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Line(s) of  
Insurance:

**Agricultural Output**

**Artisans**

**Businessowners**

**Commercial Inland**

**Marine**

**Commercial Liability**

**Commercial Output**

**Commercial Properties**

**Commercial Umbrella**

**Contractors &**

**Developers Output**

**Crime**

**Farm Properties**

**Farmowners**

**Farm Umbrella**

**Glass**

**Inland Marine Guide**

**Personal & Premises**

**Liability**

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## COUNTRYWIDE

### NEW TERRORISM NOTICES, ENDORSEMENTS, RULES, AND RATING INFORMATION

Reference Bulletins: 02-0503, 02-0514

This Bulletin provides advance information regarding the endorsements, rules, and rating information needed for compliance with the Terrorism Risk Insurance Act of 2002. The materials described in this Bulletin are posted at the AAIS public Web site, [www.AAISonline.com](http://www.AAISonline.com).

## FUTURE COMMUNICATIONS

**Given the urgent need for timely communications on this subject, most future updates regarding the filing and or availability of new materials that address terrorism will be posted to our public Web site at [www.AAISonline.com](http://www.AAISonline.com), rather than distributed via AAIS bulletin. The AAIS e-mail notification service, *Product Advisory*, will be used to direct company attention to new Web site postings. Also refer to the section of this Bulletin entitled "Web Site Postings".**

**Companies that are not signed up for *Product Advisory* are urged to do so. Go to [www.AAISonline.com](http://www.AAISonline.com) and click on the home page link that reads: "AAIS Product Advisory Sign up". Companies that are unable to access information via the Internet should contact AAIS immediately to discuss alternative ways of receiving information.**

## BACKGROUND - TERRORISM RISK INSURANCE ACT OF 2002

The Terrorism Risk Insurance Act of 2002 (the Act), which establishes the Terrorism Insurance Program (the Program), was signed into law on November 26, 2002. Under the Program, the U.S. Treasury will cover 90% of commercial lines losses that are attributed to certified acts of terrorism, after the application of statutorily defined deductibles. Personal lines policies are not eligible for coverage under the Program. A list of other Program features follows.

- The Program is temporary, starting when the legislation was signed on November 26, 2002, and ending on December 31, 2004, with the possibility of an extension until December 31, 2005.
- Commercial lines insurers in the U.S. automatically participate in the Program, and will repay the losses to the Treasury through a surcharge on all commercial policyholders.

- All existing terrorism exclusions and limitations under in-force commercial policies became immediately void as of November 26, 2002, but only with respect to insured losses as defined by the Act. However, insurers can charge for the terrorism exposure they retain, and are allowed to exclude coverage for insured losses as defined by the Act under an in-force policy if an insured refuses it in writing or fails to pay the premium.
- The Secretary of the Treasury, in concurrence with the Attorney General and Secretary of State, will certify those events that are acts of terrorism under the Program. To be so designated, an event must cause at least \$5 million in damage and be committed "on behalf of any foreign person or foreign interest." Domestic terrorism is not addressed by the Program.
- Insurers must meet certain conditions in order to receive payments under the Program. Those conditions require that a disclosure notice be provided to the applicant or policyholder to clearly and conspicuously state the premium for terrorism coverage and to indicate that the federal government will compensate the insurer for a portion of any insured terrorism losses.
- The maximum annual limit of liability for insured losses in any one Program year will be \$100 billion, until such time as Congress makes other provisions for such losses. No insurer that has met its obligations under the Program will be liable for payment of any portion of loss resulting from a certified act of terrorism that exceeds the \$100 billion annual aggregate.

### **CERTIFIED AND NON-CERTIFIED TERRORISM LOSS**

The new AAIS terrorism endorsements define several new terms. Those terms, which are listed below, are also used throughout this Bulletin to describe the new terrorism materials and related company action.

The endorsements being filed to address compliance with the Program use the terms:

- "Certified act of terrorism", which is defined to follow the language of the Act with respect to the criteria under which the Secretary of the Treasury will determine that loss resulting from terrorists' acts are eligible for the reinsurance provided by the Program. Among other criteria, the Act establishes that only acts committed by one or more individuals acting on behalf of a foreign person or interest can be declared certified acts of terrorism; and
- "Certified terrorism loss", which is defined to mean loss that results from a certified act of terrorism.

