

February 11, 2015

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Updated Terrorism Risk Insurance Program Reauthorization Act of 2015
Policyholder Disclosure Notice

The North Carolina Rate Bureau recently filed and received approval for the Policyholder Disclosure Notices that were part of the North Carolina Department of Insurance Bulletin 15-B-01. The purpose of this circular is to offer clarification to Circular [C-15-5](#).

As referenced in Bulletin-15-B-01, workers compensation coverage is statutorily mandated and there is no option to waive the terrorism coverage provided by the workers compensation insurance policy. The copy of the Policyholder Disclosure Notice of Terrorism Insurance Coverage #2 (without policyholder acknowledgement) that was part of the DOI bulletin inadvertently included an acknowledgement statement for the insured.

As a result of conversations with the North Carolina Department of Insurance, the Bureau has filed and received approval from the North Carolina Commissioner of Insurance for the attached revised Disclosure Notice. The notice has been updated to remove the acknowledgement statement for the insured and the following lines: "Policyholder/Applicant's Signature", "Print Name" and "Date". The attached disclosure notice-Policyholder Disclosure Notice of Terrorism Insurance Coverage #2 (without policyholder acknowledgement) is the only disclosure notice applicable to workers compensation.

The North Carolina Department of Insurance requires that separate disclosure forms be furnished to policyholders in this state for all offers and renewals. The disclosure form must be furnished in addition to endorsement WC 00 00 422B. A copy of the disclosure notice to the employer does not need to be submitted to the Bureau. Neither a specimen copy of the disclosure notice nor a copy of the notice prepared for delivery to individual policyholders needs be filed with the Bureau.

Member companies do not need to file the disclosure forms with the North Carolina Department of Insurance. You may modify the form as needed to fit your Company requirements; however, the verbiage cannot be changed.

Sincerely,

Sue Taylor

Chief Operating Officer

ST:dms
Attachment
C-15-6

**POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM
INSURANCE COVERAGE**

Coverage for acts of terrorism is included in your policy. You are hereby notified that under the Terrorism Risk Insurance Act, as amended in 2015, the definition of act of terrorism has changed. As defined in Section 102(1) of the Act: The term “act of terrorism” means any act or acts that are certified by the Secretary of the Treasury—in consultation with the Secretary of Homeland Security, and the Attorney General of the United States—to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion. Under your coverage, any losses resulting from certified acts of terrorism may be partially reimbursed by the United States Government under a formula established by the Terrorism Risk Insurance Act, as amended. However, your policy may contain other exclusions which might affect your coverage, such as an exclusion for nuclear events. Under the formula, the United States Government generally reimburses 85% through 2015; 84% beginning on January 1, 2016; 83% beginning on January 1, 2017; 82% beginning on January 1, 2018; 81% beginning on January 1, 2019 and 80% beginning on January 1, 2020, of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. The Terrorism Risk Insurance Act, as amended, contains a \$100 billion cap that limits U.S. Government reimbursement as well as insurers’ liability for losses resulting from certified acts of terrorism when the amount of such losses exceeds \$100 billion in any one calendar year. If the aggregate insured losses for all insurers exceed \$100 billion, your coverage may be reduced.

The portion of your annual premium that is attributable to coverage for acts of terrorism is _____, and does not include any charges for the portion of losses covered by the United States government under the Act.

Name of Insurer: _____

Policy Number: _____