THE WORKERS' COMPENSATION RATING AND INSPECTION BUREAU

January 27, 2006

CIRCULAR LETTER No. 2013

TERRORISM RISK INSURANCE EXTENSION ACT OF 2005

On January 24, 2006, the Massachusetts Division of Insurance ("DOI") approved the Bureau's attached Filing Memorandum and Exhibits in response to the Terrorism Risk Insurance Extension Act of 2005 ("Extension Act").

IMPLEMENTATION

The National Council on Compensation Insurance Inc's. ("NCCI") Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13) has been approved for use by Massachusetts workers' compensation insurers effective January 1, 2006 for new, renewal, and outstanding voluntary and assigned risk polices. (See Exhibit 1 to the Filing Memorandum). Endorsement WC 00 01 13 is available in NCCI's *Forms Manual of Workers' Compensation and Employers Liability Insurance*.

The premium charge for certified acts of terrorism or war losses will continue to be \$0.03 per \$100.00 of payroll as shown on the Miscellaneous Values page of the *Massachusetts Workers' Compensation and Employers Liability Insurance Manual* (See Exhibit 4 to the Filing Memorandum).

Important: The premium charged for insured terrorism or war losses must be shown in Item 4 of the policy Information Page on any policy that provides Massachusetts workers' compensation insurance coverage. Please be advised that NCCI's Foreign Terrorism Premium Endorsement (WC 00 04 22) is not approved for use in Massachusetts.

The Terrorism Risk Insurance Act Endorsement (WC 00 04 20) has been withdrawn and will no longer be used in Massachusetts (See Exhibit 2 of the Filing memorandum).

The Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Act of 2002 (WC 00 01 12) has been withdrawn and will no longer be used in Massachusetts (See Exhibit 3 to the Filing Memorandum).

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In the near future, the Bureau also plans to submit a filing to the DOI to update certain pages of the *Massachusetts Workers' Compensation and Employers Liability Insurance Manual* and the *Massachusetts Workers' Compensation Statistical Plan* to include references to the Extension Act.

Any questions about this Circular Letter may be sent to me at ekeefe@wcribma.org or Daniel Crowley, Vice President of Customer Services at dcrowley@wcribma.org.

Ellen F. Keefe, CPCU
General Counsel

ATTACHMENTS

WCRIB massachusetts

THE WORKERS' COMPENSATION
RATING AND INSPECTION BUREAU

MASSACHUSETTS DIVISION OF INSURANCE
JAN 24 2006
APPROVED
STATE RATING BUREAU

TERRORISM RISK INSURANCE EXTENSION ACT OF 2005

FILING MEMORANDUM

PURPOSE

The purpose of this filing is to address the catastrophe provisions in the Terrorism Risk Insurance Extension Act of 2005.

BACKGROUND

The Terrorism Risk Insurance Act of 2002 ("TRIA 2002") was implemented as a result of the U.S. Congress recognizing that terrorism is a catastrophe exposure that is real and significant for insurers of workers' compensation and other lines of insurance. Filings were subsequently submitted to the Division of Insurance ("DOI") by the Bureau to implement TRIA 2002 and to provide miscellaneous rating values and policy forms for certified acts of terrorism or war.

TRIA 2002 was scheduled to expire on December 31, 2005. Terrorism catastrophe exposure continues to be significant for insurers of workers' compensation and other lines of insurance. As a result, Congress passed the Terrorism Risk Insurance Extension Act of 2005 ("Extension Act").

