

Delaware Compensation Rating Bureau, Inc.



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To: Delaware Classification and Rating Committee

From: Betty Ann Campbell – Director, Rating Rules & Policy Reporting

Date: August 4, 2004

Re: Notification Endorsement of Pending Law Changes to  
Terrorism Risk Insurance Act – WC 00 01 12

In Item Filing No. P-1392, the National Council on Compensation Insurance, Inc. (NCCI) has proposed a new endorsement to provide notification to policyholders that a premium charge for foreign terrorism may either continue to be applied, or changed from the amount currently applied, following the possible expiration of TRIA on December 31, 2005. The proposed endorsement will be optional for insurers.

The Bureau recommends the adoption of WC 00 01 02 for consistency with other state jurisdictions and for the proper notification to Delaware policyholders of the possible continuation of TRIA charges after December 31, 2005.

The NCCI item filing memorandum and proposal endorsement are attached for an effective date of 1/1/05.

## FILING MEMORANDUM

### **ITEM P-1392— NOTIFICATION ENDORSEMENT OF PENDING LAW CHANGE TO TERRORISM RISK INSURANCE ACT OF 2002 (WC 00 01 12)**

(To be effective 12:01 a.m. on January 1, 2005 applicable to new, renewal, and outstanding policies.)

#### **PURPOSE**

The purpose of this item is to address uncertainties in having to issue new, outstanding or renewal policies for periods effective January 1, 2005 and thereafter without knowing if Congress will extend the Terrorism Risk Insurance Act (TRIA) beyond December 31, 2005.

Additionally, this item will be used to clarify for policyholders that a premium charge for foreign terrorism may either continue to be applied, or change from the amount currently applied, following the possible expiration of TRIA.

While the use of this endorsement will be optional for insurers, the continued application of the premium charged by insurers for foreign terrorism will be subject to regulatory review in accordance with applicable rating law.

#### **BACKGROUND**

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 United States Congressional action to extend, update or otherwise reauthorize it in whole or part, TRIA is scheduled to expire December 31, 2005.

It is unknown at this time whether Congress will take action regarding TRIA. Additionally, exposure to acts of terrorism remains. Therefore, we want to provide policyholders with relevant information concerning their workers compensation policies in effect January 1, 2005 in the event of TRIA's expiration.

#### **PROPOSAL**

It is proposed that effective 12:01 a.m. January 1, 2005, the Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Act of 2002 (WC 00 01 12) be adopted for use on a national basis for new, renewal, and outstanding voluntary and assigned risk policies.

#### **IMPACT**

The premium impact for coverage that a standard workers compensation and employers liability policy provides for terrorism or war losses is shown in Item 4 of the policy Information Page or the Terrorism Risk Insurance Act Endorsement (WC 00 04 20) Schedule that is attached to the policy. This amount may continue or change for new, renewal, and outstanding policies in effect on or after December 31, 2005 in the event of TRIA's expiration.

#### **IMPLEMENTATION**

The attached exhibit proposes the changes that must be implemented in NCCI's *Forms Manual of Workers Compensation and Employers Liability Insurance*.

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## **WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

### **Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Act 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.