



February 14, 2008

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Terrorism Risk Insurance Program Reauthorization Act of 2007

On December 26, 2007 President Bush signed the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) that extends the federal backstop for terrorism exposure until December 31, 2014.

The North Carolina Rate Bureau has filed and the North Carolina Department of Insurance has approved the Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC000113A) and the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC000421B) effective January 1, 2008.

The Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC000113A) replaces the Terrorism Risk Insurance Extension Act Endorsement (WC000113). Revisions to the endorsement include:

- a. Change the reference of TRIEA to TRIPRA
- b. Revise the definition of "act of terrorism" to include domestic terrorism
- c. Update the insurer deductible provisions
- d. Define "program year"
- e. Disclose the \$100,000,000,000 cap as required by Section 4 of TRIPRA, and
- f. Update the existing disclosures

The Domestic Terrorism, Earthquake, and Catastrophic Industrial Accidents Premium Endorsement (WC000421B) replaces the Domestic Terrorism, Earthquake and Catastrophic Industrial Accidents Premium Endorsement (WC000421A). The language of endorsement WC000421B has been amended to reflect that the domestic terrorism premium applies to all acts of domestic terrorism.

Policyholder Disclosure Forms

One of the conditions of the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) is a new disclosure requirement for any policy issued after the enactment of the Act. In addition to the other disclosure requirements previously contained in TRIA, insurers must now provide clear and conspicuous disclosure to the policyholder of the existence of the \$1,000,000,000 cap under Section 103 (e)(2). The disclosure is required at the time of offer, purchase and renewal of the policy. **The North Carolina Department of Insurance requires that separate disclosure forms be furnished to policyholders in this state.** The disclosure forms must be furnished in addition to the endorsements.

To assist member companies in meeting the disclosure requirements, the North Carolina Rate Bureau has filed two versions (attached) of the NAIC developed Disclosure Notices applicable to workers compensation.

- Policyholder Disclosure Notice of Terrorism Insurance Coverage (with policyholder acknowledgement)
- Policyholder Disclosure Notice of Terrorism Insurance Coverage (without policyholder acknowledgement)

Carriers may elect to use either form. A copy of the 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 need be filed with the Bureau.

Use of Forms

Voluntary carriers who issued policies after December 26, 2007 that took effect before January 1, 2008 should determine whether to apply the 2008 endorsement (WC000113A) only or both the 2006 and 2008 endorsements (WC000113 and WC000113A).

Assigned Risk carriers must attach all terrorism-related endorsements (WC000113, WC000113A, WC000421A, WC000421B, and WC000422) to policies that are issued after December 26, 2007 and are effective prior to January 1, 2008. New and renewal assigned risk policies issued after January 1, 2008 must have endorsements W000113A, WC000421B and WC000422 attached to the policy.

In both instances above, the Policyholder Disclosure Notice form must be furnished to the policyholder.

Premium Disclosure Requirements

The Treasury Department draft interim guidance requires that carriers provide a clear and conspicuous disclosure to policyholders of the premium charged for insured losses covered by the Terrorism Risk Insurance Program. The new definition of an act of terrorism includes both domestic and foreign terrorism. North Carolina has separate miscellaneous values for domestic and foreign terrorism. However, the domestic terrorism portion is included in the miscellaneous value for Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents (DTEC). By using underlying data from the item filings that implemented DTEC, NCCI has furnished the domestic terrorism percentage of the DTEC miscellaneous value. The domestic terrorism percentage of the DTEC value for North Carolina is 30%.

Voluntary carriers should make their own determination as to whether to disclose the combined premium for foreign terrorism and domestic terrorism or list them separately on the policy. The North Carolina Rate Bureau will provide further guidance shortly for Assigned Risk Direct and Servicing Carriers.

Data Reporting Requirements

The data reporting requirements will remain the same:

- Stat code 9740 will continue to be used to report the premium charge for Foreign Terrorism.
- Stat code 9741 will continue to be used to report the premium charge for DTEC.

The Bureau has posted FAQ's related to the Terrorism Risk Insurance Program Reauthorization Act of 2007 on the NCRB website (www.ncrb.org) under the link Terrorism Resources on the Workers Comp Services page. A copy is also included for your convenience.

