



Minnesota Workers' Compensation
Insurers Association, Inc.
7701 France Avenue South • Suite 450
Minneapolis, MN 55435-3200

October 7, 2005

ALL ASSOCIATION MEMBERS

Circular Letter 05-1469

RE: Direction on Foreign Terrorism Surcharge

In late November, 2002, the Terrorism Risk Insurance Act (TRIA) was enacted to provide federal stop-loss coverage for certain acts of foreign terrorism. TRIA is set to expire as of December 31, 2005. Congress has yet to enact new legislation to extend or amend the original statute. In our 2006 Ratemaking Report, Minnesota Workers' Compensation Insurers Association, Inc. (MWCIA) referenced the impending TRIA expiration, and assured carriers that additional rate filing information would be forthcoming.

Upon the enactment of TRIA the MWCIA followed the approach taken by the NCCI and proposed terrorism premium be collected as a surcharge, and filed a pure premium factor of .02 per \$100 of payroll to generate TRIA surcharges. Since TRIA was a federal program and superseded much state authority, and due to the fact that these charges needed to be applied mid-term and there was no opportunity for carriers to build this risk into their base rates, Commerce accepted the surcharge approach and allowed it to continue for the duration of TRIA. Commerce will continue the past policy in 2006 and will accept filings containing foreign terrorism surcharges. Any such surcharge should be labeled as "Foreign Terrorism Surcharge" and may be applied to policies effective in 2006. Commerce has informed us that for policies effective in 2007, costs for foreign terrorism must be included in the member company's rate and surcharges will no longer be accepted.

In concert with this, MWCIA will file for approval the recently released NCCI Item B-1398, which basically retracts the term, "TRIA" from manual language and endorsements, and replaces it with the term, "foreign terrorism". In addition, the 2006 version of the Minnesota Filing Procedures Manual will be released shortly, with complete filing instructions.

MWCIA will continue to keep the membership informed of additional developments. Please direct any questions you may have concerning this item to Craig Anderson, MWCIA Vice President of Actuarial Services at 952.897.6431 or by e-mail at craig.anderson@mwcia.org.