

NAR Issue Summaries

Insurance / Terrorism Insurance

NAR Committee:

Insurance Committee

What is the fundamental issue?

Congress must reauthorize the Terrorism Risk Insurance Act (TRIA) program to ensure access to affordable coverage for commercial property. TRIA is next set to expire at the end of 2027.

I am a real estate professional. What does this mean for my business?

TRIA is a public-private partnership created to protect the nation's business sector by making available terrorism risk insurance coverage. This has been a particular concern for those in the commercial real estate industry who require terrorism coverage to secure financing. Commercial mortgage-backed security (CMBS) borrowers face the threat of default and bond downgrades without adequate coverage. In the retail and multifamily sectors, a rise in terrorism insurance premiums can reduce commercial property value. If terrorism insurance becomes unavailable, commercial real estate borrowers could be in technical default of financing obligations.

NAR Policy:

Supports the continued availability and affordability of terrorism risk insurance coverage under the TRIA program.

Opposition Arguments:

Opponents assert that the TRIA program is no longer necessary and should be phased out in order to allow the private insurance market to take over. However, when the program has been allowed to briefly lapse or there has been a significant threat of a lapse, private insurers have responded by no longer offering terrorism risk insurance coverage, or offering it at significantly higher prices that are not sustainable to commercial real estate markets.

Legislative/Regulatory Status/Outlook

The Terrorism Risk Insurance Act (TRIA) program must be reauthorized before Dec. 31, 2027.

On December 17, 2019, the House of Representatives passed H.R. 1865, a year-end spending bill which included provisions to reauthorize TRIA for 7 years (through 2027). On December 19, the Senate did the same. H.R. 1865 makes no changes to the TRIA program other than requiring a GAO study on cyber-terrorism.

Following a brief lapse in Congressional authority in 2015, the program was extended for 6 years (through 2020) with several structural changes. Changes included raising from \$100 to \$200 million the amount of losses before the federal backstop is "triggered"; decreasing the government's share of the losses above that point from 85% to 80%; and increasing the mandatory recoupment amount from \$27.5 to \$37.5 billion.

As part of the reauthorization, several government studies were commissioned on terrorism risk insurance. [The CBO released a study](#) on the TRIA program, examining its history, how the current program works, its effects on insurance markets, and policy options for the future. The Treasury Department also conducted several studies and reports to Congress that were favorable to the program.

Current Legislation/Regulation (bill number or regulation)

No legislation at this time.

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