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# Trends in Transnational Terrorism and Implications for U.S. National Security and U.S. Terrorism Risk Insurance Act

Peter Chalk

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## Abstract

The unprecedented losses brought about by the attacks of 11 September 2001 have cast the issue of terrorism risk insurance into sharp relief. In particular, it has raised questions as to whether attacks on this scale are an insurable risk and the extent to which the private insurance industry is able and/or willing to price such risks independent of a Federal safety net. Although the Bush administration has committed to renew the Terrorism Risk Insurance Act (TRIA) to offset the human and materiel costs that might result from future cataclysmic terrorist strikes taking place on U.S. soil, it is not apparent that this legislative framework is relevant to the type of extremist contingencies that the United States is likely to face over the short-to-medium term. Any long-term solution to providing insurance in America will necessarily need to go beyond TRIA's existing framework by dropping the "foreign interest" designation for certified attacks; including some sort of supplemental program that includes mandatory

coverage for chemical, biological, radiological, and nuclear (CBRN) assaults; and investigating ways to increase the take-up rates of terrorism insurance by lowering its cost to the customer. An oversight board mandated to evaluate the Act's performance and relevance to evolving terrorist trends would also be useful.

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## Notes

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5. United States Congress, Terrorism Risk Insurance Act, 107 Congress, 23 January 2002, sections 102–103; "A Limitless Risk," The Economist, 23 November 2002; Howard Kunreuther and Erwann Michel-Kerjan, "Policy Watch: Challenges for Terrorism Risk Insurance in the United States," Journal of Economic Perspectives 18(4)(Fall 2004), p. 204. Reinsurance for losses exceeding \$100 is at the discretion of Congress.

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23. For more on the alleged attack see John O'Neil, "Terror Plot Was in 'Earliest Stages,' Gonzales Says," *The New York Times*, 23 June 2006.
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25. Indeed, the United States has already confronted the potential specter of a dirty bomb strike instigated at the behest of a locally based Islamist seeking to further the wider cause of jihadist extremism. In June 2002, the federal government announced that it had arrested an American citizen—Jose Padilla—suspected of having been in contact with Al Qaeda and in the process of developing plans to detonate a uranium-enriched RDD. Although U.S. officials have admitted that the plot had probably not developed much past the discussion stage, they do believe that substantial initial surveillance had taken place of various attack locations, including in the region of the Capitol building. Padilla continues to be held as an enemy combatant at a Navy brig in South Carolina. For more details see Michael Richardson, *A Time Bomb for Global Trade* (Singapore: Institute for Southeast Asian Studies, 2004), pp. 56–58; Charles Lane, "Court Accepts Case of 'Dirty Bomb' Suspect," *The Washington Post*, 21 February 2004; Joan Ryan, "Not All Citizens Have Rights," *The San Francisco Chronicle*, 13 January 2005; and "The Dirty Bomb Suspect: Lots of Questions, Few Answers," *Time Magazine*, 11 June 2002.
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30. The Congressional Budget Office (CBO) also argues Washington's reluctance to extend TRIA beyond 2007 may be indicative of a belief that the provision of free insurance is working as a disincentive for private security. See CBO, *Federal Terrorism Reinsurance: An Update*, pp. 13–14. See also Congressional Budget Office, *Homeland Security and the Private Sector* (Washington, DC: Congress of the United States, December 2004).
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