

Study Questions: Michel-Kerjan—“How Does the World Cope with Mega-Terrorism?”

1. What kinds of entities seem to be the main targets of terrorism?
2. What is “mega-terrorism”
3. Of the insured losses associated with the attacks of 9/11, what sort of entities bore the majority of the costs?
4. Is terrorism insurance available to U.S. corporations? Explain.
5. What is “CBRN”? Is it/are they generally covered in terrorism insurance policies?

Note: You do not need to master the pricing details discussed in this article.

Note: The Table on the next page shows the updated terms of the TRIA>

Term	January 1, 2008— December 31, 2014
Coverage	The extension eliminates the distinction between acts of foreign or domestic terrorism.
Territory	U.S. only
Trigger	\$100 million
Insurer Retention	20%—applied against prior year direct earned premium
Government Share-Excess of Retention	85%
Recoupment/ Pay-Go	It is mandatory and its formula will be calculated using several factors: the size of the total loss, the amount of the industry aggregate retention, the amount that the insurers actually retain, and the amount of the federal government reimbursement. There is no maximum on the amount that will be applied to future policyholders' premiums. For events that occur before 2011, this amount must be collected by 9/30/2012. For events that occur after 1/1/2012, it must be collected by 9/30/2017. Congress and the Treasury Department will have some flexibility in how this is implemented.