

The Terrorism Risk Insurance Act's Scheduled Expiration: Answers from Zurich (October, 2013)

Q: When is TRIA scheduled to expire?

A: The Terrorism Risk Insurance Act of 2002, as extended by the Terrorism Risk Insurance Extension Act of 2005 (TRIA), and the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) is scheduled to expire at midnight on December 31, 2014. It is possible that next year the United States Congress will extend, modify or replace TRIA/TRIPRA prior to or even after its scheduled expiration. It is also possible that TRIA/TRIPRA will simply expire.

Q: When will we know whether TRIA will be extended beyond 2014?

A: Congress is not expected to resume consideration of an extension of TRIA until next year. The status of TRIA may remain unresolved well into 2014 or even beyond.

Q: What impact would the expiration of TRIA have on terrorism endorsements?

A: The definition of terrorism could possibly change. Zurich would put in place post-TRIA terrorism endorsements based on applicable state and/or federal law.

Q: How could the scheduled expiration of TRIA impact policies that are issued in 2014 but extend into 2015?

A: For policies that extend beyond the scheduled expiration, Zurich in North America is using new TRIA disclosure notices for quotes and policies. In addition to the federally required disclosures, the new disclosure notices explain that TRIA is scheduled to expire and that a “conditional” endorsement may be attached to the policy. The new disclosure notices also disclose that premium adjustments may be applicable if TRIA terminates or if there are unanticipated changes in the program.

Q: What premium is being disclosed in the quote disclosure notice (U-GU-693-C)?

A: The quote disclosure notice discloses the amount of the quoted premium attributable to “certified acts of terrorism” for the quoted policy term assuming that TRIA is extended.

Q: What premium is being disclosed in Box 1 of the policy disclosure notice (U-GU-692-C)?

A: Box 1 of the policy disclosure notice discloses the amount of the policy premium attributable to “certified acts of terrorism” for the term of the policy assuming that TRIA is extended. As indicated in the disclosure, a portion of that premium may be applied to the terrorism risk for the part of the policy period in 2015 should TRIA terminate.

Q: What premium is being disclosed in Box 2 of the policy disclosure notice (U-GU-692-C)?

A: Box 2 of the policy disclosure notice discloses the amount of the policy premium attributable to the terrorism risk that will be returned or additional premium that will be due if TRIA terminates as scheduled. Zurich in North America has taken steps to minimize the circumstances that may result in such a mid-term premium adjustment. However, in some cases a return premium or additional premium may be necessary should TRIA terminate.

Q: What is a conditional endorsement?

A: A conditional endorsement (i.e., an exclusion or limitation) is typically attached at policy inception along with a certified acts of terrorism endorsement. The conditional endorsement remains inactive unless and until TRIA expires or there are certain major changes to the program. If either occurs, the conditional endorsement will become effective and supercede the certified and/or non-certified acts of terrorism endorsements.

Q: Will all Zurich policies have conditional endorsements?

A: No. A conditional endorsement (i.e., an exclusion or limitation) is typically attached at policy inception if a certified acts of terrorism endorsement is also attached. In general, a conditional endorsement will not be used unless the policy also contains a certified acts endorsement.

Q: Is Zurich applying a different terrorism rate for policies that extend beyond the scheduled expiration of TRIA?

A: In general, Zurich in North America is applying its current terrorism rating methodologies to the entire policy period for policies issued in 2014 that extend into 2015. Should TRIA terminate, the premium for the terrorism risk may require mid-term modification if there is a change in the policy's level of coverage for terrorism for the 2015 part of the policy. That possible change will be reflected on the policy disclosure notice. Zurich in North America has taken steps to minimize the need for mid-term premium adjustments should TRIA terminate, although in some circumstances such a change may be necessary.

Q: Will Zurich apply a different terrorism rate to the 2014 part of a policy period should there be changes in the structure of TRIA or any federal program that may replace TRIA?

A: As a general matter, Zurich in North America does not anticipate changes in its rating methodologies for the terrorism risk for 2014 policies that extend into 2015. However, it is possible that the federal government will restructure TRIA or make other changes we do not currently anticipate. If any such change requires that we make a mid-term adjustment to premium we will send appropriate notification.

Q: Is workers compensation treated differently?

A: Yes. The replacement of our *quote disclosure* form WC 99 06 93 (07/06) with the WC 99 06 93 A (07/13) that contains the required federal disclosures and explains the impact of the potential expiration of TRIA/TRIPRA.

At this time neither the NCCI nor the state workers compensation bureaus have made filings that address the transition other than item P-1410 effective January 1, 2014 by which WC00 01 14 (Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Program Reauthorization Act of 2007) is to be attached to the policy:

Q: Are all commercial property and casualty lines affected by TRIA?

A: No. Most commercial property, liability and workers compensation policies are subject to TRIA. However, TRIA does not affect certain types of commercial policies such as automobile, professional liability (other than directors and officers insurance), farmowners multi-peril, burglary and theft, surety, medical malpractice, fidelity and crop insurance.

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 website for the Terrorism Risk Insurance Program is located at www.treasury.gov under the Office of Financial Institutions, which is part of the Domestic Finance Section.