

# How standalone terrorism coverage can reduce an insured's total cost of risk

Throughout 2022, the public learned of plots to kidnap elected officials, politically motivated shootings, and even a bomb threat at the capital. And that was just in the United States. Politically motivated acts of violence and the risk of terrorism are on the rise, and, while terrorism insurance is no longer a novel principle, the types of coverage available are diversifying. The insurance community should be aware of all the facts regarding terrorism insurance to help insureds protect their financial interests.

## Terrorism insurance

At its root, terrorism insurance is designed to protect businesses against the unpredictable nature of a terrorist attack. An act of terrorism can be large and high profile in scale, or small and discreet, and can occur anywhere and at any time (as evidenced by recent activity). The evolution of smaller attacks on soft targets and crowded places — along with violent acts by individuals in so-called “active assailant” attacks — has made terrorism insurance a necessary component of a comprehensive risk management program.

It is important for brokers to consider all the available terrorism insurance options for their clients. At a time when the commercial property market is seeing high levels of disruption and insureds are facing significant price increases, standalone terrorism insurance policies can help insureds reduce their total cost of risk.

## By the numbers

**893**

The number of terrorist attacks and plots in the United States between 1994 and 2020.

Source: Center for Strategic and International Studies



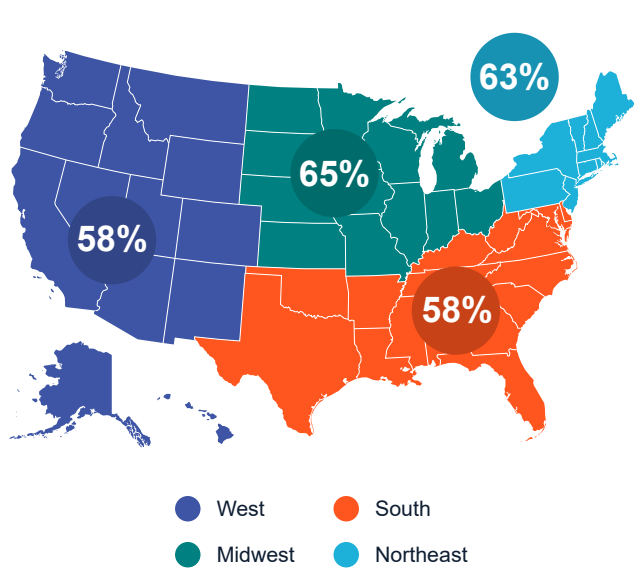
The number of terrorism incidents “certified” under the Terrorism Risk Insurance Program Reauthorization Act to date

2021 Terrorism risk insurance take-up rates by policy count, direct earned premiums and policy limits

Policy count	Direct earned premiums	Property limits	Liability limits
<b>75%</b>	<b>60%</b>	<b>59%</b>	<b>51%</b>

