

**PROGRAM DIVISION
BULLETIN**

2002-25

December 18, 2002

FEDERAL TERRORISM ACT OF 2002

As you probably now know, President Bush signed the Terrorism Risk Insurance Act (the "Act") into law on November 26, 2002. Most primary insurers insuring commercial property and casualty losses in the United States now must make terrorism coverage available for any commercial line of property and casualty insurance covered by the Act. That coverage cannot differ materially from the terms and limitations applicable to other events under a policy. Under the Act, the federal government will share the cost of any insured losses caused by acts of terrorism. The lines of insurance **not** covered by the Act are personal lines, medical malpractice, private mortgage insurance, livestock, financial guarantee insurance, health or life insurance and flood insurance provided by NFIA.

- **For any policies issued on or after November 26, 2002**, terrorism coverage now must be offered. All insurers must provide a clear and conspicuous disclosure to the policyholder of the premium that would be charged for the terrorism component of the coverage and the federal share of compensation for any claims made under this coverage.
- **For policies in force prior to November 26, 2002 that already include terrorism coverage**, the insurer must provide these same disclosures to the insured no later than February 24, 2003.
- For policies in force prior to November 26, 2002 that exclude terrorism coverage, **those exclusions are nullified. Such exclusions may be reinstated only if: (1) the insured agrees in writing to the reinstatement, or (2) the insured fails to pay any premium the insurer requests for the removal of the exclusion after the insured has been given at least 30 days notice of that premium. Insurers must provide these disclosures to the insured no later than February 24, 2003.**

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As our contracted Program Administrator we are requiring that you complete and forward these disclosures on our behalf. Attached is the protocol to be used in completing and issuing the disclosures. Also attached is our Terrorism Rate Page showing the charges by line of business. Electronic copies of each of the Disclosure Statements and a policyholder notice letter are also included.

You must begin to issue these notices immediately, since the Act allows 90 days from enactment for notification, and will be a monumental task. Since each renewal policy will get a Disclosure Statement, policies expiring between today and February 26, 2003 can be excluded from an immediate mailing of the notice. You should concentrate on policies with effective dates of February 24, 2002 through November 25, 2002. If sending the Disclosure Statement to every policyholder may not be completed by February 24, 2003 you should start with the November policies and go back towards the February policies.

You will need to report your progress issuing the Disclosure Statements on a regular basis. An electronic spreadsheet is attached with all of the policy detail we will need. It is important to keep the lines of communication open on this issue and the impact it will have on our industry. We will provide any assistance we can in helping you complete the issuance of all of the notices. Any questions I ask you to contact your Program Manager for assistance.

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