Policymakers should continue to shift risk and cost to insurers if the Terrorism Risk Insurance Act (TRIA) is extended, a new report from the American Action Forum (@AAF) recommends. TRIA, a federal reinsurance program which allows insurers to share losses with the government in the event of a catastrophic event, is set to expire at the end of 2014.

Other recommendations in the AAF research include:

- Increases to the risk and cost sharing mechanisms,
- Providing markets with forward guidance that outlines incremental and predictable increases for the next 5 to 7 years to the deductible, as well as other mechanisms of the program, and
- Including a “safety valve” in which a majority of Congress could delay increases under certain circumstances.

“By laying out modest but predictable increases, Congress can move toward the eventual outcome of a de minimus federal backstop and a vibrant private market,” concludes Satya Thallam, AAF’s Director of Financial Services Policy.

Click here to read the research.