

AMERICAN ASSOCIATION OF INSURANCE SERVICES SUPPLEMENT TO TEXAS 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

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- 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.

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.

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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
Artisans	AP 0700
Businessowners	BP 0750
Commercial Inland Marine (Filed Classes)	CL 0600
Commercial Liability	GL 0250
Commercial Output	CL 0600

Commercial Output - XL	CL 0600
Commercial Properties	CL 0600
Crime	CL 0600
Farmowners	FO 0600
Glass	CL 0600

When a policyholder rejects coverage for certified terrorism losses, attach the endorsement shown below for the applicable program to exclude coverage for such losses.

Agricultural Output	CL 0610
Artisans	AP 0710
Businessowners	BP 0760
Commercial Inland Marine (Filed Classes)	CL 0610
Commercial Liability	GL 0260
Commercial Output	CL 0610

Commercial Output - XL	CL 0610
Commercial Properties	CL 0610
Crime	CL 0610
Farmowners	FO 0610
Glass	CL 0610

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Interstate Accounts -- Any manual rules specifying that policies covering property located in more than one state may be written subject to the rules, forms, and endorsements for the state with either the largest values or where the insured's headquarters are located do not apply with respect to terrorism losses. When a policy covers property located in more than one state or jurisdiction, exclusions and/or coverage for terrorism losses for each location must be written in accordance with the forms, rules, and rating information applicable in that state or jurisdiction.

When a policy covers property located in more than one state or jurisdiction and more than one endorsement must be attached, indicate on the declarations the location(s) to which each endorsement applies