

**COMPARISON OF CURRENT LAW AND  
TERRORISM RISK INSURANCE EXTENSION ACT OF 2005 (TRIEA)**  
December 16, 2005

	<b>TRIA (Current Law)</b>	<b>TRIEA (S. 467)</b>
<b>Duration</b>	Three years (expiring December 31, 2005)	Two-year extension through December 31, 2007
<b>Covered Lines</b>	<p>Most commercial property and casualty lines, including workers' comp and surety but excluding crop, private mortgage, medical malpractice, financial guarantee, reinsurance and flood provided under NFIP</p> <p>No health or life, including group life insurance</p>	<p>Same lines covered by the current program <b>except</b> deletes the following: commercial auto, professional liability (other than D&amp;O), surety, burglary &amp; theft, and farm-owners multi-peril</p>
<b>Act of Terrorism Definition</b>	<p>Violent act causing damage with United States or to US flag vessel or air carrier (or mission premises) and certified by Treasury Secretary to be have (1) been committed by or on behalf of foreign person or interest to coerce or influence US policy and (2) resulted in at least \$5 million in insured losses (and not during act of declared war except for worker comp)</p>	No change
<b>Insurers Covered by Backstop and "Make Available" Mandate</b>	<p>All licensed insurers; IID-listed surplus lines insurers and insurers approved under Federal insurance programs for marine, aviation, and transport; state residual market insurance entities or workers' compensation funds</p> <p>Secretary authorized to prescribe additional criteria and to apply TRIA (pre-event) to other (non-licensed) captives and self-insurance arrangements</p>	No change

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<b>Program Trigger (Industry Aggregate Insured Losses from Certified Act after Mar. 31 )</b>  [New Feature]	No provision	2006: \$50 million  2007: \$100 million
<b>"Make Available" Requirement</b>	Requires insurers to make available in all covered lines coverage for certified acts that "does not differ materially" from terms, amounts and other limitations (other than price) that apply to other perils in policy	No change
<b>Insurer Deductible (% of Prior Year's Direct Earned Premiums)</b>	15% in final year	2006: 17.5%  2007: 20.0%
<b>Federal Share of Insured Losses Exceeding Deductible</b>	90%	2006: 90%  2007: 85%
<b>Annual Program Cap (Combined Federal and Industry Shared Insured Losses)</b>	\$100 billion	No change
<b>Post-Event Recoupment of Federal Share via Policyholder Surcharges</b>	Mandatory recoupment of difference between \$15 billion and aggregate insurer retention (deductibles/co-shares); surcharge limited to 3% of premium in covered lines per year (possible rural area adjustment)  Discretionary recoupment of balance of federal payments	Mandatory recoupment of difference between -- \$25 billion (2006) or \$27.5 billion (2007) -- and aggregate insurer retention; same 3% limitation.  Discretionary recoupment of balance of federal payments.
<b>Long-term Availability</b>	Treasury was required to report to Congress on the effectiveness of the program and private market capacity, but was not required to make specific recommendations.	The President's Working Group on Financial Markets required to report to Congress by Sept. 30, 2006 concerning the long-term availability and affordability of terrorism insurance, inc. availability and affordability of (1) group life and (2) NBCR coverage.
<b>Litigation Management</b>	Federal cause of action created	TRIEA continues current

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	for property damage, personal injury and death arising out of or resulting from a certified act of terrorism and state causes of action preempted	litigation management provisions <u>and</u> codifies existing Treasury regulations requiring advance approval of certain settlements which an insurer intends to submit for reimbursement under the TRIA program.