

## Reserving Property Terrorism Insurance Capacity Post-TRIA

In response to the uncertainty surrounding the renewal and/or extension of the Terrorism Risk Insurance Extension Act of 2005 (TRIA) beyond its scheduled expiration on December 31, 2007, standalone terrorism insurance markets are offering a product that allows clients the ability to reserve terrorism capacity and pricing now, for a prearranged commitment fee.

At the end of the year, if TRIA is not renewed or extended, insureds may be faced with cancelled or limited terrorism coverage. Insureds can elect to use the reserved capacity at the pre-agreed price(s) for their terrorism coverage.

Standalone terrorism capacity can be reserved for either a short-term period—designed to fill in the gaps in an existing property program if terrorism coverage is cancelled—or for a full-term 2008 renewal. The cost of the “capacity commitment” program, both the commitment fee and the risk transfer premium, is established on a case-by-case basis through a market submission.

It is important to note that while the commitment fee is nonrefundable, in most cases this fee can be applied to terrorism premiums if the insured purchases the reserved capacity. This is irrespective of whether TRIA



is renewed and/or extended. The capacity reservation option can be a viable solution for many clients.

As the uncertainty of TRIA continues and as terrorism capacity becomes restricted in major cities such as New York City, San Francisco, Chicago, and Washington, D.C., it is important for clients to seek alternative ways of insuring their assets. The cost of terrorism coverage is expected to be extremely volatile in 2008 if TRIA expires. This product can allow our clients the flexibility to budget effectively for property terrorism coverage.

### Frequently Asked Questions

Why do I need this product?

- This product allows you to reserve capacity now, in the event TRIA is not renewed and terrorism capacity in the insur-

ance market is restricted.

- Current property policies may have conditions to cancel or rewrite terms for terrorism coverage if TRIA is not renewed or, if extended, is materially changed.
- If your exposures are in major cities such as New York City, San Francisco, Chicago, and Washington, D.C.; you may be vulnerable to limited capacity for those exposures.
- This product guarantees availability of terrorism capacity at a pre-agreed price to comply with loan covenants or other contracts where terrorism coverage is required.

For additional information, please contact your client executive or Marsh's Terrorism Risk Specialty in New York.

*The information contained in this flyer provides only a general overview of subjects covered, is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Insureds should consult their insurance and legal advisors regarding specific coverage issues.*

*Statements concerning legal matters should be understood to be general observations based solely on our experience as insurance brokers and risk consultants and should not be relied upon as legal advice, which we are not authorized to provide. All such matters should be reviewed with the client's own qualified legal advisors in these areas.*

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