



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

February 15, 2006

**ALL ASSOCIATION MEMBERS**

Circular Letter 06-1477

**RE: NCCI Item P-1404 — Terrorism Risk Insurance Extension Act of 2005**

The Minnesota Department of Commerce has approved the above filing to become effective 12:01 a.m., January 1, 2006, for new and renewal policies in the State of Minnesota. The application of the Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13) will be non-mandatory (optional) for outstanding policies that are in force as of January 1, 2006. This optional status allows carriers to make their own determination as to whether the law and Treasury Department guidance requires that outstanding policies be endorsed. Based upon current information, however, we believe that multi year policies that extend past January 1, 2007 should be endorsed to include WC 00 01 13.

The Terrorism Risk Insurance Extension Act of 2005 (Extension Act) extends the Terrorism Risk Insurance Act of 2002 (TRIA), with revisions, through December 31, 2007. The purpose of the above filing item is to withdraw Terrorism Risk Insurance Act Endorsement (WC 00 04 20) and replace it with Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13) due to Congress' extension of this Act. In addition, the Notification Endorsement of Pending Law Change to the Terrorism Insurance Act of 2002 (WC 00 01 12) has been withdrawn and the two currently approved NAIC *Policyholder Disclosure Notices* in connection with the Terrorism Risk Insurance Act of 2002 will be replaced with a revised single NAIC form.

The Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13) replaces the prior TRIA endorsement (WC 00 04 20) with updated information under the new Extension Act and includes information regarding Congress' new premium reimbursement schedule. It is intended that the Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13) be applied in conjunction with the Foreign Terrorism Premium Endorsement (WC 00 04 22) which also became effective in Minnesota on January 1, 2006 for new and renewal policies (refer to MWCIA Circular Letter No. 05-1472 for more information). As an optional form, the NAIC *Policyholder Disclosure Notice* can be used in addition to WC 00 01 13 and WC 00 04 22 to fulfill the Act's disclosure requirements. Please note, however, that this NAIC form should not be used in lieu of WC 00 01 13 and WC 00 04 22.

Since the Terrorism Risk Insurance Extension Act of 2005 retained the 90% Federal share for the year 2006, Terrorism Risk Insurance Act Endorsement (WC 00 04 20) contains accurate information about the amount of the Federal share as it relates to outstanding policies that will expire on or before December 31, 2006. Therefore, if an insurer were to submit a claim under the Program to obtain its Federal share for a loss occurring in 2006, the Policyholder Disclosure Notice contained on WC 00 04 20 might meet the test of TRIA's requirement of "clear and conspicuous disclosure to the policyholder". However, any final determination of the adequacy of policyholder disclosure notices is the responsibility of the U.S. Treasury Department at the time an insurer submits its claim for the Federal share under this Act. It is the responsibility of each member carrier, therefore, to determine if they need to apply WC 00 01 13 to outstanding policies effective prior to January 1, 2006.

The following chart illustrates how the endorsements in connection with Terrorism Insurance are to be applied in Minnesota:

**POLICIES EFFECTIVE PRIOR TO & IN FORCE ON 1-1-2006 (OUTSTANDING ONLY)**

Keep these existing endorsements on the policy:

- Terrorism Risk Insurance Act Endorsement (WC 00 04 20)
- NAIC *Policyholder Disclosure Notices*
- Notification Endorsement of Pending Law Change to Terrorism Insurance Act of 2002 (WC 00 01 12)

Apply this new endorsement to the policy:

- Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13)  
**Note:** *The endorsing of WC 00 01 13 onto existing policies is optional. This optional status allows carriers to make their own determination as to whether the law and Treasury Department guidance requires that outstanding policies be endorsed. Based upon current information, however, we believe multi year policies that extend past January 1, 2007 should be endorsed to include WC 00 01 13.*

**POLICIES EFFECTIVE ON or AFTER 1-1-2006 (NEW & RENEWAL ONLY)**

Apply these new endorsements to the policy:

- Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13)
- NAIC *Policyholder Disclosure Notice* (Revised)  
**Note:** *This NAIC form is approved as an optional form in Minnesota to be used in conjunction with but not in lieu of WC 00 01 13 & WC 00 04 22.*
- Foreign Terrorism Premium Endorsement (WC 00 04 22)  
**Note:** *WC 00 04 22 is only applicable to new & renewal policies effective on or after January 1, 2006.*

Exhibits I, III, IV, V and VI illustrate the changes necessary to the **Minnesota Forms Manual** to implement Item P-1404 in Minnesota. When reviewing MWCIA's exhibits for this item, please note Minnesota's exhibit packet for Item P-1404 does not include an Exhibit II. In NCCI's filing materials, this exhibit amends the Domestic, Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21) which does not apply in Minnesota. To keep MWCIA's exhibit numbers consistent with NCCI, therefore, you will notice a gap in the numbering of the exhibits for Minnesota. Please note that Minnesota's filing materials for Item P-1404 include two additional exhibits: Exhibit V which replaces the existing NAIC *Policyholder Disclosure Notices* in the **Minnesota Forms Manual** with a revised NAIC form; and Exhibit VI which updates the **Minnesota Forms Manual** Index.

As you review the exhibits included with Item P-1404, you will note that Exhibits III and IV contain red 'cross-outs'. These 'cross-outs' indicate the deletion of the Terrorism Risk Insurance Act Endorsement (WC 00 04 20), and Notification Endorsement of Pending Law Change To Terrorism Risk Insurance Act of 2002 (WC 00 01 12) in Minnesota.

A copy of National Council's original background memo regarding Item P-1404 is also included for your convenience. Additionally, MWCIA recommends that carriers review the U.S. Treasury's Interim Guidance Concerning the Terrorism Risk Insurance Extension Act of 2005 which is available on the Treasury's own website at [www.treasury.gov](http://www.treasury.gov) by entering "Interim Guidance on Terrorism" in their search field or going to the press release archive section for December.



To view copies of all currently approved forms and endorsements for Minnesota, please visit MWCIA's website at [www.mwcia.org](http://www.mwcia.org) and select the drop-down menu for "Minnesota Manuals" on the left-hand margin of our homepage.

Should you have any questions concerning Item P-1404 in Minnesota, please contact one of our Member & Customer Service's staff by calling 952.897.1737 (Option 1) or by emailing [info@mwcia.org](mailto:info@mwcia.org).

**A NOTICE TO MEMBERSHIP:**

The Minnesota Department of Commerce requests that MWCIA remind its members that the above filing items were filed by MWCIA on behalf of all member carriers. Approval of the above filing by the Department of Commerce, therefore, applies automatically to all member carriers and separate filings of the manual rules and/or forms in connection with this filing by individual carriers is not required.

**[THIS ENDORSEMENT REPLACES ENDORSEMENT WC 00 04 20]****TERRORISM RISK INSURANCE EXTENSION ACT ENDORSEMENT**

This endorsement addresses requirements of the Terrorism Risk Insurance Act of 2002 as amended and extended by the Terrorism Risk Insurance Extension Act of 2005.

**Definitions**

The definitions provided in this endorsement are based on the definitions in the Act and are intended to have the same meaning. 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 resulting from the Terrorism Risk Insurance Extension Act of 2005.

“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 United States missions or certain air carriers or vessels.
- d. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, 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 terrorism or war 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 United States missions or to certain air carriers or vessels.

“Insurer deductible” means:

- a. For the period beginning on November 26, 2002 and ending on December 31, 2002, an amount equal to 1% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding November 26, 2002.
- b. For the period beginning on January 1, 2003 and ending on December 31, 2003, an amount equal to 7% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2003.
- c. For the period beginning on January 1, 2004 and ending on December 31, 2004, an amount equal to 10% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2004.
- d. For the period beginning on January 1, 2005 and ending on December 31, 2005, an amount equal to 15% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2005.
- e. For the period beginning on January 1, 2006 and ending on December 31, 2006, an amount equal to 17.5% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2006.
- f. For the period beginning on January 1, 2007 and ending on December 31, 2007, an amount equal to 20% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2007.

