

**Terrorism Risk Insurance Extension Act of 2005
(TRIEA)**

What it means to you as an insurance buyer

On December 22, 2005 President Bush signed into law the Terrorism Risk Extension Act of 2005 (TRIEA) which extended the Terrorism Risk Act of 2002 for 2 more years ending December 31, 2007.

This means insurance companies must continue to make available coverage for Certified Acts of Domestic terrorism under most property and casualty lines of insurance.

A Certified Act of Domestic terrorism is defined as an event that results in aggregate insured losses of \$5,000,000 or more that is committed on behalf of a foreign person or interest and results in damage within the U.S., its territories, or certain government locations outside the U.S., i.e. embassy locations.

If you purchased TRIA coverage on a policy with an inception date in 2005 and expiring in 2006 you probably had a conditional exclusion on your policy. This exclusion said if TRIA was not extended your terrorism coverage would expire December 31, 2005. Since TRIEA was signed into law you will continue to have terrorism coverage until policy expiration and have to do nothing. Your insurance company may charge an additional premium for coverage beyond December 31, 2005. You will receive a notice from them or from Britton-Gallagher if there is an additional charge. The chart below summarizes this situation and similar situations that may apply to you:

Situation	New Offer of Certified Terrorism Coverage Required in 2006?
Policy issued or renewed in 2005. Policy contains Conditional Terrorism Exclusion that did not take effect because TRIEA was enacted.	NO Coverage for Certified Acts of Terrorism will continue until policy expiration. May be an additional premium charge.
Policy issued or renewed in 2005. Policy contained an endorsement advising terrorism coverage expires December 31, 2005.	YES Insurance company is required to make an offer of certified terrorism coverage by January 31, 2006.
Policy issued or renewed in 2005. Certified Terrorism coverage was offered at time of issuance but coverage was rejected by you.	NO If you reject Certified Terrorism coverage at policy inception the insurance company is not required to make any further offer of coverage until policy renewal.
Policy processed in 2005 for coverage to be effective in 2006. No offer of Certified Terrorism made at time of processing because of potential expiration of TRIA on December 31, 2005.	YES Insurance company is required to make offer by January 31, 2006, to cover the entire policy period.

There are some differences between TRIA and TRIEA. Some lines of insurance are excluded under TRIEA that were previously covered under TRIA.

EXCLUDED LINES UNDER TRIEA:

- **Commercial auto physical damage, liability, and no-fault / new**
- **Surety / new**
- **Burglary and theft / new**
- **Professional liability (Directors & Officers is covered) / new**
- **Farmowners multiperil / new**
- **Life including group life**
- **Health**
- **Medical malpractice**
- **Reinsurance**
- **Flood provided under the National Flood Insurance Program**
- **Crop**
- **Financial guarantee**

Events whose cause is nuclear, biological, chemical, and radiological are not covered by TRIEA.

Other changes affect the insurance company's ability to receive reimbursement for a Certified Act of Terrorism but do not impact the coverage you receive. An event would have to be very large for insurance company reimbursement from the Federal Government under TRIEA to be triggered. For the biggest insurance companies who write billions of dollars of premiums annually they would each have to pay hundreds of millions of dollars of claims, if not billions of dollars, to receive federal reimbursement for claim amounts paid above their deductibles.

The original terrorism endorsements you saw on your policies will continue to be used with no changes.

The ability to purchase individual policies for both Domestic and Foreign caused acts of Terrorism still exists. Capacity is limited and cost is more expensive than the coverage available under TRIEA forms with minimum premiums of \$15,000 to \$25,000. Contact Britton-Gallagher to discuss your own specific needs.

TRIEA authorizes a study committee to be formed to study the long-term availability and affordability of terrorism insurance and to report its results to Congress by September 30, 2006. Congress, state regulators and the insurance industry are also considering organizing a joint group to develop a permanent long term solution. No matter what happens you will need to continue to manage your business's own terrorism risk by avoiding high concentrations of employees in one location, spreading out your plants or warehouses, managing your supply lines to minimize interruption to your business if one supplier is shut down, purchasing terrorism coverage where needed, and exploring other ways to protect your business and employees.

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