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 fill in a gap in the private insurance market and protect the nation's business sector by making available terrorism risk insurance coverage. 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 the allow the private insurance market to take over. However, when the program has been allowed to briefly lapse or there has been a signficant 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 commerical real estate markets.

Legislative/Regulatory Status/Outlook

The Terrorism Risk Insurance Act (TRIA) is set to expire on December 31, 2027, and Congress has already begun holding hearings on its reauthorization.

On December 19, 2019, Congress passed H.R. 1865, a year-end spending bill that extended TRIA through 2027. The legislation made no substantive changes to the program.

Previously, following a brief lapse in authority in 2015, TRIA was reauthorized for six years with several structural changes:

- Increased the program’s trigger threshold from $100 million to $200 million in insured losses.
- Reduced the federal share of losses above the threshold from 85% to 80%.

- Raised the mandatory recoupment amount from $27.5 billion to $37.5 billion.

Congress created the TRIA program on November 26, 2002, through Public Law 107–297.

Current Legislation/Regulation (bill number or regulation)

Congressional authorizing committees are holding hearings but have not yet introduced legislation at this time.

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