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# "The Reauthorization of the Terrorism Risk Insurance Act of 2002"

**Testimony**

**Hearing before the House Financial Service Subcommittee on Housing and Insurance**

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**Introduction**

Chairman Flood, Ranking Member Cleaver, and members of the House Financial Services Subcommittee on Housing and Insurance, thank you for the opportunity to provide testimony on behalf of the Greater New York Mutual Insurance Company and the National Association of Mutual Insurance Companies regarding "The Reauthorization of the Terrorism Risk Insurance Act of 2002."

My name is Liz Heck – I am the Chairman, President, and CEO of GNY, and served as the immediate past Board Chair of NAMIC. For over 100 years, GNY has provided policyholders with the vital support necessary to protect and grow their businesses. We are especially proud of our rock-solid financial stability – GNY has been rated A+ (Superior) by A.M. Best for most of its history. GNY was formed in 1914 out of an availability of need by a group of immigrant property owners in the early 20th century who were denied insurance by the providers of their day. So, they did what enterprising Americans have always done: They found a way to do it themselves. Today, GNY still specializes in Commercial Real Estate writing in 17 states and is the largest writer of commercial multi-peril business in New York and the 4th largest writer in New Jersey and Illinois. GNY is also the largest writer of apartment, condominium, and co-op buildings in New York City and most of the 17 states where the Company operates.

NAMIC consists of over 1,300 member companies, including six of the top 10 property/casualty insurers in the United States. The association supports local and regional mutual insurance companies on main streets across America as well as many of the country's largest national insurers. NAMIC member companies write $383 billion in annual premiums. Through its advocacy programs NAMIC promotes public policy solutions that benefit member companies and the policyholders they serve and fosters greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.[1]

My comments today are informed by my first-hand experience as a major writer of terror exposed property in New York City, both before and after the horrific events of 9/11, as a member representing small and midsized insurance companies on the Federal Insurance Office's Advisory Committee on Risk-Sharing Mechanisms, as chair of NAMIC's TRIA Task Force, and most importantly, as someone who was in lower Manhattan that morning. Amid the smoke and dust, fire and falling debris, I was forced to flee my apartment building with my children and my mother. Thankfully, we were able to make it safely out of the city, but we – like so many of our friends and neighbors – never returned home.

I encourage this committee and Congress to reauthorize the current TRIA program for the sake of market stability and continued, reliable protection for consumers across the country.

**Even in a New Era of Risk, Terrorism Risk Stands Alone**

The oft repeated axiom that "the only constant is change" rings especially true for property/casualty insurers as we find ourselves taking on a consistently more complex and riskier world characterized by converging pressures and challenges– what NAMIC refers to as a "New Era of Risk."[2] The insurance ecosystem faces collective challenges arising out of forces and pressures far beyond the control of the insurance industry, as interconnected risks continue expanding on more fronts than ever before. At the same time, the unique threat of terrorism and its related devastation continues to evolve amid an increasingly unstable and dangerous international environment.

While insuring against the financial devastation that could accompany a catastrophic terrorist attack might sound like a reasonable protective measure for markets to take on, a large-scale ***terrorist attack – like an***

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[1] https://www.namic.org/about-namic/

[2] https://www.namic.org/resource/the-future-of-insurance-seeking-solutions-in-a-new-era-of-risk/

***act of war – is not insurable.*** Terrorism is rooted in malicious, strategic human behavior creating dynamic threats that often involve unknown national or international actors. It is purposefully unpredictable and continuously evolving, always with the intent of causing harm. This is one reason why it is extremely difficult, and potentially impossible, to fully predict or meaningfully measure and confidently model terrorism risk for purposes of underwriting and rating.

**TRIA – From Unsteady Origins to Sustained Stability**

The insurance industry paid out approximately $60 billion, in 2025 dollars, following the September 11, 2001 terrorist attacks on New York City, Pennsylvania, and the Pentagon. This gave September 11th the distinction of being the most expensive terrorist-incident ever to occur in the U.S. and one of the largest single insured loss events in history.[3] These losses were concentrated in business interruption; 34 percent, property; 30 percent, and liability; 23 percent coverages. Soon after the attack, insurers and reinsurers modified their commercial insurance coverage offerings to contain substantial surcharges for or specifically excluded terrorism risk. The lack of coverage between September 2001 and November 2002 caused fears of a larger economic impact. Real estate projects and commercial mortgage-backed security markets were especially negatively affected by the scarcity of terrorism insurance.[4] In response to the shifting market dynamics, Congress passed the Terrorism Risk Insurance Act, or TRIA, in 2002, with a twofold stated goal to: (1) protect consumers by addressing market disruptions and ensure the continued widespread availability and affordability of property and casualty insurance for terrorism risk; and (2) allow for a transitional period for the private markets to stabilize, resume pricing of such insurance, and build capacity to absorb any future losses, while preserving state insurance regulation and consumer protections.[5]

Since its passage, the existence of the program has provided security as a valued risk-sharing mechanism between the federal government and the private market. By reducing fear of a worst-case terrorist event that could render companies insolvent and creating a space for a viable private market to function across four renewals over the last two decades, TRIA has continuously provided the certainty needed for the commercial property/casualty insurance industry to effectively operate and policyholders to purchase coverage that would otherwise be unavailable.[6] While some details of the program mechanics have changed over time – for instance the program trigger, individual insurer deductibles, and co-pay shares – the foundational structure remains as originally designed, and this stability and financial preparedness benefits interested stakeholders and the American taxpayer.