The key provisions of the Extension Act are:

TRIA 2002 is extended through 2007 with certain amendments

The size of an event needed to trigger the Extension Act is raised from $5 million in the current program to $50 million in 2006 and $100 million in 2007 for certified acts of terrorism occurring after March 31, 2006

Program Year 4 means the period beginning on January 1, 2006 and ending on December 31, 2006

Program Year 5 means the period beginning on January 1, 2007 and ending December 31, 2007

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Insurer deductibles are added for Program Year 4 and Program Year 5

The amount of reimbursement paid to carriers by the U.S. Government for insured terrorism or war losses exceeding deductibles is added for Program Year 4 and Program Year 5

Aggregate retention amounts are added for Program year 4 and Program Year 5

Authority is given to the Secretary of the Treasury to establish procedures and requirements for litigation management for causes of action arising out of the Extension Act

The President's Working Group on Financial Markets, in consultation with the National Association of Insurance Commissioners, representatives of the insurance industry, representatives of the securities industry and representatives of policyholders, shall perform an analysis regarding the long-term availability and affordability of insurance for terrorism risk. The President's Working Group on Financial Markets shall submit a report to the Committee on Financial Services of the House of Representatives on its findings not later than September 30, 2006

On December 28, 2005, the National Council on Compensation Insurance, Inc. ("NCCI") filed *Item P-1404: Terrorism Risk Insurance Extension Act of 2005* on behalf of workers' compensation insurers in 31 states and the District of Columbia. With NCCI's permission, the Bureau has modified NCCI's Filing Memorandum and proposes to adopt NCCI's Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13). As such, this filing includes copyrighted material of the NCCI, to which NCCI reserves all rights.

The Policyholder Disclosure Notice page of Endorsement WC 00 01 13 provides clear and conspicuous notice that the premium charged for insured terrorism or war losses will be shown in item 4 of the policy Information Page and that the Federal share of compensation under the Extension Act is 90% for Program Year 4 and 85% for Program Year 5. Use of this Endorsement will enable Massachusetts workers' compensation insurers to comply with the disclosure requirements of Bulletin 2006-1: *Voluntary Expedited Procedures for Compliance with the Provisions of the Terrorism Risk Insurance Extension Act of 2005* that was issued by the Massachusetts Commissioner of Insurance on January 5, 2006.

PROPOSAL

The Bureau proposes that effective January 1, 2006, the Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13) be approved for use by Massachusetts workers' compensation insurers for new, renewal, and outstanding voluntary and assigned risk polices. (Exhibit 1)

The Bureau also proposes to withdraw the Endorsements contained in the TRIA 2002 related filings made by the Bureau on February 19, 2003 and September 7, 2004 (Exhibits 2 & 3) and to replace those Endorsements with Endorsement (WC 00 01 13).

IMPACT

There is no expected premium impact as a result of this filing. The Bureau is not requesting a change in the premium charge that was established in the Bureau's February 19, 2003 Filing and that became effective on February 20, 2003 under the "file and use" provisions of TRIA 2002. The premium charge will continue to be 0.03 as shown on the Miscellaneous Values page of the *Massachusetts Workers' Compensation and Employers Liability Insurance Manual* (Exhibit 4).

IMPLEMENTATION

The attached exhibits include the proposed changes necessary to implement this filing.

Exhibit 1 – NCCI's Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13), effective January 1, 2006.

Exhibit 2 – Withdrawn Terrorism Risk Insurance Act Endorsement (WC 00 04 20).

Exhibit 3 – Withdrawn Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Act of 2002 (WC 00 01 12).

Respectfully submitted,

Ellen F. Keefe

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Dated: January 23, 2006

EXHIBIT 1
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

TERRORISM RISK INSURANCE EXTENSION ACT ENDORSEMENT WC 00 01 13

This endorsement addresses the requirements of the Terrorism Risk Insurance Act of 2002 as amended and extended by the Terrorism Risk Insurance Extension Act of 2005.

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 resulting from the Terrorism Risk Insurance Extension Act of 2005.

“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.
e. For the period beginning on January 1, 2006 and ending on December 31, 2006, an amount equal to 17.5% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2006.

EXHIBIT 1 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

f. For the period beginning on January 1, 2007 and ending on December 31, 2007, an amount equal to 20% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2007.

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.

