

AMERICAN ASSOCIATION OF INSURANCE SERVICES SUPPLEMENT TO DWELLING PROPERTIES AND PERSONAL AND PREMISES LIABILITY MANUALS

CERTIFIED TERRORISM LOSSES

A company seeking to qualify for federal reinsurance under the Terrorism Risk Insurance Act of 2002 (the Act) can endorse a policy covering the property and/or liability exposures of premises that are regularly rented or held for rental to others to include provisions pertaining to coverage for certified terrorism losses.

These rules apply only to policies written to cover the property and/or liability exposures of premises that are regularly rented or held for rental to others.

Certified Terrorism Losses -- In accordance with 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;

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO DWELLING PROPERTIES AND
PERSONAL AND PREMISES LIABILITY MANUALS**

CERTIFIED TERRORISM LOSSES

- 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

- 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.

The Act requires that companies notify policyholders of the availability of coverage for certified terrorism losses and the premium charge applicable to such coverage. 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.

Unless a company has taken specific filing action to introduce a premium consideration for losses arising from certified acts of terrorism, the premium charge applicable to the company's portion of coverage for such losses is zero.

Attach endorsement FL 0670. Companies electing to satisfy the separate line item requirement by means of the endorsement must also make an entry to show the premium that applies to coverage for certified terrorism loss.