

**PROGRAM DIVISION  
BULLETIN**

2002-23

November 22, 2002

**TERRORISM RISK INSURANCE ACT OF 2002**

**The 107<sup>th</sup> Congress has passed the Terrorism Risk Insurance Act of 2002 (the Act). President Bush is expected to sign the bill into law as early as next week. The Act becomes effective immediately upon signing by the President.**

**Brief Highlights of the Legislation:**

- Creates a federal backstop for insured losses due to international acts of terrorism certified by the Secretary of the Treasury.
- Requires participation by commercial lines P&C insurers.
- Participating insurers must make available terrorism coverage as provided in the Act.
- Participating insurers must disclose to policyholders the premium they charge for insured losses covered by the Act and the federal share of compensation for insured losses under the Act.
- Such disclosure notices must be provided on in-force policies **not later than 90 days** after the date of enactment and on new and renewal policies at the time of offer, purchase and renewal of the policy.
- Voids existing terrorism exclusions on in-force policies to the extent that they would otherwise exclude losses insured under the Act.
- Requires participating insurers to retain a certain amount of insured losses under the program through both a deductible and co-insurance. The deductible will vary by company and by year; the co-insurance is set at 10% of losses exceeding the deductible.

**This act applies to all lines of business.**

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**LEXINGTON INSURANCE COMPANY**

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**We are in the process of drafting the Disclosure Notice and the pricing and will provide it to you in a bulletin once the act is signed and the notice has been finalized.**

**You will need to pull a list of all your policies that currently have the Terrorism Exclusion included. Do not send the list to us at this time! Just have it ready.**

**For policies issued on Coverall we will have lists generated by Coverall.**

**Contact your Program Manager for any questions.**

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