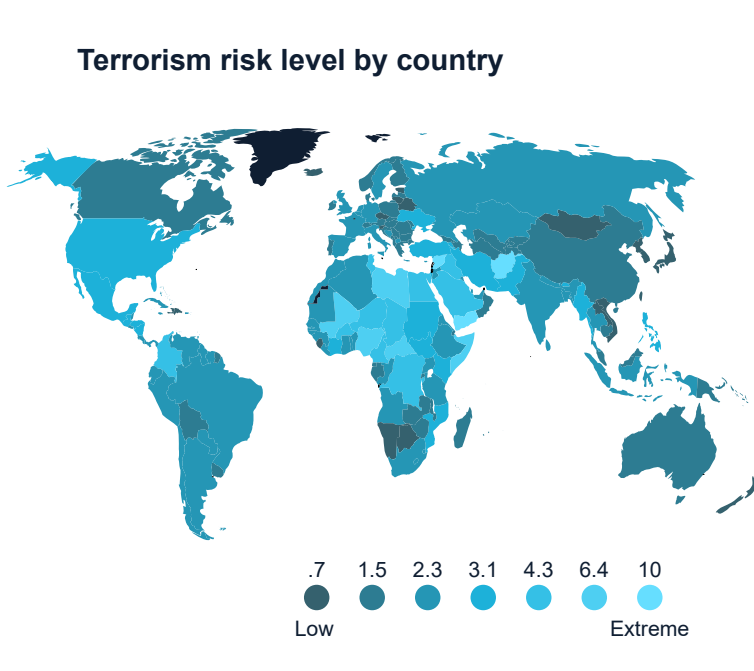
Source: 2022 TRIP data call

### Terrorism risk insurance take-up rates by direct earned premiums by region



Source: Federal Insurance Office

### Terrorism risk level by country

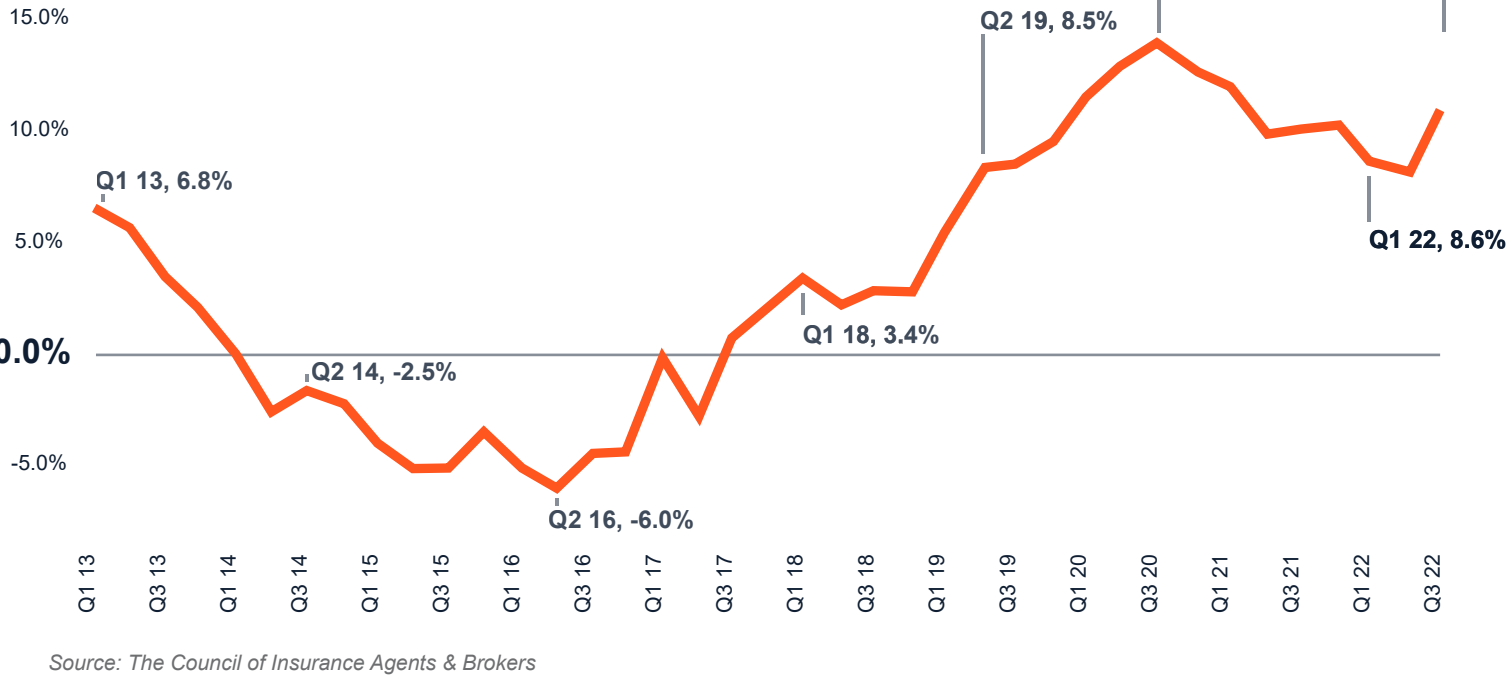


Source: 2021 IHS Market

## The value of standalone terrorism coverage in a hard property market

Commercial property insurance is experiencing a hard market driven by inflationary construction costs, supply chain disruptions, an increase in the frequency and severity of catastrophic events, pressures in the reinsurance markets, and labor shortages, among other factors. Many insureds are seeing double-digit rate increases on their commercial property insurance premiums in the current market. For CAT-exposed businesses, rate increases can be even higher.

### Premium change for commercial property, 2013–2022



Source: The Council of Insurance Agents & Brokers

Following 9/11, Congress enacted the Terrorism Risk Insurance Act (TRIA). The act created the Terrorism Risk Insurance Program (TRIP) — a federal loss-sharing program for certain insured losses resulting from a certified act of terrorism. This act has been renewed four times as the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA).