The new AAIS endorsements that are being filed in most states to address loss resulting from terrorists acts that are not declared by the Secretary of the Treasury to be certified acts of terrorism use the terms:

- "Non-certified act of terrorism", which refers to an act that involves terrorism, but is not certified by the Secretary of the Treasury to be an insured loss under the Program; and
- "Non-certified terrorism loss", which is defined to mean loss that results from a non-certified act of terrorism.

More information about the endorsements that address both certified and non-certified acts is provided in subsequent sections of this Bulletin.

## **POLICYHOLDER NOTICES**

The policyholder notices required for policies in force on November 26, 2002, must be provided by February 24, 2003. Beginning November 26, 2002, new and renewal policies and offers of coverage (quotes) must include a notice; and on or after February 25, 2003, the notice must be provided as a separate line item in the policy with respect to any new or renewal policy.

Section 103 (b) of the Act (Conditions for Federal Payments) requires that the insurer provide clear and conspicuous disclosure to the policyholder of the premium charged for the insured losses covered by the Program and the Federal share of compensation for insured losses under the Program to receive payment made by the Secretary of the Treasury with respect to an insured loss that is covered by the insurer. In addition to these requirements, Section 105 (a) provides special considerations for in-force policies to which a pre-existing terrorism exclusion applied.

AAIS has developed a series of policyholder notices to comply with the Act; their usage is outlined below.

### ***Policies With An Existing Terrorism Exclusion Issued Prior To November 26, 2002***

Policyholder notice **CL 1015 12 02** can be used to notify policyholders with policies issued prior to November 26, 2002 of the terrorism premium and program information as required by the Act. Section 105 (a) of the Act voids any terrorism exclusion on existing policies *to the extent that it excludes losses that would otherwise be insured losses as defined in the Act*. CL 1015 12 02 allows the insurers and policyholders to reinstate the voided exclusions in accordance with the process outlined in the Act if:

- the insurer has received a written statement from the insured that affirmatively authorizes such reinstatement; or
- the insured fails to pay any increased premium charged for such terrorism coverage and the insurer provided the insured notice, at least 30 days before any such reinstatement, of (1) the increased premium for such terrorism coverage; and (2) the rights of the insured with respect to such coverage, including any date upon which the exclusion would be reinstated.

Companies determining that the second requirement above impacts Agency or Direct Bill Systems and Accounting Systems may need to modify the policyholder notice or special instructions to agents may be required to collect premiums within the time frame allowed

In addition to notifying the insured of the premium charged for insured losses covered by the Program, CL 1015 12 02 also notifies the insured of the Federal share of compensation for insured losses under the program as required under the Act. To be in compliance with the Act, all insureds with policies in force on November 26, 2002 must receive this notice from their insurer not later than February 24, 2003.

***Policies Without A Terrorism Exclusion Issued Prior To November 26, 2002***

Policyholder notice CL 1025 12 02 can be used for policies without a terrorism exclusion attached issued prior to November 26, 2002. The notification requirement as respects time period for in-force policies applies. Insureds with policies in force on November 26, 2002 must receive this notice from their insurer not later than February 24, 2003.

CL 1025 12 02 meets the basic requirement to notify the insured of the premium charged for insured losses covered by the Program and the Federal share of compensation for insured losses under the program as required under the Act.

***New or Renewal Policies Issued Within 90 Days of November 26, 2002 (By February 24, 2003)***

Policyholder notice CL 1035 12 02 can be used for policies issued within the first 90 days after November 26, 2002 (by February 24, 2003). This notice can be used with policies issued with or without the existing terrorism exclusion. It has been acknowledged that it may be necessary to attach an existing terrorism exclusion in states that have not yet approved new endorsements that exclude non-certified terrorism losses. It can also be used for policies issued with an approved exclusion of non-certified terrorism losses and a certified terrorism loss endorsement.

The Act states that notice must be provided at the time of offer, purchase, and renewal of the policy. In practice, not all policies are quoted prior to issuance. If the policy is quoted, disclosure required by the Act should be given at that time of the quote; refer to the description of notice CL 1045 12 02. If terrorism coverage is offered with a business insurance proposal using CL 1045 12 02, companies may also decide to generate a notice (CL 1035 12 02) that will be mailed with the new or renewal policy when it is issued when the insured has accepted certified terrorism loss coverage. If the policy is not quoted, disclosure should be made along with the policy when issued using CL 1035 12 02.

