



# News Release

## Actuaries Examine Terrorism Risk Insurance Act

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Washington, D.C. – With the uncertainty of the occurrence and magnitude of another terrorist attack on American soil, the Extreme Events Committee of the American Academy of Actuaries has released a monograph examining the impact of terrorism on property and casualty insurers. This analysis will be helpful in evaluating the merits of legislation to extend the Terrorism Risk Insurance Act of 2002 (TRIA), which recently was introduced in the U.S. House of Representatives.

The Terrorism Risk Insurance Act of 2002, implemented by the U.S. Department of the Treasury, is a federal program providing reinsurance to property and casualty insurers in the event of terrorism from a foreign source. The act helps commercial property owners obtain affordable terrorism insurance by requiring insurers to offer terrorism insurance while providing reinsurance to cover much of the large terrorism losses. Insurance availability is essential for construction, business expansion, and economic growth. The program will end on December 31, 2005.

The Academy's Extreme Events Committee monograph analyzes four major points about the need for a federal backstop program: the difficulty of quantifying the losses from an extreme terrorist attack, making it difficult to understand and pool the risk, 2) the perceived concentration of terrorism targets in major urban areas, making it difficult for an insurer to diversify the risk, 3) the threat of insurer insolvency(ies) from an extreme terrorist attack, and 4) the legal, regulatory, financial, and actuarial hurdles the industry will have to overcome in finding a new way to manage the risk. Copies of the monograph can be found at [http://www.actuary.org/pdf/casualty/tria\\_may04.pdf](http://www.actuary.org/pdf/casualty/tria_may04.pdf).

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The American Academy of Actuaries is the nonpartisan public policy organization for the U.S. actuarial profession, representing 15,000 members nationwide. The Academy provides independent analysis to elected officials and regulators, maintains professional standards for all actuaries, and communicates the value of actuarial work to the news media and the public.