



February 14, 2006

Circular 2006-04

To: All Members

Item P-1404—Terrorism Risk Insurance Extension Act of 2005

Approved

On February 2, 2006, the Indiana Department of Insurance stamped this item as “FILED” completing the approval process. This filing is effective January 1, 2006 applicable to new renewal and outstanding voluntary and assigned risk business.

Clarification on Endorsing “Outstanding” Policies

Subsequent to the approval of this filing in Indiana and many other states, we have received inquiries regarding the applicability of the new endorsements to outstanding policies. We intend for the filing to provide flexibility for carriers in complying with the law provisions. Carriers may make their own business decisions regarding how to endorse their policies. The final determination of how and when to apply these endorsements to outstanding policies is based on each carrier’s interpretation of the Terrorism Risk Insurance Extension Act of 2005.

To remove any uncertainty as to how the U.S. Department of Treasury might rule in the future, it appears reasonable to attach the new endorsements to outstanding policies at this time. This action would appear to preclude questions related to clear and conspicuous disclosure notification to the policyholder. However, the final decision regarding the adequacy of policyholder disclosures will be made by the Secretary of Treasury at the time that a carrier submits its claim under the Program.

As an additional source of information on this matter, please also refer to NCCI Circular CIF-2006-03, dated 02/10/06.

Background

With the expiration of The Terrorism Risk Insurance Act of 2002 on December 31, 2005, Congress recognized that 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, which was signed into law by the President on December 22, 2005.

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 as summarized below:

- 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)

- Amend the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21) to reflect a revised definition of Domestic Terrorism
- Withdraw the Terrorism Risk Insurance Act Endorsement (WC 00 04 20)
- Withdraw the Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Act of 2002 (WC 00 01 12)

For more information, visit our website at www.icrb.net, click on the "CompClues" colorful logo in the middle of the page. You will see an alphabetical list of documents. Scroll down to the document titled "Terrorism."

Sincerely,

Ronald W. Cooper, CWCP
President