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The Terrorism Risk Insurance Act (TRIA)

Prior to the September 11, 2001, terrorist attacks, insurance covering terrorism losses was normally included in commercial insurance policies without additional cost to the policyholders. The insured losses on all insurance lines from the 9/11 attacks were approximately \$60 billion in current dollars, an amount well above other insurance industry experiences with terrorism losses and among the most costly insured events ever in the United States.

Following September 2001, insurers and reinsurers pulled back from offering terrorism coverage. Some observers feared that a lack of insurance against terrorism loss would have a wide economic impact, particularly because insurance coverage can be a significant factor in lending decisions.

Congress responded to the disruption in the insurance market by passing the Terrorism Risk Insurance Act of 2002 (TRIA, P.L. 107-297). TRIA created a temporary program initially set to expire at the end of 2005. The Terrorism Risk Insurance Program (TRIP) was aimed at calming markets through a government reinsurance program sharing in terrorism losses. This was intended to give the insurance industry time to gather the data and create the structures and capacity necessary for private insurance to cover terrorism risk.

TRIA does not cover terrorism losses directly but would instead reimburse private insurers for a portion of what they pay insureds for terrorism losses. The act does not require premiums to be paid by private insurers for the government coverage. However, the act does require insurers to offer commercial insurance for terrorism risk, which insurers were not generally offering prior to enactment. In addition, TRIA provides that the government recoup some or all federal payments under the act from insurers in the years following government coverage of insurer losses. The TRIA program is limited to commercial property and casualty insurance. It does not cover losses in health or life insurance or losses in personal property lines, such as homeowners insurance.

Following TRIA's enactment, terrorism insurance became widely available and largely affordable, and the insurance industry greatly expanded its financial capacity. There has been, however, little apparent success in developing a longer-term private solution, and fears have persisted about the economic consequences if terrorism insurance were not available. Thus, although explicitly designed as a three-year program, TRIP has been extended several times since 2002. It is currently set to expire at the end of 2027.

Congress has adjusted the precise program details under TRIA over time, particularly (1) the *program trigger*, an

aggregate annual minimum loss threshold below which no government loss sharing occurs; (2) the *federal share of insured losses*; (3) the *insurer deductible*, an amount based on each insurer's premium volume; and (4) the *insurer aggregate retention amount*, the losses retained by insurers if post-attack recoupment occurs. In addition to these thresholds, a single attack must cause a minimum of \$5 million in insured damages to be certified under TRIA. No attack has been certified under the act, and no federal payments have been made from the program.

TRIA Extension

Congress has passed four extensions to the TRIA program in 2005 (P.L. 109-144), 2007 (P.L. 110-160), 2015 (P.L. 114-1), and 2019 (P.L. 116-94). The 2005 extension primarily focused on reducing the government's upfront financial exposure under the act, whereas the 2007 extension left most of the upfront aspect of the program unchanged but accelerated the post-event recoupment provisions. The 2007 legislation also included the only expansion of TRIA since initial enactment: It expanded the program to cover any acts of terrorism, as opposed to only foreign acts of terrorism.

P.L. 110-160 extended TRIA to the end of 2014, but no extension legislation was enacted in this time frame. Thus, the program expired for 12 days until the President signed P.L. 114-1 in January 2015. This law extended the program nearly six years, until the end of 2020, while reducing the government's share of the losses compared with the program as it was in 2014. Specifically, P.L. 114-1 gradually (1) increased the program trigger from \$100 million to \$200 million, (2) reduced the government share of the losses from 85% to 80%, and (3) increased the insurer aggregate retention amount from \$27.5 billion to \$37.5 billion and indexed it to the sum of insurer deductibles in years thereafter. P.L. 116-94 extended TRIA to the end of 2027, leaving the rest of the law essentially unchanged.

The Terrorism Insurance Marketplace

Prior to 2015, data regarding the market for terrorism insurance was somewhat inconsistent, because state regulators have historically not required granular reporting by insurers on terrorism coverage. Most terrorism insurance statistics were gathered by private surveys. This changed following P.L. 114-1, as Congress required the Treasury Department to collect specific data, and the state regulators also strengthened their data reporting requirements.