***Offer Of Certified Terrorism Coverage with Business Insurance Proposals For New or Renewal Policies***

Policyholder notice CL 1045 12 02 can be used for offers of terrorism coverage provided with quotes for new or renewal policies to be issued within 90 days of November 26, 2002 (by February 24, 2003) or on or after February 25, 2003. It will allow for the offer of terrorism coverage as covered under the Act with the required disclosure of premium and program details. It is recommended that, to assure compliance, notice also be included when the policy is issued.

***New Or Renewal Policies Issued On Or After February 25, 2003***

For policies issued on February 25, 2003 and later, the notice must be provided as a separate line item in the policy. The Act reads as follows, "In the case of any policy that is issued more than 90 days after the date of enactment of this Act, on a separate line item in the policy, at the time of offer, purchase, and renewal."

According to the Notice issued by The Department of Treasury on Interim Guidance Concerning Statutory Disclosure, additional guidance will be provided with respect to the separate line item disclosure requirement. At this point, without further clarification from Treasury, it is reasonable to assume that wording similar to that used within CL 1045 12 02, along with programming terrorism premium to display as a 'separate line item' in the policy would be adequate to meet this requirement. (It may be advisable to also display rates charged since the policy may be subject to audit or the exposure basis may change.) Along with notification of the premium and a statement that it is being charged for insured terrorism losses covered by the Program, the insured must be notified of the Federal share of compensation for insured losses under the program as required under the Act.

***Additional Comments***

Alternate wording is provided in the AAIS notices to allow for accurate disclosure in Standard Fire Policy states. In Standard Fire Policy states, rejection of terrorism coverage is not applicable to fire losses resulting from a certified act of terrorism. It is necessary to show the premium charged for the certified terrorism coverage as well as the portion of the terrorism premium applicable to fire only. If the terrorism premium for your company is zero for one or both of these entries for in-force business, show this number in the appropriate premium field. CL 1015, CL 1035, and CL 1045 display the information required for a Standard Fire Policy state.

According to the Notice issued by The Department of Treasury on Interim Guidance Concerning Statutory Disclosure, an insurer may comply with the disclosure requirements of the Act through a broker or other agent. The responsibility for ensuring that such disclosures are provided to policyholders still rests with the insurer.

The AAIS policyholder notices will be placed on file with the Departments of Insurance for information purposes in those states that require they be included in the filing of the certified terrorism loss endorsements. Affiliated companies can use the AAIS policyholder notices as filed with slight modifications for individual policies or develop independent notices that contain the information required by the Act. Companies that develop their own notices are required to place them on file with the Departments of Insurance that require the filing of notices for informational purposes. The filing requirements for disclosure notices can be found in the bulletin released by each state on the Terrorism Risk Insurance Act of 2002.

## **RATING INFORMATION - CERTIFIED TERRORISM LOSS**

For most affected lines of insurance, AAIS is providing state-specific tables of factors that affiliated companies can use to develop premium charges for the retained portion of certified terrorism loss exposure. No rating information is being developed at this time with respect to coverage or exclusions that address non-certified terrorism loss. The following considerations are reflected in the development of the state-specific factors.

- Analysis was based on the approximately \$150 billion of commercial direct earned premium reported by insurance companies subject to the Act. According to the provisions in the Act, the industry deductible would be \$10.5 billion in year one; \$15 billion in year two; and \$22.5 billion in year three. Companies are also responsible for 10% of losses over the deductible, subject to the annual maximum liability established by the Act.
- Several industry sources have concluded that the insured losses for the 9/11 tragedy are between \$30 and \$60 billion. Using the provisions of the Act in Year 2 and total losses of \$45 billion, a possible estimate of the maximum probable loss would be approximately \$18 billion or 12% of the commercial direct earned premium.
- A combination frequency/size of loss adjustment of 1/6 was selected to reflect that smaller losses are more likely to occur and to reflect the likely infrequent nature of terrorist incidents.
- An overall base terrorism surcharge of 2% was developed. This surcharge is considered appropriate for 75 - 100% acceptance of the terrorism coverage by a company's insureds. Modification of the surcharge may be called for if a lower acceptance rate is anticipated.
- Population and population density were used to modify the 2% surcharge by state. For property coverages, the surcharge was modified further for susceptibility to terrorism losses. Susceptibility is a weighted average of state data that includes tourism, transportation, nuclear power plants, and military presence.
- The state-specific surcharges were balanced to produce an overall 2% surcharge countrywide.