The hard insurance market directly impacts the cost of terrorism insurance offered through the federal government’s TRIA. Premiums for TRIA policies are linked to an insured’s total commercial property insurance cost. Typically, insurers will charge insureds a fixed rate of overall commercial property insurance premiums for TRIA coverage. As commercial property insurance costs rise, so too does the cost of TRIA coverage.

In today’s market, it’s important for insurance brokers to evaluate standalone terrorism insurance policies for their clients as an alternative. These policies can offer more value, broader coverage terms and greater underwriting flexibility. Standalone terrorism insurance is priced independently of the Property/CAT market and so, in many cases, can be less expensive than the coverage available through TRIA.

## The benefits of standalone terrorism coverage

Under TRIA, businesses are provided with some coverage, but it’s limited in scope. Standalone terrorism insurance can offer broad, tailored and flexible solutions to address a client’s specific needs.

### Comparison of TRIPRA coverage vs. Munich Re standalone terrorism insurance

TRIPRA coverage	Munich Re standalone coverage
TRIPRA requires U.S. Government certification in order to respond to a loss. There have been no incidents “certified” under TRIPRA to date, including the Boston Marathon bombing as well as events in San Bernardino, CA; Charleston, SC; and Orlando, FL. TRIPRA has yet to pay a claim.	Other than an applicable policy deductible or excess, there is no monetary threshold that must be met. With a Munich Re standalone policy, insureds can feel more secure that their losses will be covered.
TRIPRA requires a terrorism event to exceed \$5 million in insured losses to qualify as a “certified” event.	Policy will apply as long as the terrorist event meets the policy definition. Government certification is not required for the policy to indemnify insured losses.
Coverage is available only in U.S. locations — international assets will not be covered.	Munich Re provides coverage in the U.S. as well as internationally.
Property insurers typically calculate a TRIPRA premium based on a flat percentage of the all-risk premium. This can mean a significantly high TRIPRA premium if the risk has high exposure to catastrophic perils or adverse loss experience.	Coverage is offered for up to 24 months for operational risks and 72 months for builder’s risk/construction, providing clients with stable, continuous coverage.
TRIPRA’s claims-handling ability has not been tested, as no losses have been paid since its inception.	Each submission is reviewed based on the risk’s actual terrorism exposure, independent of the all-risk premium and the risk’s exposure to natural catastrophes.
	Munich Re’s in-house claims team is renowned for quality handling of all aspects of loss recovery.

## Take the next step with Munich Re

Munich Re Specialty Insurance is a market leader in terrorism insurance. Munich Re can offer brokers and their clients the following:

- Capacity of up to \$425 million per risk
- Standalone terrorism forms or terrorism follow-forms
- Worldwide coverage
- Ability to write as primary, excess and/or quota share
- Exposure-based ratings
- Coverage solutions for first-party physical damage and business interruption, contingent time element, construction risks, third-party terrorism liability, cyber terrorism, malicious attack/active assailant cover and event cancellation following an attack
- Broad risk appetite, including: residential/habitation property, manufacturing industries, commercial real estate, retail & wholesale, warehouses, oil & gas facilities, conventional power plants, renewable energy, offshore-risks, builder’s risk/construction projects

Learn more about Munich Re Terrorism & Political Violence coverage at <https://www.munichre.com/us-non-life/en/solutions/specialty-insurance/terrorism-political-violence-coverage.html>.



### Subject matter expert

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Adam Posner (ACII) is the Head of U.S. Terrorism & Political Violence at Munich Re Specialty Group North America (MRSGNA), a coverholder for Munich Re Lloyd’s Syndicate 457. Adam’s expertise and experience have helped MRSGNA develop a significant presence in the North American market, assisting clients in preventing, preparing for, and recovering from crisis incidents.

Adam joined MRSGNA from Allianz Global Corporate and Specialty where he led the U.S. Terrorism underwriting division within the Crisis Management group. Before that, Adam spent eight years at Catlin/XL Catlin in London, focused on building terrorism risk solutions.

In addition to underwriting, Adam is experienced in catastrophe modeling and has published various materials on the changing nature of terrorism, including “Let’s Talk: The Middle East – the evolving terrorism threat and the rise of the lone wolf.”

Munich Re Specialty Insurance (MRSI) is a description for the insurance business operations of affiliated companies in the Munich Re Group that share a common directive to offer and deliver specialty property and casualty insurance products and services in North America.

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January 2023

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