplace that has difficulty pricing and managing terrorism risk exposure, in part due to limited historical or experience data.

(MORE)

In the absence of TRIA, massive uncertainties regarding the anticipated frequency and severity of potential terrorist attacks make it extremely likely that premiums for terrorism risk insurance will be high and volatile and many commercial lines insurers would be devastated. In addition, because workers' compensation insurance policies cannot exclude terrorism, employers could face increased workers' compensation costs.

A concerted effort to achieve a multi-year reauthorization of TRIA will bring much needed security and stability. A stop-gap, temporary extension of the program only extends an environment of uncertainty and thus reinsurers would face significant challenges in quantifying their exposure to terrorism losses. This reinsurer uncertainty can lead to limiting available capacity. Long-term reauthorization of TRIA is in the public interest and a necessary measure to preserve stability in the insurance marketplace.

Read the letters and learn more about the Academy's work on terrorism risk and other casualty issues by visiting the casualty section under the "Public Policy" tab at www.actuary.org.

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The American Academy of Actuaries is an 18,000+ member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.