



Frequently Asked Questions about TRIA Extension

Q: How long is the Terrorism Risk Insurance Act extended?

A: The President signed a bill authorizing a seven-year extension of the Terrorism Risk Insurance Act ("TRIA"). This extension, which is known as the Terrorism Risk Insurance Program Reauthorization Act of 2007, is scheduled to expire on December 31, 2014.

Q: What are the major changes to TRIA on extension?

A: There are three major changes to the program. First, the definition of "act of terrorism" under TRIA has expanded to allow the certification of "domestic terrorism." Second, the extension legislation clarifies the operation of the \$100 billion cap. Third, the new law restructures the manner in which post-event policyholder surcharges are collected.

Q: What does the change in TRIA's certification criteria mean to policyholders?

A: Prior to the enactment of the extension legislation, TRIA applied only to acts of terrorism committed by an individual or individuals "acting on behalf of any foreign person or foreign interest." This restriction has been removed so that the Secretary of Treasury may also certify acts of terrorism commonly described as "domestic terrorism." Because a policy may contain a limitation or exclusion relating to "certified acts of terrorism" and/or "other acts of terrorism" or "non-certified acts of terrorism" this change in the law may impact coverage.

Q: How does the extension law clarify the operation of the annual \$100 billion industry and federal cap?

A: If aggregate insured losses attributable to terrorist acts certified under TRIA exceed \$100 billion in a Program Year (January 1 through December 31) and an insurer has met its deductible under the program, that insurer shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of Treasury.

Q: How has the process relating to the mandatory collection of policyholder surcharges changed?

A: Should there be a terrorist act certified under TRIA, the U.S. Treasury must recoup 133% of the amount of its back-stop payments (limited to \$27.5 billion minus the amount insurers retain in that calendar year as a result of the insurer deductible and co-share) through policyholder surcharges:

- (1) For an act of terrorism occurring prior to 2011, the collection must be completed by September 30, 2012;
- (2) For an act of terrorism occurring during 2011, the collection must be 35% completed by September, 30, 2012, with the balance collected by September 30, 2017; and
- (3) For a later event, the collection must be completed by September 30, 2017.

Q: What is Zurich doing to notify policyholders of these changes?

A: Zurich is mailing a notice to policyholders that may have a terrorism exclusion or limitation that is impacted by the change in TRIA's definition of "act of terrorism." That notice is U-GU-766-A (12/07) and is attached. The notice advises the policyholder of the change in TRIA's certification criteria. The notice includes additional information relating to the \$100 billion cap and mandatory recoupment process.

Q: Is Zurich revising its TRIA disclosure notices?

A: Yes. Zurich is currently in the process of replacing existing TRIA disclosure notices with notices that contain more current information regarding the federal program. In the meantime, policyholders may continue to receive "old" disclosure notices that reference the potential termination of TRIA on December 31, 2007, and a description of TRIA's definition of "act of terrorism," which does not reflect the modifications of the extension. Because Zurich has always disclosed the \$100 billion cap, these "old" notices are compliant with the new disclosure requirement. Zurich is also including U-GU-766-A (12/07) with new and renewal policies. The notice explains the changes in TRIA and how those changes may impact coverage.

Q: How soon will Zurich change policy forms in response to the extension?

A: Unfortunately, the extension was enacted less than two weeks before the scheduled expiration of TRIA, allowing limited "lead time" for the industry's response. Moreover, the extension does not provide any exemption from the normal state filing and approval processes. Zurich is moving quickly to implement new disclosure and policy forms, suspend the use of other forms and change certain processes necessitated by the extension. For a limited period, older disclosure and policy forms may continue to appear with quotes or policies. Any such forms are compliant with the requirements of the law on extension. U-GU-766-A (12/07), included with new and renewal policies, explains the important changes to TRIA's certification criteria.

Q: Will forms and rates change for Workers' Compensation as a result of the extension?

A: NCCI has not indicated whether it will change its filed rates or loss costs for workers' compensation. We do expect NCCI to file new disclosure forms for workers' compensation policies.

Q: Are all insurers responding to the extension of TRIA in the same way?

A: Probably not. The extension of TRIA was uncertain well into December 2007. Particularly for January 1, 2007, and forward business, insurers prepared for the scheduled expiration of TRIA in different ways. It is Zurich's goal to minimize disruption or confusion for our producers and policyholders as this transition into the extension of TRIA proceeds.

Q: Where can I obtain additional information relating to TRIA?

A: The United States Treasury maintains a copy of the Act, relevant regulations and other materials. The Web site for the Terrorism Risk Insurance Program is located at www.treas.gov under the Office of Financial Institutions, which is part of the Domestic Finance Section.