

SUMMARY OF KEY PROVISIONS OF THE SENATE VERSION OF THE TERRORISM RISK INSURANCE ACT (TRIA) EXTENSION BILL

Duration	This bill extends the TRIA program for two years, through December 31, 2007.
Triggering event	The size of an event needed to trigger TRIA is raised from \$5 million in the current program to \$50 million in 2006 and \$100 million in 2007.
Lines of coverage	The extension bill includes all of the lines covered by the current program with the exception of commercial auto, professional liability, surety, burglary & theft, and farmowners multi-peril.
Make Available	The requirement that insurers make coverage available to policyholders in all lines covered by the program is retained.
Individual retention	The individual insurer retention level – the amount of terrorism losses that an individual insurance company must pay before federal assistance becomes available – rises from the 2005 level of 15% of premiums collected in TRIA-covered lines (current law) to 17.5% of such premiums in 2006 and 20% of such premiums in 2007.
Co-pays	Insurers must pay a share of losses above their individual retentions, known as co-pays. In 2006, co-pays would stay the same as current law (90% federal/10% insurer) and in 2007 co-pays would rise to 85% federal/15% insurer.
Industry retention	The insurance industry as a whole must cover a certain amount of losses before federal assistance is available. This cost may be spread among policyholders by a policy surcharge not to exceed 3% of premiums annually. This industry-wide retention amount rises from \$15 billion in 2005 (current law) to \$17.5 billion in 2006 and \$20 billion in 2007.
Study	The President's Working Group on Financial Markets is required to do a study and report to Congress by September 30, 2006, on the long-term availability and affordability of terrorism insurance, including the availability and affordability of group life insurance.
Litigation	The bill continues current litigation provisions and codifies the Treasury Department's existing regulation regarding advance approval of certain settlements which an insurer intends to submit for reimbursement under the TRIA program.