Contact the Information Center at 919-582-1056 or winfo@ncrb.org, if you have questions.

Sincerely,

Sue Taylor

Director, NCRB Insurance Operations

TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION ACT ENDORSEMENT

This endorsement addresses the requirements of the Terrorism Risk Insurance Act of 2002 as amended and extended by the Terrorism Risk Insurance Program Reauthorization Act of 2007.

Definitions

The definitions provided in this endorsement are based on and have the same meaning as the definitions in the Act. If words or phrases not defined in this endorsement are defined in the Act, the definitions in the Act will apply.

“Act” means the Terrorism Risk Insurance Act of 2002, which took effect on November 26, 2002, and any amendments thereto resulting from the Terrorism Risk Insurance Program Reauthorization Act of 2007.

“Act of Terrorism” means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States as meeting all of the following requirements:

- a. The act is an act of terrorism.
- b. The act is violent or dangerous to human life, property or infrastructure.
- c. The act resulted in damage within the United States, or outside of the United States in the case of the premises of United States missions or certain air carriers or vessels.
- d. The act has 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.

“Insured Loss” means any loss resulting from an act of terrorism (including an act of war, in the case of workers compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if the loss occurs in the United States or at the premises of United States missions or to certain air carriers or vessels.

“Insurer Deductible” means, for the period beginning on January 1, 2008, and ending on December 31, 2014, an amount equal to 20% of our direct earned premiums, over the calendar year immediately preceding the applicable Program Year.

“Program Year” refers to each calendar year between January 1, 2008 and December 31, 2014, as applicable.

Limitation of Liability

The Act limits our liability to you under this policy. If aggregate Insured Losses exceed \$100,000,000,000 in a Program Year and if we have met our Insurer Deductible, we are not liable for the payment of any portion of the amount of Insured Losses that exceeds \$100,000,000,000; and for aggregate Insured Losses up to \$100,000,000,000, we will pay only a pro rata share of such Insured Losses as determined by the Secretary of the Treasury.

Policyholder Disclosure Notice

1. Insured Losses would be partially reimbursed by the United States Government. If the aggregate industry Insured Losses exceeds \$100,000,000 in a Program Year, the United States Government would pay 85% of our Insured Losses that exceed our Insurer Deductible.
2. Notwithstanding item 1 above, the United States Government will not make any payment under the Act for any portion of Insured Losses that exceeds \$100,000,000,000.
3. The premiums charged for the coverage for Insured Losses under this policy are included in the amounts shown in Item 4 of the Information Page or in the Schedules in the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21 B) and the Foreign Terrorism Premium Endorsement (WC 00 04 22), attached to this policy.

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)

Endorsement
Insured

Effective Policy No.

Endorsement No.
Premium:

Insurance Company

Countersigned by _____

WC 00 01 13 A
(Ed. 1-08)

DOMESTIC TERRORISM, EARTHQUAKES, AND CATASTROPHIC INDUSTRIAL ACCIDENTS PREMIUM ENDORSEMENT

This endorsement is notification that your insurance carrier is charging premium to cover the losses that may occur in the event of domestic terrorism, earthquakes, and/or a catastrophic industrial accident.

Your policy provides coverage for workers compensation losses caused by acts of domestic terrorism, earthquakes, and/or catastrophic industrial accident including workers compensation benefit obligations dictated by state law. Coverage for such losses is still subject to all terms, definitions, exclusions, and conditions in your policy, and any applicable federal and/or state laws, rules, or regulations.

The premium charge provides funding for the risk of earthquakes, catastrophic industrial accidents, and acts of domestic terrorism. It does not provide funding for acts of foreign terrorism as that term is defined in the Foreign Terrorism Premium Endorsement (WC 00 04 22), attached to this policy.

For purposes of this endorsement, the following definitions apply:

- Domestic Terrorism: All acts of terrorism, certified (as defined in the Terrorism Risk Insurance Act of 2002), or non-certified, that are outside the scope of the Foreign Terrorism Premium Endorsement (WC 00 04 22), and where aggregate workers compensation losses are in excess of \$50 million.
- Earthquake: The shaking and vibration at the surface of the earth resulting from underground movement along a fault plane or from volcanic activity where aggregate workers compensation losses from the single event are in excess of \$50 million.
- Catastrophic Industrial Accident: Any single event resulting in aggregate workers compensation losses in excess of \$50 million.