**Limitation of Liability**

The Act may limit our liability to you under this policy. If annual aggregate insured terrorism or war losses of all insurers exceed \$100,000,000,000 during the applicable period provided in the Act, and if we have met our insurer deductible, the amount we will pay for insured terrorism or war losses under this policy will be limited by the Act, as determined by the Secretary of the Treasury.

**Policyholder Disclosure Notice**

1. Insured terrorism or war losses would be partially reimbursed by the United States Government under a formula established by the Act. Under this formula, the United States Government would pay 90% for Program Year 4 and 85% for Program Year 5 of our insured terrorism or war losses exceeding our insurer deductible.
2. The premium charged for the coverage this policy provides for insured terrorism or war losses is included in the amount shown in Item 4 of the Information Page or in the Schedule in the Foreign Terrorism Premium Endorsement (WC 00 04 22), attached to this policy.

**[DELETE ENDT. WC 00 04 20]****TERRORISM RISK INSURANCE ACT ENDORSEMENT**

This endorsement addresses requirements of the Terrorism Risk Insurance Act of 2002.

**Definitions**

The definitions provided in this endorsement are based on the definitions in the Act and are intended to have the same meaning. 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.

“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 United States missions or certain air carriers or vessels.
- d. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, 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 terrorism or war 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 United States missions or to certain air carriers or vessels.

“Insurer deductible” means:

- a. For the period beginning on November 26, 2002 and ending on December 31, 2002, an amount equal to 1% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding November 26, 2002.
- b. For the period beginning on January 1, 2003 and ending on December 31, 2003, an amount equal to 7% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2003.
- c. For the period beginning on January 1, 2004 and ending on December 31, 2004, an amount equal to 10% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2004.
- d. For the period beginning on January 1, 2005 and ending on December 31, 2005, an amount equal to 15% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2005.

**Limitation of Liability**

The Act may limit our liability to you under this policy. If annual aggregate insured terrorism or war losses of all insurers exceed \$100,000,000,000 during the applicable period provided in the Act, and if we have met our insurer deductible, the amount we will pay for insured terrorism or war losses under this policy will be limited by the Act, as determined by the Secretary of the Treasury.

**Policyholder Disclosure Notice**

1. Insured terrorism or war losses would be partially reimbursed by the United States under a formula established by the Act. Under this formula, the United States would pay 90% of our insured terrorism or war losses exceeding our insurer deductible.
2. The additional premium charged for the coverage this policy provides for insured terrorism or war losses is shown in Item 4 of the Information Page or the Schedule below.

**Schedule**

**State**

**Rate per \$100 of Remuneration**

**Note:**

1. This endorsement addresses requirements of the Terrorism Risk Insurance Act of 2002.
2. This endorsement is effective 12:01 a.m. on December 20, 2002 applicable to new and renewal voluntary policies only.
3. This endorsement is effective 12:01 a.m. on January 1, 2003 applicable to new and renewal assigned risk policies only.
4. In Minnesota, this endorsement is effective 12:01 a.m. on December 27, 2002.
5. In Massachusetts, this endorsement is effective 12:01 a.m. on December 20, 2002 applicable to new and renewal policies.

**EXHIBIT IV**

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

**WC 00 01 12**

**Original**

*Effective January 1, 2005*

**Standard**

**[DELETE ENDT. WC 00 01 12]**

**NOTIFICATION ENDORSEMENT OF PENDING LAW CHANGE TO TERRORISM RISK INSURANCE ACT OF 2002**

This endorsement is being sent to you with respect to your workers compensation and employers liability insurance policy. This endorsement does not replace the separate Terrorism Risk Insurance Act Endorsement (WC 00 04 20) that is attached to your current policy and which remains in effect as applicable.

The Terrorism Risk Insurance Act of 2002 (TRIA) took effect on November 26, 2002 and provides for a three-year program under which the Federal Government will share in the payment of insured losses caused by certain acts of terrorism. In the absence of affirmative U.S. Congressional action to extend, update or otherwise reauthorize in whole or in part, TRIA is scheduled to expire December 31, 2005.

