

## Notice of Terrorism Insurance Coverage

On November 26, 2002, the President signed into law the Terrorism Risk Insurance Act of 2002 (the Act). The Act became effective immediately. It establishes a temporary federal program of shared public and private compensation for insured commercial property and casualty losses resulting from an act of terrorism, as defined in the Act. The Terrorism Risk Insurance Program is administered and implemented by the U.S. Department of Treasury.

Commercial insurance providers were required to provide premium and certified acts of terrorism disclosure information, including the ability to reject terrorism coverage, within ninety days of the November 26, 2002 date. **The NCJUA/NCIUA will implement the Federal mandated Terrorism Risk Insurance Act of 2002 requirements effective February 15, 2003.** The Associations will administer the Notice of Terrorism Insurance Coverage as follows:

**Mid Term Policies** will be endorsed effective 2/15/03 with the premiums being waived. Policies will be endorsed as follows:

- New Certified Acts of Terrorism endorsement IL 09 50 11 02, will be added to policies that included prior Terrorism Exclusion Endorsement IL 0940.
- New Certified Acts of Terrorism Endorsement IL 09 52 11 02, will be endorsed to existing policies without prior Terrorism Exclusion Endorsement IL 0490.

**Continuations** returned to the Association that were effective between 2/15/03 and 5/15/03 and released prior to this implementation will be endorsed effective the continuation date with premiums being waived. These policies would have been issued with prior Terrorism Exclusion Endorsement IL 0940, therefore the new certified acts of terrorism coverage endorsement IL 0950 will be endorsed to these policies.

**New Business effective 2/15/03** and **Continuations effective 5/15/03 and after** will be rated to include the Certified Acts of Terrorism Coverage. Policy declarations include new coverage perils to track with certified acts of terrorism being covered or rejected. The declarations will also include the certified acts of terrorism information and premium disclosure notice along with a rejection form if the policyholder desires to reject the coverage. Endorsement IL 0952 applies when Certified Acts of Terrorism coverage is covered and IL 0968 11 02 applies if the coverage is rejected.

The ISO loss cost for certified acts of terrorism coverage is .001. Including the Association's Group I expense modifier the final rate is .002. This applies to building and personal property coverages.

If the certified acts of terrorism coverage is rejected, the rejection does not apply to fire losses resulting from an act of terrorism. The premium for such fire coverage is developed by applying a factor of .60 to the rate for certified acts of terrorism coverage.

When submitting new business you must include the proper premium for terrorism or the rejection (ensuring fire coverage only). The Associations' rejection form, ACORD terrorism rejection form or similar rejection form used by insurance companies should accompany applications rejecting certified acts of terrorism coverage.

**Summary:**

Certified Acts of Terrorism Coverage will be endorsed effective 2-15-03 to Mid-Term Policies and Continuations effective prior to 5/15/03, premiums will be waived. An information flyer will accompany the applicable endorsement.

- IL 0950 if IL 0940 exist
- IL 0952 if no IL 0940

Certified Acts of Terrorism Coverage on New Business beginning effective 2/15/03 and Continuations effective 5/15/03 and after, will include rating with premium disclosure and rejection form being provided in the policy declarations.

- IL 0952 Certified Acts of Terrorism included
- IL 0968 Terrorism rejection (ensuing fire coverage only)

Contact your underwriter if you have any questions.