



December 20, 2005

CONGRESS PASSES TRIA EXTENSION; AWAITING PRESIDENT'S SIGNATURE

BACKGROUND

The Terrorism Risk Insurance Revision Act of 2005 was approved by Congress and was sent to the President's desk for signing.

The bill prevents TRIA from expiring on December 31, 2005 and keeps the federal terrorism insurance mechanism in place through 2007 but with several changes. Among the changes are:

- Commercial auto, farmowners, burglary / theft, surety and professional liability will no longer be covered under TRIA.
- The industry deductible will increase to 17.5 % in 2006 and 20% in 2007.
- The event trigger will increase from the current \$5 million to \$50 million after March 31, 2006, then to \$100 million in 2007.
- The industry payback amount will be \$25 billion in 2006 and \$27.5 billion in 2007.

The legislation also calls for the appointment of a "President's Working Group" to review the effectiveness of the TRIA program and to make recommendations for improvements.

MSO[®] ACTION

We will review the current endorsements and develop any revised endorsements to implement the legislative changes. We will also review our current suggested pricing structure for the terrorism coverage.

CURRENT ENDORSEMENTS

The 01 05 editions of the various terrorism endorsements were designed to take into account the expiration of TRIA. As of January 1, 2006, the TRIA provisions (see Section A of the endorsements) will become ineffective and the pre-TRIA terrorism exclusion provisions (see Section B) will become effective for those risks that no longer fall under TRIA.

If you want to include a terrorism exclusion on such risks, we suggest you continue to attach the 01 05 editions until revised endorsements are filed and approved.

QUESTIONS

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