



**THE WORKERS' COMPENSATION
RATING AND INSPECTION BUREAU**

December 9, 2004

CIRCULAR LETTER NO. 1969

To All Members and Subscribers of the Bureau:

**Notification Endorsement of Pending Law Change to Terrorism Risk
Insurance Act of 2002 (WC 00 01 12)**

The Division of Insurance has approved the *Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Act of 2002 (WC 00 01 12)* ("Endorsement") for use by Massachusetts workers' compensation insurers for new, renewal and outstanding voluntary and assigned risk policies, effective January 1, 2005.

As explained in the attached Filing Memorandum and Exhibits, the purpose of the Endorsement, which was drafted by the National Council on Compensation Insurance, Inc. (NCCI), is to notify policyholders that the premium charge for terrorism may either continue or change, if The Terrorism Risk Insurance Act of 2002 ("TRIA") expires on December 31, 2005.

The *Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Act of 2002 (WC 00 01 12)* is available in NCCI's *Forms Manual of Workers' Compensation and Employers Liability Insurance*.

Ellen F. Keefe, CPCU
General Counsel



THE WORKERS' COMPENSATION RATING AND INSPECTION BUREAU

NOTIFICATION ENDORSEMENT OF PENDING LAW CHANGE TO TERRORISM RISK INSURANCE ACT OF 2002 (WC 00 01 12)

FILING MEMORANDUM

PURPOSE

The purpose of this filing is to obtain approval of the *Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Act of 2002 (WC 00 01 12)* ("The Endorsement"). As stated in the National Council on Compensation Insurance, Inc.'s ("NCCI") Filing Memorandum, the purpose of The Endorsement 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 of 2002 ("TRIA") beyond December 31, 2005. See, Exhibit A: NCCI's Filing Memorandum and Exhibit 1: The Endorsement.

The Endorsement will notify policyholders that a premium charge for certain acts of terrorism may either continue to be applied, or change from the amount currently applied, following the possible expiration of TRIA. The Endorsement also notifies policyholders that the continued application of the premium charged by insurers for certain acts of 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. Yet, exposure to acts of terrorism remains. In the event of TRIA's expiration, we want to provide policyholders with relevant information concerning their workers compensation policies in effect January 1, 2005.

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 approved for use by Massachusetts workers' compensation insurers 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 proposed Endorsement is attached as Exhibit 1.

NATIONAL COUNCIL ON COMPENSATION INSURANCE, INC.
(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, IA, ID, IL, IN, KS, KY, LA, MD,
ME, MN, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT)

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

EXHIBIT 1

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY WC 00 01 12

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