

MARKETPLACE REALITIES & RISK MANAGEMENT SOLUTIONS

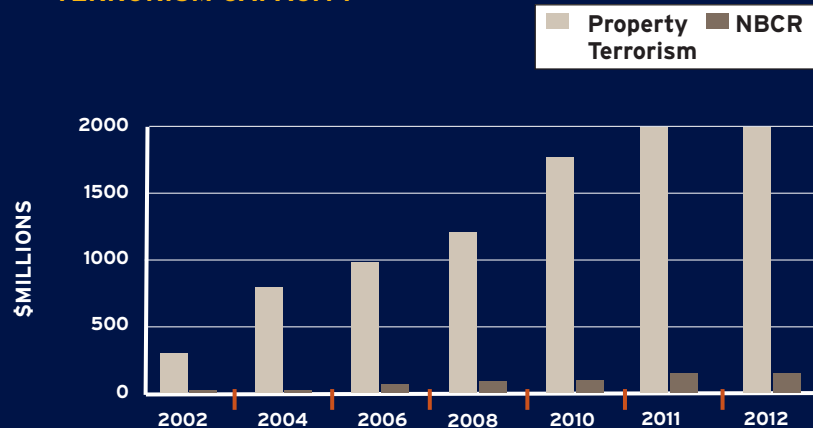
TERRORISM

- **Slight rate decreases are tracking with prevailing trends in the Property and Liability markets,** except for tier-one risks, for which rates remain relatively static.
- While rates have declined since 2002, **adverse selection and modeling deficiencies will continue to inhibit further softening of rates** and will leave carriers less willing to offer additional terrorism capacity.
- **Risks located in areas subject to high terrorism risk aggregation (tier-one risks) continue to be restricted in their ability to purchase adequate limits.**
- Increased usage of captive insurance facilities has provided additional capacity and enhanced coverage for otherwise uninsurable perils.
- Most policies still exclude nuclear, biological, chemical and radiological terrorism events. Stand-alone market capacity is limited to \$200 million per risk.
- **Approximately two-thirds of all companies purchase Property Terrorism insurance,** either embedded in Property programs or on a separate, stand-alone basis. **An estimated 40-45% purchase Liability Terrorism.**
- Further extension of the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) beyond its current 2014 expiration date has been put in doubt by the current administration.
- Without government intervention, the insurance industry would likely be unable to develop sufficient surplus to respond to the potential magnitude of a terrorist attack.

PRICE PREDICTIONS

Flat to -5%

TERRORISM CAPACITY



TERRORISM INSURANCE TAKE-UP BY INDUSTRY

HIGHEST	LOWEST
Real Estate	Manufacturing
Transportation	Retail
Utilities	Energy
Hospitality/Gaming	Mining
Health Care	Food & Beverage

CONTACT

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