

AMERICAN ASSOCIATION OF INSURANCE SERVICES SUPPLEMENT TO NEW YORK MANUALS

TERRORISM LOSSES -- RULES

These pages provide rules addressing coverage and exclusions for losses arising from acts of terrorists.

Certified Terrorism Losses -- In accordance with the Terrorism Risk Insurance Act of 2002 (the Act), companies writing commercial property and casualty insurance must make available to policyholders coverage for certified terrorism losses. A certified terrorism loss is any loss that is covered by an applicable coverage part and that results from an act of terrorism if:

1. such loss occurs:
 - a. within the United States; or
 - b. to an air carrier (as defined in section 40102 of title 49, United States Code); to a United States flag vessel (or a vessel based principally in the United States, on which United States income tax is paid and whose insurance coverage is subject to regulation in the United States), regardless of where the loss occurs; or at the premises of any United States mission; and

2. the act of terrorism is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States:
 - a. to be an act of terrorism;
 - b. to be a violent act or an act that is dangerous to human life, property, or infrastructure;
 - c. to have resulted in damage:
 - 1) within the United States; or
 - 2) outside of the United States in the case of an air carrier or vessel described in paragraph 1.b. above or at the premises of any United States mission; and

AMERICAN ASSOCIATION OF INSURANCE SERVICES SUPPLEMENT TO NEW YORK MANUALS

TERRORISM LOSSES -- RULES

- d. to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as a 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.

An act of terrorism resulting in losses less than \$5,000,000 in the aggregate will not be certified by the Secretary of the Treasury as an act of terrorism. In addition, when the Secretary of the Treasury determines that certified terrorism losses have exceeded the maximum annual liability as set forth in the Act (or any amendments thereto) and a company has met its deductible as required by the Act, the company will not be liable for the payment of any portion of certified terrorism losses that exceed the maximum annual liability, unless it is determined that coverage subject to standard fire policy requirements does not fall under the provisions of the Act (or any amendments thereto). Should this determination be made, and a certified act of terrorism results in loss by fire, the company will only be liable for the payment of loss or damage caused by that fire.

The Act requires that companies notify policyholders of the availability of coverage for certified terrorism losses and the premium charge applicable to such coverage. In addition, for policies issued on or after February 25, 2003, the premium charged for the portion of coverage the company retains and the Federal share of compensation for insured losses must be disclosed on a separate line item of the policy. The separate line item requirement can be satisfied by indicating the premium charge and Federal share of compensation on the Declarations page of the policy; elsewhere within the policy; or in any rider or endorsement that is made a part of the policy. Attach endorsement CL 0605 when electing to satisfy the separate line item requirement by endorsement. Make an entry to show the premium that applies when the policyholder accepts coverage for certified terrorism loss.

AMERICAN ASSOCIATION OF INSURANCE SERVICES SUPPLEMENT TO NEW YORK MANUALS

TERRORISM LOSSES -- RULES

With respect to policies providing property coverage for loss by fire, other than coverage provided under the Commercial Inland Marine Program (filed classes), the requirements of the Standard Fire Policy do not permit policyholders to reject coverage for certified terrorism losses resulting from fire. When the policyholder rejects coverage for certified terrorism loss under such a policy, the separate line item disclosure notice must be provided with respect to coverage for the fire loss that cannot be rejected. When endorsement CL 0605 is used to satisfy the separate line item disclosure requirement, make an entry to show the premium that applies to fire loss caused by a certified act of terrorism.

When a policyholder accepts coverage for certified terrorism losses, attach the endorsement shown below for the applicable program to exclude coverage for certified terrorism losses that exceed the maximum annual liability as set forth in the Act. Use the rating information shown for Coverage for Certified Terrorism Losses Accepted, provided in the Terrorism Losses -- Rating Information page, to determine the additional premium charge.

Agricultural Output	CL 0600	Commercial Properties	CL 0600
Artisans	AP 0700	Crime	CL 0600
Businessowners	BP 0750	Farm Properties	FL 0600
Commercial Inland Marine (Filed Classes)	CL 0600	Farmowners	FO 0600
Commercial Liability	GL 0250	Glass	CL 0600
Commercial Output	CL 0600	Personal & Premises Liability (Farm Only)	GL 0310
Commercial Output - XL	CL 0600		

AMERICAN ASSOCIATION OF INSURANCE SERVICES SUPPLEMENT TO NEW YORK MANUALS

TERRORISM LOSSES -- RULES

When a policyholder rejects coverage for certified terrorism losses, attach the endorsement shown below for the applicable program to exclude coverage for such losses. Use the rating information shown for Coverage for Certified Terrorism Losses Rejected, provided in the Terrorism Losses -- Rating Information page, to determine the additional premium charge for fire following loss, if applicable.

Agricultural Output	CL 0620
Artisans	AP 0720
Businessowners	BP 0770
Commercial Inland Marine (Filed Classes)	CL 0610
Commercial Liability	GL 0260
Commercial Output	CL 0620
Commercial Output - XL	CL 0620

Commercial Properties	CL 0620
Crime	CL 0610
Farm Properties	FL 0620
Farmowners	FO 0620
Glass	CL 0610
Personal & Premises Liability (Farm Only)	GL 0320