An example of the state-specific table that is part of the Terrorism Losses supplement of rules and rating information follows. Each state table will include the rating factors for the affected AAIS programs on file in the particular state, other than Commercial Umbrella and Farm Umbrella. (A separate section of this Bulletin addresses umbrella programs.)

The rating factors can be used to develop an additional premium charge for the portion of the certified terrorism loss that is being retained by the company. In most states, AAIS will file such tables on a "use and file" or "file and use" basis on behalf of those affiliated companies that have granted us filing authority for rating information. Affiliated companies will be authorized to use the rating information as soon as it is posted to the AAIS Web site. Also refer to the section of this Bulletin entitled "Web Site Postings".

The following rating procedure will accompany the rating information developed for each state. To determine the additional premium charge for the portion of certified terrorism loss coverage that is retained by the company, multiply the total policy premium for all exposures in this state, after the application of IRPM credits or debits (if any), by the factor shown below for the applicable program. (N/A denotes 'not applicable'.)

<b>Program</b>	<b>Factor-- Coverage For Certified Terrorism Loss Accepted</b>	<b>Factor-- Coverage For Certified Terrorism Loss Rejected</b>
Agricultural Output	.XXXX	.XXXX
Artisans	.XXXX	.XXXX
Businessowners	.XXXX	.XXXX
Commercial Inland Marine (Filed Classes)	.XXXX	N/A
Commercial Liability	.XXXX	N/A
Commercial Output	.XXXX	.XXXX
Commercial Output - XL	.XXXX	.XXXX
Commercial Properties	.XXXX	.XXXX
Contractors & Developers Output	.XXXX	.XXXX
Crime	.XXXX	N/A
Farm Properties	.XXXX	.XXXX
Farmowners	.XXXX	.XXXX
Glass	.XXXX	N/A
Personal & Premises Liability (Farm Only)	.XXXX	N/A

With respect to policies issued to cover multi-state risks, the additional premium charges must be calculated on a state-by-state basis to reflect differences in state factors, Standard Fire Policy statutes, and any other state terrorism issues that may apply.

***Rejection of Coverage for Certified Terrorism Losses - Standard Fire Policy States***

While the insured may elect to reject the offer of coverage for certified terrorism loss, such rejection of coverage will not apply to loss under any policy that is subject to Standard Fire Policy statutes. In other words, the insured will not be permitted to waive coverage for "fire-following losses" that may result from a certified act of terrorism under a policy that is subject to the Standard Fire Policy statutes.

Companies that wish to qualify for the reinsurance payments offered by the Program must declare the premium charge for certified terrorism loss. In such instances, affiliates that wish to make a charge under new and renewal policies for the portion of coverage retained for fire-following losses in a Standard Fire Policy state may use the corresponding factor from the state table to develop the additional premium charge. (If a company elects to make an additional charge for fire-following losses when the insured rejects the offer of coverage for certified terrorism loss under a new or renewal policy in a Standard Fire Policy state, that additional charge will apply on a "mandatory" basis.)

**ENDORSEMENTS - CERTIFIED TERRORISM LOSS**

AAIS has developed a series of optional endorsements for use with policies that provide or exclude coverage for certified terrorism loss. AAIS will file these endorsements on a "use and file" or "file and use" basis on behalf of those affiliated companies that have granted us filing authority for forms and endorsements. With the exception of the endorsements developed for use under the Commercial Umbrella Program and the Farm Umbrella Program, affiliated companies will be authorized to use the endorsements that address certified terrorism loss as soon as a Web site posting announces the availability of such materials. Also refer to the sections of this Bulletin entitled "Web Site Postings" and "Supplies". (Another section of this Bulletin addresses umbrella programs.)

Endorsements that *cover* certified terrorism loss are intended for use with **new and renewal** policies when the insured accepts the offer of coverage for certified terrorism loss. Endorsements that cover certified terrorism loss are also intended for use with **in-force** policies when the policy had previously been endorsed to exclude coverage for terrorism loss and the insured accepts the offer of coverage for certified terrorism loss or when the policy had not previously been endorsed to exclude coverage for terrorism loss.

Endorsements that *exclude* coverage for certified terrorism loss are intended for use with **new and renewal** policies when the insured rejects the offer of coverage for certified terrorism loss. Endorsements that exclude coverage for certified terrorism loss are *not* intended for use with in-force policies.

