The Reinsurance Association of America (RAA) appreciates Chairman Crapo, Ranking Member Brown, and other Senate Banking, Housing, and Urban Affairs (Committee) members’ interest in the U.S. property casualty (re)insurance industry. Thank you for holding today’s hearing on “The Reauthorization of the Terrorism Risk Insurance Program.” The RAA supports reauthorization of the Terrorism Risk Insurance Program (TRIP) in advance of its December 31, 2020 expiration. The RAA thanks the Committee for beginning the TRIP reauthorization process early so that Congress can reauthorize the program and avoid a lapse.

The RAA is the leading trade association of property and casualty reinsurers doing business in the United States. Our membership includes reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross-border basis. The RAA represents its members before state, federal, and international bodies.
Commercial insurance and reinsurance availability are key underpinnings of the U.S. economy. Insurers and reinsurers have aided in the economic recovery from significant natural disasters in recent memory, and in the wake of the September 11 terrorist attacks, were a crucial part of the recovery. Insured losses for September 11, in today’s dollars, amounted to over $46 billion dollars, almost two-thirds of which were absorbed by the reinsurance industry.

Terrorism risk poses great challenges as an insurable risk because its frequency, severity, and correlation characteristics make it unlike any other insured peril or risk. As a result, Congress enacted the Terrorism Risk Insurance Act of 2002 (TRIA) to provide an essential Federal backstop that enables insurance companies to provide terrorism coverage to our nation’s businesses. In our view, TRIP has fulfilled, and continues to fulfill, its purpose. By limiting insurers’ exposure to catastrophic terrorism losses, TRIP has provided the stability, structure, and certainty to enable a market for insurance coverage for terrorism risk. Under TRIA and TRIP reauthorizations, the availability of terrorism risk insurance has increased. The overall U.S. terrorism insurance take-up rate is around 60%. The amount of private capacity for such risks, however, is clearly limited because of the nature of the risk, particularly with respect to Nuclear, Biological, Chemical, and Radiological (NBCR) and non-conventional exposures.

The RAA supported TRIA in 2002, and TRIP reauthorizations in 2005, 2007, and 2015. The RAA believes that TRIP is a necessary program to provide essential stability to the terrorism risk insurance market. Accordingly, the RAA supports TRIP reauthorization in advance of its December 2020 expiration with no lapse.

The RAA looks forward to working with the Chairman, Ranking Member, and other Committee members as options for TRIP reauthorization are evaluated and encourages members to study the impact on the market – businesses and insurers – before considering changes to TRIP.

Thank you for the opportunity to submit the RAA’s statement for today’s hearing record and for your consideration of our position.