Schedule

Payroll

Rate

NOTE:

1. The company may show additional column(s) in the schedule in order to include necessary information such as specific states on a multistate policy.

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)

Endorsement

Effective Policy No.

Endorsement No.

Insured

Premium:

Insurance Company

Countersigned by _____

**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 2007, 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 that is certified by the Secretary of the Treasury—in concurrence with the Secretary of State, 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% 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.

I ACKNOWLEDGE THAT I HAVE BEEN NOTIFIED THAT UNDER THE TERRORISM RISK INSURANCE ACT, AS AMENDED, ANY LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM UNDER MY POLICY COVERAGE MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT, MAY BE SUBJECT TO A \$100 BILLION CAP THAT MAY REDUCE MY COVERAGE AND I HAVE BEEN NOTIFIED OF THE PORTION OF MY PREMIUM ATTRIBUTABLE TO SUCH COVERAGE.

Policyholder/Applicant’s Signature

Print Name

Date

Name of Insurer: _____

Policy Number: _____

**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 2007, 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 that is certified by the Secretary of the Treasury—in concurrence with the Secretary of State, 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% 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: _____

FAQs for Terrorism Risk Insurance Program Reauthorization Act of 2007

1. Did the North Carolina Rate Bureau adopt the NCCI countrywide filings for TRIPRA?

The North Carolina Rate Bureau filed and received approval from the North Carolina Department of Insurance for NCCI filings B-1405-Terrorism Risk Insurance Program Reauthorization Act of 2007 and P-1405-Terrorism Risk Insurance Program Reauthorization Act of 2007 Endorsements. Both filings are effective January 1, 2008.

2. What changes are included in the approved filings?

B-1405 removes the December 31, 2005 expiration date from NCCI Basic Manual rule 3-A-24-a. P-1405 updates previously filed endorsements WC000113 and WC000421A to reflect the new disclosure requirements and the revised definition of terrorism.

3. The NCCI approved form, WC000113A, contains a Policyholder Disclosure Notice. Do carriers still need to furnish a separate disclosure notice to policyholders?

Yes. The North Carolina Department of Insurance requires a separate Policyholder Disclosure Notice for policies issued in this state.

4. How do carriers satisfy the disclosure requirement of TRIPRA (Terrorism Risk Insurance Program Reauthorization Act)?

The North Carolina Department of Insurance requires the Policyholder Disclosure Notice be furnished to policyholders for policies that were issued after December 26, 2007.

5. How should carriers apply the endorsements to policies issued after December 26, 2007?

Voluntary carriers who issued policies after December 26, 2007 that took effect before January 1, 2008 should determine whether to apply the 2008 endorsement (WC000113A) only or both the 2006 and 2008 endorsements (WC000113 and WC000113A).

Assigned Risk carriers must attach all terrorism related endorsements (WC000113, WC000113A, WC000421A, WC000421B, and WC000422) to policies that are issued after December 26, 2007 and are effective prior to January 1, 2008. New and renewal assigned risk policies issued after January 1, 2008 must have endorsements W000113A, WC000421B and WC000422 attached to the policy.

6. The Treasury Department draft interim guidance requires that carriers provide a clear and conspicuous disclosure to policyholders of the premium charged for insured losses covered by the Terrorism Risk Insurance Program. The new definition of an act of terrorism includes both domestic and foreign terrorism. North Carolina has separate miscellaneous values for domestic and foreign terrorism. The domestic terrorism portion is included in the miscellaneous value for DTEC (Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium). What is the portion of the DTEC rate that applies to domestic terrorism?

The portion of DTEC that applies to domestic terrorism in North Carolina is 30%. Voluntary carriers should make their own determination as to whether to disclose the premium for foreign terrorism and domestic terrorism separately on the policy.

7. What are the data reporting requirements?

Stat code 9740 will continue to be used to report the premium associated with Foreign Terrorism. Stat code 9741 will continue to be used to report the premium associated with DTEC.