



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

January 15, 2003

ALL ASSOCIATION MEMBERS

Circular Letter 03-1398

**RE: 2002 Terrorism Risk Insurance Act – Disclosure Notices and Endorsement
WC 00 04 20**

In late November, 2002, the US Congress passed and the President signed into law, the Terrorism Risk Insurance Act of 2002. The Act establishes a mandatory Federal program to provide property & casualty insurance coverage for losses resulting from certain acts of foreign-sponsored terrorism through 2005. This Circular Letter relates to certain forms designed to implement portions of that Act.

Disclosure Forms

The Act requires as a condition for receiving Federal payments under the Terrorism Risk Insurance Program that insurers must clearly and conspicuously disclose to policyholders the premium charged for insured terrorism losses covered by the Act and the Federal share of compensation for those losses.

The two forms of Disclosure Notice attached were proposed by the NAIC and approved by the Department of Treasury as meeting this requirement. While carriers may develop and file their own disclosure forms, carriers may use these forms without the need for a separate filing with the Minnesota Commerce Department. Specifically, carriers may use either Exhibit I (Disclosure Notice with a policyholder acknowledgement) or Exhibit II (Disclosure Notice without a policyholder acknowledgement).

If a carrier elects to develop its own form of disclosure notice the carrier must comply with the filing requirements of Minnesota law, subject to the limitations imposed by the Act.

Terrorism Risk Insurance Act Endorsement

The NCCI and other data service organizations have developed a Terrorism Risk Insurance Act Endorsement (WC 00 04 20) in the form attached as Exhibit III. As with the Disclosure Notices carriers may develop and file their own endorsement form, or may use this form without the need for a separate filing with the Minnesota Commerce Department.

If a carrier elects to develop its own endorsement form the carrier must comply with the filing requirements of Minnesota law, subject to the limitations imposed by the Act.

All of these items were approved by the Minnesota Commerce Department effective December 27, 2002.

Please direct any questions you may have concerning this item to one of our underwriters at 952-897-1737 or by e-mailing our office at info@mwcia.org.

Exhibit I

**POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM**

INSURANCE COVERAGE

Coverage for acts of terrorism is already included in your current policy. You should know that, effective November 26, 2002, under your existing coverage, any losses caused by certified acts of terrorism would be partially reimbursed by the United States under a formula established by federal law. Under this formula, the United States pays 90% 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: \$_____.

I ACKNOWLEDGE THAT I HAVE BEEN NOTIFIED THAT UNDER THE TERRORISM RISK INSURANCE ACT OF 2002, ANY LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM UNDER MY POLICY COVERAGE WILL BE PARTIALLY REIMBURSED BY THE UNITED STATES AND I HAVE BEEN NOTIFIED OF THE AMOUNT OF MY PREMIUM ATTRIBUTABLE TO SUCH COVERAGE.

Policyholder/Applicant's Signature

Print Name

Date

Name of Insurer: _____

Policy Number: _____

Exhibit II

**POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM
INSURANCE COVERAGE**

Coverage for acts of terrorism is already included in your current policy. You should know that, effective November 26, 2002, under your existing coverage, any losses caused by certified acts of terrorism would be partially reimbursed by the United States under a formula established by federal law. Under this formula, the United States pays 90% 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: \$_____.

Name of Insurer: _____

Policy Number: _____

**ITEM B-1383—CATASTROPHE PROVISION—CERTIFIED TERRORISM LOSSES (AS DEFINED IN
TERRORISM RISK INSURANCE ACT OF 2002)**

EXHIBIT 8

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY 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 Government under a formula established by the Act. Under this formula, the United States Government 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. This note does not apply in Minnesota.
3. This endorsement is effective 12:01 a.m. on January 1, 2003 applicable to new and renewal assigned risk policies only. This note does not apply in Minnesota.
4. In Minnesota, this endorsement is effective 12:01 a.m. on December 27, 2002.