Since the timetable for any further Congressional action respecting TRIA is unknown at this time, and the exposure to acts of terrorism remains, we are providing our policyholders with relevant information concerning their workers compensation policies in effect on or after January 1, 2005 in the event of TRIA's expiration.

Your policy provides coverage for workers compensation losses caused by acts of terrorism or war, 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.

**The premium charge for the coverage your policy provides for terrorism or war losses is shown in Item 4 of the Information Page or the Schedule in the Terrorism Risk Insurance Act Endorsement (WC 00 04 20) that is attached to your policy, and this amount may continue or change for new, renewal, and inforce policies in effect on or after December 31, 2005 in the event of TRIA's expiration, subject to regulatory review in accordance with applicable state law.**

You need not do anything further at this time.

**Notes:**

1. Pursuant to Minn. Stat. § 60A.351, a policy may not be renewed at less favorable terms unless notice of the new terms is given at least 60 days prior to the expiration date.



**EXHIBIT V**

**[THIS FORM REPLACES BOTH POLICYHOLDER DISCLOSURE FORMS CURRENTLY IN THE MN FORMS MANUAL.]**

**POLICYHOLDER DISCLOSURE  
NOTICE OF TERRORISM  
INSURANCE COVERAGE**

Coverage for acts of terrorism is already included in your current policy. Under your existing coverage, any losses resulting from certified acts of terrorism would be partially reimbursed by the United States government under a formula established by the Terrorism Risk Insurance Act, as extended on December 22, 2005. Under this formula, the United States government generally pays 90% (85% in 2007) of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. 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 EXTENDED ON DECEMBER 22, 2005, ANY LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM UNDER MY POLICY COVERAGE MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT 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: \_\_\_\_\_

[DRAFTING NOTE: An insurer may choose not to use the acknowledgement section for workers compensation.]

**EXHIBIT VI**  
**INDEX**  
**MINNESOTA FORMS MANUAL**

The following forms and endorsements in this Minnesota Forms Manual have been approved by the Minnesota Commerce Department and are available for use in Minnesota.

- Introduction
- Workers' Compensation and Employers Liability Insurance Policy Rules
- WC 00 00 00 A Workers Compensation and Employers Liability Insurance Policy
- WC 00 01 01 A Defense Base Act Coverage Endorsement
- WC 00 01 04 A Federal Employers' Liability Act Coverage Endorsement
- WC 00 01 06 A Longshore and Harbor Workers' Compensation Act Coverage Endt.
- WC 00 01 08 A Nonappropriated Fund Instrumentalities Act Coverage Endorsement
- WC 00 01 09 A Outer Continental Shelf Lands Act Coverage Endorsement
- WC 00 01 11 Migrant and Seasonal Agricultural Worker Protection Act Coverage Endorsement
- ~~• WC 00 01 12 Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Act of 2002~~
- WC 00 01 13 Terrorism Risk Insurance Extension Act Endorsement
- WC 00 02 01 A Maritime Coverage Endorsement
- WC 00 02 03 Voluntary Compensation Maritime Coverage Endorsement
- WC 00 02 04 Limited Maritime Coverage Endorsement
- WC 00 03 01 A Alternate Employer Endorsement
- WC 00 03 02 Designated Workplaces Exclusion Endorsement
- WC 00 03 03 C Employers Liability Coverage Endorsement
- WC 00 03 04 Insurance Company as Insured Endorsement
- WC 00 03 05 Joint Venture as Insured Endorsement
- WC 00 03 09 A Rural Electrification Administration Endorsement
- WC 00 03 10 Sole Proprietors, Partners, Officers and Others Coverage Endorsement
- WC 00 03 11 A Voluntary Compensation and Employers Liability Coverage Endt.
- WC 00 03 13 Waiver of Our Right to Recover from Others Endorsement
- WC 00 04 01 A Aircraft Premium Endorsement
- WC 00 04 03 Experience Rating Modification Factor Endorsement