EXHIBIT 1 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

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% for Program Year 4 and 85% for Program Year 5 of our insured terrorism or war losses exceeding our insurer deductible.
2. The premium charged for the coverage this policy provides for insured terrorism or war losses is included in the amount shown in Item 4 of the Information Page or in the Schedule in the Foreign Terrorism Premium Endorsement. (WC 00 04 22), attached to this policy.

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.

EXHIBIT 2

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**

WITHDRAWN

Notes:

1. This endorsement addresses requirements of the Terrorism Risk Insurance Act of 2002.
2. This endorsement is effective 12:01 on December 20, 2002 applicable to new and renewal voluntary policies only.
3. This endorsement is effective 12:01 on January 1, 2003 applicable to new and renewal assigned risk policies only.
4. Notes number 2 and 3 do not apply in Minnesota. In Minnesota, this endorsement is effective 12:01 a.m. on December 27, 2002.
5. In Massachusetts, this endorsement is effective 12:01 a.m. on December 20, 2002 applicable to all new and renewal policies.

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 in force 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.

Note:

1. In Minnesota, pursuant to Minn. Stat § 60A.351, a policy may not be renewed at less favorable terms unless notice of the new terms is given at least 60 days prior to the expiration date.

MISCELLANEOUS VALUES

Basis of Premium applicable in accordance with the footnote instructions for Code 7370 - "Taxicab Co.":
Employee operated vehicles $71,666.00*
Leased or rented vehicles $47,777.00*

Basis of Premium for Sole Proprietors and Partners of Legal Partnerships in accordance with Rule IX-B. 3. a. .... $49,800.00‡

Terrorism Risk Insurance Act—Certified Loss: 0.03

BENEFITS DEDUCTIBLE COVERAGE PROGRAM

Medical and Indemnity Deductible Amount	Premium Reduction Percentage
$ 500	3.0%
$1,000	4.2%
$2,000	6.2%
$2,500	7.1%
$5,000	10.6%

BENEFITS CLAIM AND AGGREGATE DEDUCTIBLE PROGRAM

Estimated Annual Standard Premium	Claim Deductible Amount	Aggregate Deductible Amount	Premium Reduction Percentage
0 to $75,000	$2,500	$10,000	7.0%
$75,001 to $100,000	$2,500	$10,000	6.5%
$100,001 to $125,000	$2,500	$10,000	5.9%
$125,001 to $150,000	$2,500	$10,000	5.4%
$150,001 to $200,000	$2,500	$10,000	4.5%
over $200,000	$2,500	5% of Estimated Annual Standard Premium	4.3%

Expense Constant applicable in accordance with Basic Manual Rule VI-E-2:
Policies which develop earned Standard Premium of less than $200 .... $142.00*
Policies which develop earned Standard Premium of $200 or more $284.00*

The expense constant for private residence per capita classifications is $57,* subject to a maximum of $200.00.

Premium Discount Percentages—(See Basic Manual Rule VII). The following premium discounts are applicable to Standard Premiums:

		Type A Discount	Type B Discount
First	$ 10,000.........	0.0%	0.0%
Next	190,000.........	9.1%	5.1%
Next	1,550,000.........	11.3%	6.5%
Over	1,750,000.........	12.3%	7.5%

Premium Discount not applicable to Assigned Risk policies.

United States Longshore and Harbor Workers' Compensation Coverage Percentage applicable only in connection with Rule XII-D-3 "U.S. Longshore and Harbor Workers' Compensation Act" of the Basic Manual 38.4%

(Multiply a Non-F classification rate by a factor of 1.384)

EXPERIENCE RATING ELIGIBILITY

A risk is eligible for intrastate experience rating when the payrolls or other exposures developed in the last year or last two years of the experience period produced a premium of at least $11,000. If more than two years, an average annual premium of at least $5,500 is required.† Page A-1 of the Experience Rating Plan Manual should be referenced for the latest eligibility amounts by state.

† Effective October 1, 1991.
‡ Effective October 1, 2005.