

April 27, 2018

Steven E. Seitz  
Deputy Director, Federal Insurance Office  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

**Re: 2018 Terrorism Risk Insurance Program Effectiveness Report**

Dear Deputy Director Seitz:

We write on behalf of the National Association of Insurance Commissioners (NAIC)<sup>1</sup> regarding the Treasury Department's 2018 Terrorism Risk Insurance Program (TRIP) Effectiveness Report.

State insurance regulators have supported the Terrorism Risk Insurance Act since its inception and its subsequent reauthorizations. We believe that the presence of a federal partnership with the private insurance markets has provided a measure of security to the insurance industry by minimizing market disruptions and ensuring the widespread availability of property and casualty insurance for terrorism risks. The availability of this coverage provides stability to commercial policyholders, lenders, builders, and the businesses that operate in areas prone to a terrorist attack. This public-private partnership ensures that insurers bear primary financial responsibility for losses from terrorism and must make the coverage available, while effectively capping the magnitude of losses and recouping federal funds if they are expended.

State insurance regulators have not seen evidence to suggest that the insurance marketplace is capable or willing to voluntarily take on a substantial portion of the risk of providing terrorism risk coverage. The difficulty in accurately determining the frequency, severity, and loss costs for acts of terrorism makes coverage for acts of terrorism one that insurers would likely choose to avoid if given the opportunity. TRIP provides insurers with the security they need to allow them to offer coverage for acts of terrorism. It gives insurers a boundary on their ultimate costs of insuring the risk, and provides the maximum probable loss statistic for ratemaking and solvency purposes. TRIP helps foster the existence of a broader market for risks that would otherwise be largely uninsured, or more likely, borne by taxpayers.

We agree with Treasury Department findings from previous reports that TRIP remains an important mechanism in ensuring that terrorism risk insurance remains available and generally affordable in the United States. We look forward to a continued dialogue with Treasury officials as the department

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<sup>1</sup> Founded in 1871, the NAIC is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and the five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the U.S.

develops this year's report for Congress. Should you have any questions, please do not hesitate to contact Aaron Brandenburg, Economist and Statistical Information Manager, at (816) 783-8271 or Brooke Stringer, Senior Financial Policy and Legislative Advisor, at (202) 471-3974.

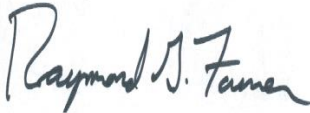
Sincerely,



Julie Mix McPeak  
NAIC President  
Commissioner  
Tennessee Department of  
Commerce & Insurance



Eric A. Cioppa  
NAIC President-Elect  
Superintendent  
Maine Bureau of Insurance



Raymond G. Farmer  
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Michael F. Consedine  
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