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To Our Valued Clients:

January 2006

Terrorism Act Extended

As you may all know, President Bush has signed the Terrorism Risk Insurance Extension Act, which will provide a two-year extension of the Terrorism Risk Insurance Act (TRIA) through December 31, 2007.

Under the legislation the Act of Terrorism Definition has not changed, though both the insurance industry's retention and the event trigger would increase over the next two years. The program trigger, or per-event threshold for the federal government to participate after March 31, 2006, will be \$50 million in aggregate insured losses from a Certified Act of Terrorism, increasing to \$100 million for an act of terrorism occurring on or after January 1, 2007.

Insurers' deductibles in 2006 will increase from 15 percent to 17.5 percent and 20 percent in 2007. The industry's retention is increased from \$15 billion to \$25 billion in 2006 and \$27.5 billion in 2007.

The Extension Act also would be somewhat narrower in scope than the original program. Among the insurance lines that will be eliminated in the extension and **excluded from coverage are commercial auto, burglary and theft, surety, and professional liability** (other than directors and officers liability).

Property and general liability will continue to be included under the backstop, but **property policies would not be required to cover nuclear, biological, radiological or chemical attacks.**

Should you have any questions, please let us know.

Very truly yours,

DeSanctis Insurance Agency, Inc.