

PRESS RELEASE

For Immediate Release
April 23, 2007

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NOTE TO EDITORS: The complete CIAT/AIA joint statement of principles for modernization of the Terrorism Risk Insurance Extension Act (TRIEA) follows the text of this news release.

CIAT AND AIA ANNOUNCE JOINT PRINCIPLES FOR MODERNIZATION OF TERRORISM RISK INSURANCE EXTENSION ACT

*Principles Designed to Provide Long-Term Economic Security;
Increased Private Market Capacity*

WASHINGTON, DC-The Coalition to Insure Against Terrorism (CIAT) and the American Insurance Association (AIA) today announced agreement on a set of common principles that the two organizations believe must be considered by Congress as it prepares to take up legislation that would renew the federal backstop for terrorism risk insurance. The House Financial Services Subcommittee on Capital Markets, Insurance and Government-Sponsored Enterprises chaired by Rep. Paul E. Kanjorski (D-PA) will hold a hearing on this issue tomorrow (April 24).

“We believe that consensus between two major stakeholders in the debate over how to structure renewal of TRIEA represents an important step forward which will hopefully inform the discussion among policymakers,” said Martin DePoy, coordinator of CIAT’s steering committee. “We are pleased to report this development.”

“Importantly, the CIAT/AIA joint principles call for the new legislation to be permanent, for the distinction between foreign and domestic acts of terrorism to be eliminated and to recognize the extreme nature of NBCR attacks through a lower deductible and certainty with respect to the role of private insurers in managing NBCR terrorism risk,” added Marc Racicot, AIA’s President. “These principles represent a set of parameters that we believe should be considered as part of any TRIEA extension bill.”

A critical issue that must be resolved by the new legislation, according to CIAT and AIA, is the separate treatment for nuclear, biological, chemical and radiological (NBCR) attacks which would recognize the unique characteristics of these events. Reports issued last year by the U.S. Government Accountability Office and the President's Working Group on Financial Markets confirmed that the private market has not provided coverage for NBCR attacks outside of workers' compensation lines. Insurers are required by state law to provide the coverage for workers' compensation.

To address this issue, AIA and CIAT have agreed that the new legislation should contain a mandatory "make-available" provision that would require insurers to follow the standard workers' compensation model. The organizations' joint principles stress that the make-available provision must be accompanied by a clear acknowledgement that the federal government is responsible for NBCR terrorism losses above primary insurers' individual NBCR retention levels. Additionally, TRIEA's insurer co-pay requirement for NBCR would be eliminated.

"We are gratified by the broad-based, bi-partisan support Congress has shown for continuing the terrorism reinsurance backstop, but policyholders and insurers alike believe that new legislation should address some important issues that were not fully resolved by the Terrorism Risk Insurance Act and its extension," said DePoy. "We believe the new program should end only when Congress determines terrorism no longer is a significant threat."

"Congress sees the compelling need for a comprehensive solution to this issue," Racicot concluded. "And we are enthusiastic about working with lawmakers and the policyholder community to achieve that solution."

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The Coalition to Insure Against Terrorism represents a wide range of businesses and other organizations throughout the transportation, real estate, manufacturing, construction, entertainment and retail sectors. CIAT speaks for business insurance policyholders as part of an ongoing effort to ensure that terrorism coverage is both available and affordable. Visit our Web site at www.insureagainstterrorism.org.



JOINT RECOMMENDED PRINCIPLES FOR 2007 MODERNIZATION OF TERRORISM RISK INSURANCE

This document represents a set of common principles that CIAT and AIA [and other insurers] believe must be addressed as Congress renews and improves the existing TRIA program. It is not intended to be an exclusive list of concerns or items that may be supported by individual companies or segments of the industries represented on this joint statement.

Goals:

- Promote long-term availability of terrorism risk insurance for policyholders and provide stability for financial markets and recovery after terrorist attacks
- Spur greater capacity for those areas that are underserved even with the existing TRIA program, *e.g.*, perceived high-risk areas and attacks utilizing nuclear, biological, chemical and radiological means (NBCR)

Duration:

- The program should have no expiration date, and thereby end only when Congress determines terrorism is no longer a threat

Foreign vs. Domestic Acts:

- Remove the distinction found in statute's definition of "act of terrorism" that forces Treasury Secretary to make determination which may not serve national security needs

Program Design: Two-part structure for financing both conventional terrorism risks and NBCR

- Conventional Terrorism Risks:
 - TRIEA-like structure for conventional terrorism perils with continuation of (i) "make available" and (ii) retrospective policyholder surcharges
 - Continuation of current individual insurer retention at 20% of prior year direct earned premium and current individual insurer co-pay of 15% of every dollar of insured losses exceeding the retention up to the \$100 billion annual cap.
- NBCR:
 - Reduce potential exposure and provide certainty with respect to the role of private insurers in managing NBCR terrorism risk by:

(1) Lowering or eliminating insurer deductible and eliminating the insurer co-pay for NBCR to reflect consistent view of GAO, Treasury, and PWG that markets are not working in this area

(2) Clearly and affirmatively stating that the federal government is solely liable for NBCR terrorism losses above insurers' individual NBCR retentions, thus encouraging insurers to provide more capacity

- So long as the private insurer role with respect to NBCR terrorism is consistent with the above-referenced principles,, enhance “make available” provision to include availability to policyholders of an endorsement that provides coverage for NBCR terrorism that would otherwise be excluded by the nuclear hazard or pollution exclusion contained in certain commercial lines policies
- Covered lines no narrower than those included in TRIEA program
- Event trigger that provides meaningful opportunity for small company participation.