Analyses by Treasury have seen TRIP as supporting a terrorism insurance market that is generally stable with available and affordable insurance. Estimates for the *take-up rate* for terrorism coverage range from around 60% to

nearly 80% depending on what metrics are used. The total of premiums for all TRIP-eligible lines of insurance was \$314.1 billion in 2024. Typically, between 30% and 35% of the terrorism coverage is provided as part of broader insurance without a specific charge. In total, Treasury estimates that insurers have received \$68.3 billion in terrorism insurance premiums from 2003 through 2023.

Although the terrorism insurance marketplace appears relatively robust, this occurs within the context of the federal backstop for terrorism coverage. The large majority of terrorism insurance coverage written is eligible for TRIP, with Treasury finding that, for example, 74% of the standalone terrorism policies in 2024 were TRIP eligible. Whether private coverage would remain available and affordable without TRIA is uncertain.

How Would TRIP Work?

In the aftermath of a terrorist attack, the first step would be for private insurers to pay claims under whatever terms are in place in the existing policies. Insurers would then submit for partial reimbursement to the Treasury. For reimbursements under TRIA to occur, the Secretary of the Treasury must certify the attack, including that the single attack caused more than \$5 million in losses. Next, the total aggregate annual terrorism losses must be greater than \$200 million. After these industry-wide thresholds are met, each individual insurer is responsible for a deductible equal to 20% of its premiums on TRIP-eligible lines of insurance. The Treasury would then reimburse the insurers 80% of their losses from the terrorist attack above this deductible.

What Would Happen Afterwards?

In the years following the attack, the recoupment provisions in TRIA would take effect. The Secretary would be required to recoup some or all of the reimbursements to specific insurers by placing a premium surcharge on all the insurers offering commercial property/casualty insurance lines covered by TRIP. (This surcharge may vary for different lines of insurance and different geographic areas.)

Mandatory recoupment is required to be completed by 2029 and would be equal to 140% of the difference between the aggregate retention amount and the total amount of insured losses that were not reimbursed by the government. The aggregate retention amount for a calendar year is based on aggregate premiums for the previous three years. For 2025, it is the lesser of approximately \$53.3 billion and the total amount of insured losses. The Secretary has the authority to extend recoupment to include all losses reimbursed by the government, but this discretionary premium surcharge may not exceed 3%.

Policy Issues in TRIA Reauthorizations

Although the temporary TRIA program has been extended for 22 years past its initial three-year term, various questions about TRIA have been raised over the years. Such questions have included the following:

- **Is TRIA still needed? If so, how long should extensions last?** Past extensions have ranged from two

years to seven years, and in each case, some have argued that it is time to allow the program to expire and return terrorism risk solely to the private sector rather than reauthorize for any length of time.

- **Should the private sector contribution change?** The amount of risk borne by the private sector has increased since initial TRIA passage, with increased triggers, deductibles, and private share in terrorism losses. The post-event recoupment has increased as well. Continuing this trend, however, could eventually result in TRIP effectively sharing little terrorism risk and blunting the effectiveness of the program in the event of a terrorist attack. Alternatively, upfront premiums could be charged for the government coverage, although this would constitute a more substantial change to the TRIA's program design.
- **Should TRIA specifically address nuclear, chemical, biological, or radiological (NCBR) terrorist events?** NCBR events are the most likely to inflict large losses due to a terrorist attack. Such attacks, however, may not actually result in full coverage under the TRIP, because the underlying private policies may effectively exclude NCBR events.
- **Should TRIA specifically address cyberterrorism?** The underlying TRIA statute is generally silent on cyberterrorism. In 2016, the Treasury Department issued guidance clarifying that the "cyber-liability" line of insurance, introduced by state regulators in 2016, would be included as property/casualty insurance under TRIP. A cyberterrorist event, however, must meet all other TRIP thresholds, which might reduce the program's applicability to such cyberattacks. The Government Accountability Office issued a 2022 report on cyber insurance recommending that the Cybersecurity and Infrastructure Security Agency and Federal Insurance Office "jointly assess the extent to which risks to critical infrastructure from catastrophic cyber incidents and potential financial exposures warrant a federal insurance response."

Congressional Action

In January 2026, the House Committee on Financial Services amended and ordered reported H.R. 7128. The amended bill would extend the TRIA program until 2034 while raising the level of losses required for certification of a terrorist act to \$10 million starting in 2029. It would also place notice requirements on the Treasury Department during the certification process.

CRS Resources

CRS Report R47042, *Terrorism Risk Insurance: Overview and Issue Analysis*, by Baird Webel.

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