



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.