



**NORTH CAROLINA RATE BUREAU**  
5401 Six Forks Road • Raleigh NC • 27609  
(919) 783-9790 • www.ncrb.org

January 24, 2003

**CIRCULAR LETTER TO ALL MEMBER COMPANIES**

Re: Workers Compensation Insurance

Terrorism Risk Insurance Act of 2002

The Terrorism Risk Insurance Act of 2002 ("the Act") was signed into law by the President on November 26, 2002. The Act establishes a Terrorism Insurance Program (Program) which is administered by the U.S. Department of the Treasury and which provides a temporary federal backstop for commercial property and casualty insurance covering acts of terrorism. This Circular Letter is to advise Bureau members of important provisions of that legislation and to make you aware that the Bureau has submitted to the North Carolina Commissioner of Insurance policyholder disclosure notices and Item B-1383, "Catastrophe Provision – Certified Terrorism Losses."

Policyholder Notice - Forms

One of the conditions for eligibility for federal payments in instances of certified acts of terrorism under the Act is that insurers must provide clear and conspicuous disclosure to the policyholder of the premium charged for insured losses covered by the Program and the Federal share of compensation for insured losses under the Program.

- (A) For existing (in-force) policies issued before November 26, 2002, such disclosure must be made to the policyholder not later than 90 days after November 26, 2002;
- (B) For policies issued within 90 days of November 26, 2002 (that is, from November 26, 2002 through February 24, 2003), such disclosure must be made to the policyholder at the time of offer, purchase, and renewal of the policy; and
- (C) For policies issued more than 90 days after November 26, 2002 (that is, after February 24, 2003), such disclosure must be made on a separate line item in the policy at the time of offer, purchase and renewal of the policy.

To assist our member insurance companies in meeting the disclosure requirements of (A) and (B) above, the Rate Bureau has filed two versions of the NAIC-developed Disclosure Notices applicable to workers compensation:

[Policyholder Disclosure Notice of Terrorism Insurance Coverage](#)

(with policyholder acknowledgement)

[Policyholder Disclosure Notice of Terrorism Insurance Coverage](#)

(without policyholder acknowledgement)

Carriers may elect to use either form. Any carrier that elects to implement a disclosure notice, other than one that the Bureau has filed, must file that form directly with the Department of Insurance. Neither a specimen copy of the disclosure notice nor a copy of the notice prepared for delivery to individual policyholders need be filed with the Bureau.

To satisfy the requirements of (C) above, the Bureau has adopted and filed with the Commissioner of Insurance a standard form, the Terrorism Risk Insurance Act Endorsement [WC 00 04 20](#), to be used with all new and renewal policies effective on and after January 1, 2003. It is our understanding that a premium charge entry in Item 4 on the Information Page of the standard policy and attachment of endorsement WC 00 04 20 will satisfy the disclosure requirements of the Act for such policies.

Policyholder Notice – Content

The Act requires that policyholders be advised regarding the “...premium charged for insured losses covered by the Program and the Federal share of compensation for losses insured under the Program...” To date, no losses that would have been covered by the Program, had it been in effect, have been included in the rates or loss costs promulgated by the Bureau for use in North Carolina. Accordingly, for policies in effect on November 26, 2002 and for policies issued or renewed after November 26, 2002 and prior to January 1, 2003, it is appropriate to indicate that the premium charge for insured losses covered by the Program is “\$0.”

Pursuant to the provisions of the Act, the Bureau has adopted and filed, as part of Item B-1383, a loss cost and an assigned risk rate for certified terrorism losses under the Act effective January 1, 2003. Accordingly, for policies issued or renewed with a normal anniversary rating date on or after January 1, 2003, it is appropriate to indicate the premium charge developed thereunder for insured losses covered by the Program.

Terrorism Loss Cost and Assigned Risk Rate

The Bureau has adopted and filed, as part of Item B-1383, a loss cost of \$0.02 per \$100 of payroll pertaining to certified terrorism losses under the Act, effective on a new and renewal basis for policies with normal anniversary rating dates on or after January 1, 2003. Similarly, with respect to assigned risk policies, the Bureau has adopted and filed, as part of Item B-1383, an assigned risk rate of \$0.03 per \$100 of payroll pertaining to certified terrorism losses under the Act, effective on a new and renewal basis for policies with normal anniversary rating dates on or after January 1, 2003.

Unless carriers take action to the contrary, in the form of individual filings with the Commissioner of Insurance, the loss cost adopted by the Bureau will be subject to application of the carrier’s approved loss cost multiplier effective January 1, 2003 to determine the carrier’s rate for terrorism exposures certified under the Act.

### [Item B-1383](#)

In addition to the loss cost and residual market rate to develop the terrorism premium charge and considerable background information, Item B-1383 includes (a) amendments to Basic Manual and Retrospective Rating Plan rules relating to terrorism definitions and premium elements, (b) the Terrorism Risk Insurance Act Endorsement WC 00 04 20, (c) introduction of statistical code 9740 and amendments to the North Carolina Statistical Plan Manual relating to the recording and reporting of terrorism premium, (d) amendments to the residual market Loss Sensitive Rating Plan rules and endorsement and (e) revised premium algorithms. The provisions of Item B-1383 were filed to become effective January 1, 2003.

### [Terrorism Resources](#)

On the Bureau's web site are links to several sources of information regarding the Terrorism Risk Insurance Act of 2002. Additional updates related to actions that may be taken by the U. S. Department of the Treasury, the North Carolina Commissioner of Insurance and/or the Bureau will be provided as appropriate.

Very truly your,

Jerry G. Hamrick

Workers Compensation Manager

JGH:dg

C-3-03