



## TRIA uncertainty puts premium on assessing exposures

By: Mark Bunim

The Terrorism Risk Insurance Act was enacted in 2002 as a three-year temporary program to provide a safety net for commercial property insurance, obligating insurers to offer terrorism insurance coverage to their customers that they might otherwise be reluctant to make available. Now, the original legislation is clearly about to expire at year end, despite extensive lobbying to extend TRIA past 2005. In view of the U.S. Treasury Department's June 30 report which recommended that TRIA not be extended, Congress will undoubtedly not extend the current guarantee of governmental sharing in terrorism coverage.

Without TRIA in place to provide a safety net, insurers will be reluctant to offer terrorism coverage or will exclude terrorism from standard property policies, especially in vulnerable, high-density parts of the country such as major cities.

With the likely expiration of TRIA, what steps can commercial property owners

take? Clearly, rates will go up, and it is unlikely that lenders will allow owners of vulnerable property in major cities to go bare on terrorism. By engaging in concerted risk management programs and conducting vulnerability assessments for all properties, though, owners can put themselves in a stronger position to negotiate fair rates with insurers. In view of the federal government's belief that market forces should govern terrorism coverage, property owners and tenants that may be required to have terrorism coverage in place would do well to engage in a process to try to make rates somewhat reasonable.

For example, owners might call in third-party firms to examine all their properties and make written recommendations as to how to better secure the properties themselves and their perimeters, such as the parking lots, from possible attacks. Because suicide terrorist attacks are not unlikely, as we saw on 9/11 and in other parts of the world, proper precautions must be undertaken. A property owner that uses a risk assessment analyst should demand an extensive written report with a set of recommendations and a time frame to

enact those recommendations. That report, and the sincere undertaking of those recommendations, can then be presented by the broker to insurers to assist in procuring post-TRIA terrorism coverage at a more reasonable cost. Property owners should also run extensive background checks on their employees and on their employees of contract vendors that regularly come onto the premises, such as those that provide cleaning, trash removal and delivery services.

Clearly, property owners that have undergone this process will be in a better bargaining position than those that have not, and the insurance industry will have to take notice of the difference between those that are and are not committed to reducing risk. Given that Dec. 31, 2005 is not far away, preparations need to be made now to deal with this deadline.

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