Treasury Releases Assessment of Small Insurer Competitiveness in the Terrorism Risk Insurance Marketplace

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WASHINGTON —

The U.S. Department of the Treasury's Federal Insurance Office (FIO) has released its 2023 "Study of Small Insurer Competitiveness in the Terrorism Risk Insurance Marketplace." In addition to providing updates on the role of small insurers in the terrorism insurance marketplace, the Report identifies new insights available from FIO's expanded cyber insurance data collection, and shares analysis based upon the use of terrorism risk modeling to evaluate potential impacts small insurers under the Terrorism Risk Insurance Program (TRIP).

"Treasury recognizes that small insurers are an important component of the terrorism risk insurance marketplace and welcomes the opportunity to evaluate the issues that they face in that market," said Felton C. Booker, Deputy Assistant Secretary for Financial Institutions Policy.

FIO analyzes data collected by Treasury on the participation of insurers in TRIP and publishes a report on small insurer market competitiveness on a biennial basis, as required by the Terrorism Risk Insurance Act of 2002, as amended (TRIA). TRIA established TRIP, which requires insurers to make terrorism risk coverage available within certain lines of commercial insurance. To assist insurers with the resulting potential financial exposure, certain insurance losses are eligible for reimbursement through TRIP if they result from an "act of terrorism" as defined by TRIA and certified as such by the Secretary of the Treasury.

The Report finds that small insurers are important components of the large and diverse U.S. insurance market, are significant participants in the market for terrorism risk insurance in the United States, and that small insurers' market share in TRIP-eligible lines of insurance has been stable since 2017 with an observed increase in market share in the last two years.

The report's key findings include:

- **Small insurers remain competitive overall in the terrorism insurance market**, even having larger than average or the largest market share in some segments.

- **Small insurers have become more likely to assess premium for terrorism risk insurance**, even though take-up rates are slightly lower among small insurer policyholders.
- Changes in market conditions or TRIP mechanics could cause **small insurers to exit certain market segments entirely**.
- FIO's catastrophe modelling shows that **some types of terrorist acts may leave small insurers exposed** to losses below the Program Trigger of $200 million.

FIO, which was established within Treasury by the Dodd-Frank Wall Street Reform and Consumer Protection Act, monitors all aspects of the insurance sector, and assists the Secretary in administering TRIP.

A copy of the report is available here.

For more information on FIO visit here.

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