Line of Insurance	Certified Terrorism Loss Covered: In-force, New & Renewal Policies	Certified Terrorism Loss Excluded: New & Renewal Policies Only; No Fire Exception	Certified Terrorism Loss Excluded: New & Renewal Policies Only; With Fire Exception	Certified Terrorism Loss Excluded: New & Renewal Policies Only All States
Agricultural Output	CL 0600 12 02	CL 0610 12 02	CL 0620 12 02	
Artisans	AP 0700 12 02	AP 0710 12 02	AP 0720 12 02	
Businessowners	BP 0750 12 02	BP 0760 12 02	BP 0770 12 02	
Commercial Inland Marine	CL 0600 12 02	CL 0610 12 02	CL 0620 12 02	
Commercial Liability	GL 0250 12 02			GL 0260 12 02
Commercial Output	CL 0600 12 02	CL 0610 12 02	CL 0620 12 02	
Commercial Properties	CL 0600 12 02	CL 0610 12 02	CL 0620 12 02	
Commercial Umbrella	UM 0755 12 02			UM 0765 12 02
Contractors & Developers Output	CL 0600 12 02	CL 0610 12 02	CL 0620 12 02	
Crime	CL 0600 12 02			CL 0610 12 02
Farm Properties	FL 0600 12 02	FL 0610 12 02	FL 0620 12 02	
Farmowners	FO 0600 12 02	FO 0610 12 02	FO 0620 12 02	
Farm Umbrella	UM 0330 12 02			UM 0340 12 02
Glass	CL 0600 12 02			CL 0610 12 02
Personal & Premises Liability (Farm Only)	GL 0310 12 02*			GL 0320 12 02*

\*These numbers were changed subsequent to the distribution of this bulletin. Use these endorsements in lieu of the endorsements originally identified.

Special editions of the endorsements that exclude certified terrorism loss will be filed in Alaska.

Refer to the section of this Bulletin entitled "Standard Fire Policy States" for more information regarding endorsements shown above under column headings that indicate "No Fire Exception" and "With Fire Exception".

Endorsements CL 0600, CL 0610, CL 0620, GL 0250, and GL 0260 are attached to this Bulletin as representative samples of the various endorsements that address certified terrorism loss. All of the endorsements shown above are posted to the AAIS public Web site at [www.AAISonline.com](http://www.AAISonline.com).

## ENDORSEMENTS - NON-CERTIFIED TERRORISM LOSS

AAIS has also developed a series of optional endorsements for the use of affiliated companies that wish to exclude coverage for non-certified terrorism loss. These endorsements are being filed on a "prior approval basis" on behalf of those affiliated companies that have granted us forms filing authority. Effective dates for endorsements that address non-certified terrorism loss will be announced in the Web site postings for each state. Also refer to the section of this Bulletin entitled "Web Site Postings". (Filings for the Commercial Umbrella Program and the Farm Umbrella Program are being made on an advisory basis only. A separate section of this Bulletin addresses umbrella programs.)

*In many instances, companies that use the AAIS terrorism endorsements will be attaching two terrorism endorsements to new and renewal policies. One endorsement will either cover or exclude certified terrorism loss, depending on the insured's acceptance or rejection of coverage for such losses. At the option of the company, a second endorsement will be attached to exclude non-certified terrorism loss.*

The endorsements that address non-certified terrorism loss, once approved, will replace the existing terrorism exclusion endorsements. Companies can continue using the existing terrorism exclusion endorsements, wherever approved, until the new endorsements for excluding non-certified loss become effective.

Two new versions of each non-certified terrorism loss endorsement are being made available. The first new endorsement shown for each Line of Insurance category in the table is the counterpart to the item being replaced. The second new endorsement shown for each Line of Insurance category in the table addresses only those non-certified losses that involve biological or chemical materials, or with respect to liability terms, that also involve nuclear materials or that result in nuclear reaction or radiation or radioactive contamination. (The property terms that address terrorism will rely on the Nuclear Hazard exclusion currently existing in all policies and coverage parts.) The new endorsements that address only non-certified terrorism loss that are brought about through biological or chemical means (also nuclear means under the liability terms) do not include the threshold language that refers to \$25,000,000 in property losses or, with respect to liability losses, number of people sustaining death or serious injury.