Today, losses from all but the largest terrorist attacks would be completely borne by the private sector without involvement of the TRIA program. The marketplace has increased capacity and the Federal Insurance Office's most recent report on the program's effectiveness states that "terrorism risk insurance remains generally available and affordable, even with the overall [P&C] market hardening."[7] The report further states that terrorism risk insurance "continues to be priced at a relatively low and consistent percentage of total P&C premium." In other words, the program is largely working and meeting its objectives.

**TRIA Remains Necessary Moving Forward**

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[3] https://content.naic.org/insurance-topics/terrorism-risk-insurance-act

[4] Congressional Research Service, *Terrorism Risk Insurance: Overview and Issue Analysis,* March 8, 2002.

[5] P.L. 107-297

[6] Reauthorizations in 2005 (P.L. 109-144), 2007 (P.L. 110-160), and 2015 (P.L. 114-1) included substantive changes to the mechanics of the program; the 2019 (P.L. 116-94) reauthorization only extended the program for seven (7) years.

[7] https://home.treasury.gov/system/files/311/2024ProgramEffectivenessReportFINAL6.28.2024508.pdf

Terrorism risk coverage is available either embedded in broader commercial coverage or on a stand-alone basis, with the latter most often when properties, operations, or events present heightened exposure to terrorism risk. As of 2025, approximately 79 percent of commercial multi-peril policies – the most common coverage for small and medium sized businesses in America – include some level of coverage for terrorism risk. The U.S. Treasury Department estimates the take-up rate on terrorism insurance to be between 58 percent and 77 percent, a significant increase from just 27 percent two decades ago.[8]

These statistics are generally encouraging. The limited market for coverage continues to mature and the general capacity of insurers to bear risk has increased since the inception of TRIA. These are indicators that the program is working extremely well in its current form, while at the same time - the fundamentals underlying the need for the program have not changed. We continue to support a long-term reauthorization, because the following problems with terrorism risk insurance persist:

- Limited Actuarial Data: Insurers rely on large quantities of data to quantify and evaluate risk. Without ample data, the ability to conduct a credible analysis is diminished, reducing ways to more accurately model or calculate necessary pricing, and ensure enough capital is available to cover potential for large-scale terrorist events.

    - The scarcity of loss data is particularly relevant to the consideration of nuclear, biological, chemical or radiological weapons. NBCR risk poses severe aggregation difficulties and is especially concerning for large cities and central business districts.

    - The scarcity of data also makes anticipating the timing, location and cost of future attacks virtually impossible.

        - Unlike extreme weather that can often be seen developing by many observers and tracking technologies, only government officials tasked with national security, appropriately, are privy to trends or reports that might indicate a higher propensity for an attack at a given moment in time.
        - Historical data from previous events is not predictive in the same way it is for natural catastrophes. Terror attacks are designed to be unpredictable as to time, location and attack mode.

- Risk Concentration: Consistent with population trends, terrorism risk is too highly concentrated to effectively pool across geographical locations and policyholder types.

- Interdependency: Prevention of terrorist attacks is predominantly more dependent on the U.S. government's national security apparatus than on steps an individual policyholder can control. Unlike other more typical insured events, mitigation or vulnerability control efforts at the policyholder level are not sufficient to prevent dagame from a terror attack as compared to what exists for protection against weather losses. While geographical proximity may matter, it is not a pre-requisite, as shown by the 2001 anthrax scare using the U.S. Postal Service.

- Human Actions: Terrorist attacks are not fortuitous or random. They are deliberate, malicious, and strategic acts undertaken by humans intent on causing harm. While governments can and do enact countermeasures, terrorists react by modifying future plans in consideration of such efforts.

NAMIC generally opposes federal government insurance backstop programs where there are concerns that they may impair or disrupt a diverse and competitive private insurance market. However, TRIA

[8] Id.

represents the rare situation where a clearly defined problem can only be solved by a federal partnership to facilitate insurability in a way that does not harm markets or market participants and ultimately reduces risk against scenarios where other solutions have been exhausted.

Additionally, NAMIC notes that insurance contracts that will be based on the presence of the program are drawn up and negotiated well in advance of its potential expiration. The last reauthorization was completed a full year in advance of the program's expiration, which avoided the significant disruptions that would come from uncertainty. NAMIC encourage Congress to take this into consideration and act swiftly on a long-term reauthorization.

**Conclusion**
The possibility of a major terrorist attack against the U.S. remains an unfortunate reality, and the complex factors surrounding terrorism risk are as present now as they were when TRIA was enacted. NAMIC has supported the TRIA program as a commonsense, practical solution that has enabled economic development at virtually no cost to taxpayers, who remain protected by the recoupment mechanism. The continued presence of this well-defined partnership program between the government and private insurers ultimately serves to *reduce* rather than increase the likelihood of complete federal financial liability for terrorism losses.

To summarize the actions, we respectfully offer this committee three principles to guide its work and recommendations for action:

- Longevity – The reauthorization should be long-term to provide the markets stability and certainty. We recommend a 10-year reauthorization.

- Simplicity – The TRIA Program is functioning very well in its current form, with few issues being reported in the marketplace and taxpayers fully protected through the recoupment mechanism. We urge against making any significant changes that could undermine the program's success to-date.

- Speed – Insurance contracts that will be based on the presence of the program are drawn up and negotiated well in advance of its potential expiration. Last reauthorization was completed a full year in advance of the program's expiration. This was of the highest importance and we hope that Congress can once again act swiftly to complete this reauthorization next year.

NAMIC is committed to working with policymakers to further strengthen U.S. insurance markets; providing solutions that empower policyholders to help manage their financial security in the face of risks is what mutual insurance companies do every day. In the case of terrorism risk, TRIA plays a critical role in the functioning of the market and the association respectfully recommends Congress reauthorize the program on a long-term basis without delay.