- WC 00 04 05 Policy Period Endorsement
- WC 00 04 06 A Premium Discount Endorsement
- WC 00 04 09 Premium Determination Endorsement — Former Self-Insurers 1
- WC 00 04 10 Premium Determination Endorsement — Former Self-Insurers 2
- WC 00 04 12 Contingent Experience Rating Modification Factor Endorsement
- WC 00 04 14 Notification of Change in Ownership Endorsement
- WC 00 04 19 Premium Due Date Endorsement
- ~~• WC 00 04 20 Terrorism Risk Insurance Act Endorsement~~
- Policyholder Disclosure Notice of Terrorism Insurance Coverage
- ~~• Policyholder Disclosure Notice of Terrorism Insurance Coverage~~
- WC 00 04 22 Foreign Terrorism Premium Endorsement
- WC 00 05 03 A Retrospective Premium Endorsement — One Year Plan
- WC 00 05 04 A Retrospective Premium Endorsement — Three Year Plan
- WC 00 05 05 A Retrospective Premium Endorsement — Long-Term Construction Project
- WC 00 05 08 Retrospective Premium Endorsement Aviation Exclusion
- WC 00 05 09 A Retrospective Premium Endorsement Changes
- WC 00 05 10 Retrospective Premium Endorsement Non-Ratable Catastrophe Element or Surcharge
- WC 00 05 11 Retrospective Premium Endorsement Short Form
- WC 00 05 12 A Retrospective Premium Endorsement One Year Plan — Multiple Lines
- WC 00 05 13 A Retrospective Premium Endorsement Three Year Plan — Multiple Lines
- WC 00 05 14 A Retrospective Premium Endorsement Long Term Construction Project — Multiple Lines
- WC 00 05 15 Retrospective Premium Endorsement Flexibility Options
- WC 00 06 03 Benefits Deductible Endorsement
- WC 89 06 09 B Policy Termination/Cancelation/Reinstatement Notice
- WC 22 00 00 A Minnesota Amendatory Endorsement
- WC 22 00 01 Information Page
- WC 22 03 01 Minnesota Compliance with Applicable Trade Sanction Laws
- WC 22 03 02 Minnesota Independent Contractors Coverage Endorsement
- WC 22 03 03 Minnesota Third Degree of Kindred Family Member Exclusion Endt.

- WC 22 03 04 Minnesota Employee Leasing Endorsement
- WC 22 03 05 Minnesota Exclusion of Coverage for Leased Employees Endorsement
- WC 22 04 01 Minnesota Contracting Premium Adjustment Program Endorsement
- WC 22 04 02 Minnesota Anniversary Rating Date Endorsement
- WC 22 06 00 Minnesota Policy Change Endorsement
- WC 22 06 01 C Minnesota Cancellation and Nonrenewal Endorsement
- WC 22 06 02 Minnesota Policy Information Page Endorsement Insured's Name
- WC 22 06 03 Minnesota Policy Information Page Endorsement Policy Number
- WC 22 06 04 Minnesota Policy Information Page Endorsement Effective Date
- WC 22 06 05 Minnesota Policy Information Page Endorsement Expiration Date
- WC 22 06 06 Minnesota Policy Information Page Endorsement —  
Insured's Mailing Address
- WC 22 06 07 Minnesota Policy Information Page Endorsement —  
Experience Modification
- WC 22 06 08 Minnesota Policy Information Page Endorsement Producer's Name
- WC 22 06 09 Minnesota Policy Information Page Endorsement —  
Change in Workplace of Insured
- WC 22 06 10 Minnesota Policy Information Page Endorsement—  
Insured's Legal Status
- WC 22 06 11 Minnesota Policy Information Page Endorsement Add States
- WC 22 06 12 Minnesota Policy Information Page Endorsement Employer Limits
- WC 22 06 13 Minnesota Policy Information Page Endorsement Change in State
- WC 22 06 14 Minnesota Policy Information Page Endorsement —  
Endorsement Numbers
- WC 22 06 15 Minnesota Policy Information Page Endorsement —  
Class, Rate, Other Change
- WC 22 06 16 Minnesota Policy Information Page Endorsement —  
Interim Adjustment of Premium
- WC 22 06 17 Minnesota Policy Information Page Endorsement —  
Carrier Servicing Office
- WC 22 06 18 Minnesota Policy Information Page Endorsement —  
Interstate/Intrastate Risk ID Number
- WC 22 06 19 Minnesota Policy Information Page Endorsement Carrier Number
- WC 22 06 20 Minnesota Entity Address Schedule