It is anticipated that states that have previously approved terrorism exclusions will approve the new exclusions that address non-certified terrorism loss. As of the date of this Bulletin, AAIS does not anticipate filing endorsements that exclude non-certified terrorism loss in the states of California, Florida, Georgia, New York, or Texas.

The table that follows identifies each new endorsement (*new*) and the endorsement that it will replace (*rpl*).

<b>Line of Insurance</b>	<b>Non-certified Terrorism Loss Excluded: New &amp; Renewal Policies Only; No Fire Exception</b>	<b>Non-certified Terrorism Loss Excluded: New &amp; Renewal Policies Only; With Fire Exception</b>	<b>Non-certified Terrorism Loss Excluded: New &amp; Renewal Policies Only; All States</b>
Agricultural Output	new CL 0630 12 02 new CL 0650 12 02 <i>rpl CL 0468 01 02</i>	new CL 0640 12 02 new CL 0660 12 02 <i>rpl CL 0469 01 02</i>	
Artisans	new AP 0730 12 02 new AP 0750 12 02 <i>rpl AP 0686 01 02</i>	new AP 0740 12 02 new AP 0760 12 02 <i>rpl AP 0687 01 02</i>	
Businessowners	new BP 0780 12 02 new BP 0800 12 02 <i>rpl BP 0674 01 02</i>	new BP 0790 12 02 new BP 0810 12 02 <i>rpl BP 0675 01 02</i>	
Commercial Inland Marine	new CL 0630 12 02 new CL 0650 12 02 <i>rpl CL 0468 01 02</i>	new CL 0640 12 02 new CL 0660 12 02 <i>rpl CL 0469 01 02</i>	
Commercial Liability			new GL 0270 12 02 new GL 0280 12 02 <i>rpl GL 0985 01 02</i>
Commercial Output	new CL 0630 12 02 new CL 0650 12 02 <i>rpl CL 0468 01 02</i>	new CL 0640 12 02 new CL 0660 12 02 <i>rpl CL 0469 01 02</i>	
Commercial Properties	new CL 0630 12 02 new CL 0650 12 02 <i>rpl CL 0468 01 02</i>	new CL 0640 12 02 new CL 0660 12 02 <i>rpl CL 0469 01 02</i>	
Commercial Umbrella			new UM 0775 12 02 new UM 0785 12 02 <i>rpl UM 0311 01 02</i>
Contractors & Developers Output	new CL 0630 12 02 new CL 0650 12 02 <i>rpl CL 0468 01 02</i>	new CL 0640 12 02 new CL 0660 12 02 <i>rpl CL 0469 01 02</i>	
Crime			new CL 0630 12 02 new CL 0650 12 02 <i>rpl CL 0468 01 02</i>
Farm Properties	new FL 0630 12 02 new FL 0650 12 02 <i>rpl FL 0450 03 02</i>	new FL 0640 12 02 new FL 0660 12 02 <i>rpl FL 0451 03 02</i>	
Farmowners	new FO 0630 12 02 new FO 0650 12 02 <i>rpl FO 0450 03 02</i>	new FO 0640 12 02 new FO 0660 12 02 <i>rpl FO 0451 03 02</i>	

Line of Insurance	Non-certified Terrorism Loss <i>Excluded: New &amp; Renewal Policies Only; No Fire Exception</i>	Non-certified Terrorism Loss <i>Excluded: New &amp; Renewal Policies Only; With Fire Exception</i>	Non-certified Terrorism Loss <i>Excluded: New &amp; Renewal Policies Only; All States</i>
Farm Umbrella			new UM 0350 12 02 new UM 0360 12 02 <i>rpl UM 0125 03 02</i>
Glass			new CL 0630 12 02 new CL 0650 12 02 <i>rpl GS 0194 01 02</i>
Personal & Premises Liability (Farm Only)			new GL 0330 12 02** new GL 0340 12 02** <i>rpl GL 0990 03 02</i>

\*\*These numbers were changed subsequent to the distribution of this bulletin. Use these endorsements in lieu of the endorsements originally identified.

Special editions of the endorsements that exclude non-certified terrorism loss will be filed in Alaska. Refer to the section of this Bulletin entitled "Standard Fire Policy States" for more information regarding endorsements shown above under column headings that indicate "No Fire Exception" and "With Fire Exception".

