

Terrorism Risk Insurance Extension Act of 2005 (TRIEA)

On Friday, December 16, 2005, House and Senate negotiators completed a deal to extend the Terrorism Risk Insurance Act (TRIA) through 2007. TRIA, passed by Congress in November, 2002, created a three-year program in which the federal government would share in the cost of a foreign terrorist attack that produced at least \$5 million in insured losses, was deemed a "certified act" by certain government officials, and met certain other requirements.

TRIA was instituted following the terrorist attacks of September 11, 2001. Its intention is to guard against economic dislocation caused by the unavailability or extraordinary expense of terrorism insurance and to provide the insurance industry with a transition period to develop the capacity to provide terrorism insurance without government involvement. With the expiration of TRIA just days away, Congress passed a two-year extension of the program, known as the Terrorism Risk Insurance Extension Act (TRIEA), with certain modifications.

TRIEA HIGHLIGHTS

- The compromise legislation will extend TRIA for two years. Unlike the original backstop, it will not provide coverage for general liability, commercial auto, burglary/theft, surety or professional liability (other than D&O), or group life.
- As was required by the original law signed in 2002, insurers are required to "make available" coverage for insured losses resulting from an act of terrorism.
- The extension added "program trigger" language, which stipulates the government will not pay any "certified losses" until the aggregate insured losses

exceed \$50 million for occurrences after March 31, 2006, or exceed \$100 million for occurrences in 2007.

- The measure will also increase the industry's so-called "deductible" in terms of earned premium for covered lines to trigger coverage – up to 17.5% in 2006 and 20% in 2007 (up from the current 15%).
- The bill also calls for a presidential working group to review how the program works and possibly to make further recommendations.

The U.S. Treasury Department recently issued a set of interim guidelines to help the insurance industry meet new requirements established under TRIEA 2005. The full interim guidelines are available at www.treas.gov/trip.

Woodruff-Sawyer is already working with your underwriters to make sure the proper notification is sent to you so that you can make your decision regarding the coverage for your 2006 renewal. If you are interested in more detailed information or have any questions regarding TRIEA, please feel free to contact your Woodruff-Sawyer representative or call us at 800.675.4467.

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