## **FILING MEMORANDUM**

### **ITEM P-1404—TERRORISM RISK INSURANCE EXTENSION ACT OF 2005**

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#### **PURPOSE**

The purpose of this item is to address the catastrophe provisions in the Terrorism Risk Insurance Extension Act of 2005.

#### **BACKGROUND**

The Terrorism Risk Insurance Act of 2002 was implemented as a result of the U.S. Congress recognizing that terrorism is a catastrophe exposure that is real and significant for insurers of workers compensation and other lines of insurance. Items B-1383, B-1393, B-1398, and P-1392 were subsequently filed to implement the Terrorism Risk Insurance Act of 2002, and to provide miscellaneous values for foreign and domestic terrorism, earthquakes, and catastrophic industrial accidents.

The Terrorism Risk Insurance Act of 2002 was scheduled to expire on December 31, 2005. Terrorism catastrophe exposure continues to be significant for insurers of workers compensation and other lines of insurance. As a result, Congress has passed the Terrorism Risk Insurance Extension Act of 2005.

The key provisions of the Terrorism Risk Insurance Extension Act of 2005 are:

- The Terrorism Risk Insurance Act of 2002 is extended through 2007 with certain amendments

- The size of an event needed to trigger the Extension Act is raised from \$5 million in the current program to \$50 million in 2006 and \$100 million in 2007 after March 31, 2006

- Program Year 4 means the period beginning on January 1, 2006 and ending on December 31, 2006

- Program Year 5 means the period beginning on January 1, 2007 and ending December 31, 2007

- Insurer deductibles are added for Program Year 4 and Program Year 5

- The amount of reimbursement paid to carriers by the U.S. Government for insured terrorism of war losses exceeding deductibles is added for Program Year 4 and Program Year 5

- Aggregate retention amounts are added for Program Year 4 and Program Year 5

- Authority is given to the Secretary of the Treasury to establish procedures and requirements for litigation management for causes of action arising out of the Extension Act

- The President's Working Group on Financial Markets, in consultation with the National Association of Insurance Commissioners, representatives of the insurance industry, representatives of the securities industry, and representatives of policyholders, shall perform an analysis regarding the long-term availability and affordability of insurance for terrorism risk. The President's Working Group on Financial Markets shall submit a report to the Committee on Financial Services of the House of Representatives on its findings not later than September 30, 2006

#### **PROPOSAL**

The purpose of this item is to implement the provisions of the Terrorism Risk Insurance Extension Act of 2005 and to create, amend, and withdraw as applicable endorsements contained in previously filed Items B-1383, B-1393, and P-1392. This item proposes to :

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## FILING MEMORANDUM

### ITEM P-1404—TERRORISM RISK INSURANCE EXTENSION ACT OF 2005

**Exhibit 1-** Replace the Terrorism Risk Insurance Act Endorsement (WC 00 04 20) with the newly created Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13) to be applied in conjunction with the Foreign Terrorism Premium Endorsement (WC 00 04 22)

**Exhibit 2-** Amend the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21) to reflect a revised definition of Domestic Terrorism

**Exhibit 3-** Withdraw the Terrorism Risk Insurance Act Endorsement (WC 00 04 20)

**Exhibit 4-** Withdraw the Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Act of 2002 (WC 00 01 12)

#### IMPACT

There is no expected premium impact as a result of this item.

#### IMPLEMENTATION

The attached exhibits include the proposed changes necessary to implement this item.

In all states except Hawaii, this item will be implemented effective 12:01 a.m. on January 1, 2006 applicable to new renewal and outstanding voluntary and assigned risk business.

In Hawaii, the effective date is determined upon regulatory approval of the individual carrier's election to adopt this change.