Endorsements CL 0630, CL 0640, CL 0650, CL 0660, GL 0270, and GL 0280 are attached to this Bulletin as representative samples of the various endorsements that address non-certified terrorism loss. All of the endorsements shown above are posted to the AAIS public Web site at [www.AAISonline.com](http://www.AAISonline.com).

### STANDARD FIRE POLICY STATES

Except as explained under the Inland Marine comments that follow, the endorsements identified in the "No Fire Exception" columns of the tables shown in this Bulletin are being filed only in the jurisdictions listed below, while the endorsements identified in the "Fire Exception" columns are being filed in all other jurisdictions, except California, Georgia, Florida, New York, and Texas.

Alabama	Indiana	Nevada	Tennessee
Alaska*	Kansas	New Mexico	Utah
Arkansas	Kentucky	Ohio	Vermont
Colorado	Maryland	Puerto Rico	Wyoming
Delaware	Mississippi	South Carolina	
District of Columbia	Montana	South Dakota	

\* Special editions of the endorsements that exclude certified and non-certified terrorism loss will be filed in Alaska.

### ***Inland Marine***

It has been determined that in most states where Standard Fire Policy statutes apply, such statutes do not apply to Inland Marine policies. Accordingly, new terrorism endorsements filed for the Commercial Inland Marine Program will not include the "Fire Exception" in most states.

### **RULES - CERTIFIED AND NON-CERTIFIED TERRORISM LOSS**

A Terrorism Losses manual supplement is being filed in most states to introduce rules that address certified and non-certified terrorism loss for new and renewal policies under the affected lines of insurance. Each state supplement addresses all lines of insurance on file for the particular state, with the exception of Commercial Umbrella and Farm Umbrella. The manual rules will not address in-force policies, given that all action required for in-force policies must be completed by February 24, 2003.

These rules are being filed on a "prior approval basis" on behalf of those affiliated companies that have granted us filing authority for rules.

The rules distinguish between certified and non-certified terrorism loss and identify the applicable endorsements by line of insurance. The supplement also amends manuals that include Interstate Accounts rules to specify that when a policy covers property located in more than one state or jurisdiction, exclusions and/or coverage for terrorism losses for each location must be written in accordance with the forms, rules, and rating information applicable in that state or jurisdiction.

A sample of the rules portion of the Terrorism Losses manual supplement is provided at the AAIS public Web site, [www.AAISonline.com](http://www.AAISonline.com).

### **UMBRELLA PROGRAMS**

#### ***Endorsements***

AAIS files umbrella forms and endorsements on an advisory basis only. Affiliated companies will be required to take action in order to adopt any of the endorsements described in this Bulletin. The Web site postings that announce filing action for each state will include the action required to adopt the umbrella endorsements. Also refer to the section of this Bulletin entitled "Web Site Postings".

#### ***Rules and Rating Information***

AAIS does not file rules and rating information for umbrella programs. Companies that use the underlying policy premium as the basis for calculating the umbrella premium may not wish to make any specific additional charge for the portion of certified terrorism loss retained by the company under an umbrella policy. Companies that rate umbrella policies on an "exposure basis" and that wish to make an additional premium charge for the portion of certified terrorism loss coverage retained by the company under an umbrella policy must develop the appropriate rating mechanism and take independent filing action. A sample rating rule follows.

To determine the additional premium charge for the retained portion of certified terrorism loss coverage, multiply the total policy premium for all exposures in this state by a factor of .005.

## **NON-FILED INLAND MARINE CLASSES**

The following information is provided for companies that are affiliated with AAIS for the Inland Marine Guide (non-filed, commercial classes). With the exception of the states that are listed below, AAIS will make available, on an informational basis, endorsements for certified and non-certified loss and rating for certified loss. The endorsements and rating will be the same endorsements and rating that are being filed for the filed commercial Inland Marine classes.

In states with Standard Fire Policy laws, the endorsement for non-certified loss will not have an exception for fire-following loss if the state Standard Fire Policy laws allow for an exception for Inland Marine.

In states that require the filing of forms for the traditionally non-filed classes, companies must make their own filing of the endorsements for certified and non-certified losses (if allowed). In states that require the filing of rating for the traditionally non-filed classes, companies must make their own filing of the rating for certified loss. In states that do not require filings for the non-filed classes, companies should use the same endorsements and rating that are being filed for the filed commercial Inland Marine classes.

- In Nebraska, AAIS will be filing, on an advisory basis, endorsements for certified and non-certified losses and rating for certified loss. Companies must file to adopt this filing.
- In Oregon, AAIS will be filing, on an advisory basis, endorsements for certified and non-certified losses. Companies must file to adopt this filing. AAIS will publish Oregon rating for certified loss on an informational basis.
- In Texas, AAIS will be filing, on an advisory basis, an endorsement and rating for certified loss for the Fine Arts and Electronic Data Processing classes only. Companies must file to adopt this filing. For all other non-filed Inland Marine classes, AAIS will publish an endorsement and rating for certified loss on an informational basis.
- In California, AAIS will be filing, on an advisory basis, endorsements for certified loss and rating for certified loss. Companies must file to adopt this filing. Companies must make their own filing for non-certified loss.

## **STATISTICAL REPORTING**

A separate bulletin will be issued to address changes being made to AAIS statistical plans to capture Terrorism data.

## **WEB SITE POSTINGS**

The status of the filings made in each state, including those that being made on a "use and file" or "file and use" basis as well as those that being made on a "prior approval" basis, will be posted to the AAIS public Web site at *www.AAISonline.com*. Such postings will include the state-specific rating information; listings of applicable terrorism endorsements; effective dates, when applicable; company action comments; and any other information needed to implement the new terrorism materials in a particular state.

Each state posting will be made in conjunction with the filing of the materials prepared for that state. The AAIS e-mail notification service, *Product Advisory*, will be used to announce new Web site postings for each state.

## **SUPPLIES**

### ***Endorsements***

In the near future, the AAIS e-mail notification service, *Product Advisory*, will announce that the endorsements addressing certified terrorism loss, which are being filed on a "use and file" or "file and use" basis, have been released to Uniform Information Services, Inc. (UIS), the print vendor of AAIS forms and endorsements. Call UIS at 800/382-2424 to order AAIS forms and endorsements in paper printed format. Call UIS at 800/782-9481 to order the text of AAIS forms and endorsements in a variety of electronic formats.

The endorsements that address non-certified terrorism loss, which are being filed on a "prior approval" basis in most states, will be released to UIS in conjunction with the first round of approvals announced.

AAIS will also offer the text of forms and endorsements in limited electronic formats once the various endorsements are released to UIS. Call Veronica Clarke at 800/564-AAIS for more information.

### ***Rules and Rating Information***

Affiliated companies may print and reproduce the Terrorism Losses Rating Information for each state as soon as it is posted to the AAIS public Web site.

Once the rules that address certified and non-certified terrorism loss have been approved in a state, all future orders for affected manuals or state pages will automatically include the state manual supplement that includes the Terrorism Losses rules and rating information.

**ATTACHMENTS**

- CL 1015 12 02 Policyholder Disclosure Notice of Terrorism Insurance Coverage (For in-force policies with a Terrorism Exclusion)
- CL 1025 12 02 Policyholder Disclosure Notice of Terrorism Insurance Coverage (For in-force policies without a Terrorism Exclusion)
- CL 1035 12 02 Policyholder Disclosure Notice of Terrorism Insurance Coverage (For new and renewal policies)
- CL 1045 12 02 Policyholder Disclosure Notice of Terrorism Insurance Coverage (For proposals)
  
- CL 0600 12 02 Certified Terrorism Loss
- CL 0610 12 02 Certified Act of Terrorism Exclusion
- CL 0620 12 02 Certified Act of Terrorism Exclusion (With Limited Exception)
- GL 0250 12 02 Certified Terrorism Loss
- GL 0260 12 02 Certified Act of Terrorism Exclusion
  
- CL 0630 12 02 Non-certified Act of Terrorism Exclusion and War and Military Action Exclusion
- CL 0640 12 02 Non-certified Act of Terrorism Exclusion (With Limited Exception) and War and Military Action Exclusion
- CL 0650 12 02 Biological and Chemical Non-certified Act of Terrorism Exclusion and War and Military Action Exclusion
- CL 0660 12 02 Biological and Chemical Non-certified Act of Terrorism Exclusion (With Limited Exception) and War and Military Action Exclusion
- GL 0270 12 02 Non-certified Act of Terrorism Exclusion and War and Military Action
- GL 0280 12 02 Nuclear, Biological, and Chemical Non-certified Act of Terrorism Exclusion and War and Military Action

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