



# Circular

MAY 29, 2008

ANNOUNCEMENT

MO-2008-02

## Missouri—Item 01-MO-2008—Catastrophe Provisions Miscellaneous Values, Rules, Statistical Codes and Forms

### ACTION NEEDED

Please review the changes outlined in the attachments for impact on your company's systems and procedures. Also review the *Status of Item Filings* circular for state approval of this item.

**Caution:** At the time of distribution of this circular, this item has been filed with the regulator but is **not yet approved**. This information is provided for your convenience and analysis. Please do not use the information until the regulator has approved the filing.

### BACKGROUND

NCCI has submitted Item 01-MO-2008—Catastrophe Provisions Miscellaneous Values, Rules, Statistical Codes and Forms to the Missouri Department of Insurance. Item 01-MO-2008 proposes to, as a result of the recent passage of the Terrorism Risk Insurance Program Reauthorization Act of 2007 (“TRIPRA”) by the United States Congress (Congress), eliminate the distinction between foreign and domestic terrorism nationally by:

- Producing separate miscellaneous values by state to address losses resulting from “terrorism” based on an updated terrorism model
- Withdrawing Missouri state rule exception, Rule 3-A-24-c—Terrorism and replacing it with national Rule 3-A-24-c of NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance*
- Discontinuing Statistical Code 9752 and replacing it with national Statistical Code 9740
- Withdrawing the Missouri Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 24 01 01)
- Withdrawing the Missouri Terrorism Premium Endorsement (WC 24 04 07)
- Replacing the aforementioned state-specific terrorism forms with the single national Terrorism Risk Insurance Program Reauthorization Act Disclosure Endorsement (WC 00 04 22 A)

Additionally, this item will replace references of “Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents (DTEC)” with the term “Catastrophe (other than Certified Acts of Terrorism).”

### IMPACT

The estimated impact in Missouri is shown in Exhibit 5.

### NCCI ACTION

Upon approval, NCCI will release updated pages of NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance*, *URE Workers Compensation Statistical Plan*, *Statistical Plan for Workers Compensation and Employers Liability Insurance*, and *Forms Manual of Workers Compensation and Employers Liability Insurance*.

### PERSON TO CONTACT

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800-NCCI-123

## FILING MEMORANDUM

### ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES, STATISTICAL CODES AND FORMS

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(To be effective 12:01 a.m. on September 1, 2008, applicable to new and renewal voluntary policies only.)

#### PURPOSE

As a result of the recent passage of the Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIPRA") by the United States Congress (Congress), this item eliminates the distinction between foreign and domestic terrorism nationally by:

- Producing separate miscellaneous values by state to address losses resulting from "terrorism" based on an updated terrorism model
- Withdrawing Missouri state rule exception, Rule 3-A-24-c—Terrorism and replacing it with national Rule 3-A-24-c of NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance*
- Discontinuing Statistical Code 9752 and replacing it with national Statistical Code 9740
- Withdrawing the Missouri Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 24 01 01)
- Withdrawing the Missouri Terrorism Premium Endorsement (WC 24 04 07)
- Replacing the aforementioned state-specific terrorism forms with the single national Terrorism Risk Insurance Program Reauthorization Act Disclosure Endorsement (WC 00 04 22 A)

Additionally, this item will replace references of "Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents (DTEC)" with the term "Catastrophe (other than Certified Acts of Terrorism)."

#### BACKGROUND

Congress enacted the Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIPRA") on December 26, 2007, which amends the definition of "act of terrorism" to include domestic terrorism. Due to the short time frame for compliance, NCCI filed Item 06-MO-2007 in response to TRIPRA, to update the rule reference, disclosure requirements in the TRIA Disclosure Endorsement and the Terrorism Premium Endorsement, and statistical code labeling.

Subsequently, an actuarial modelling was conducted for the newly defined "Act of Terrorism". As a result, this item proposes that the terrorism miscellaneous value be revised. Additionally, the Missouri state-specific disclosure endorsement along with the Missouri Terrorism Premium Endorsement are no longer needed and will be withdrawn and replaced with a single national endorsement. Missouri state rule exceptions will be eliminated, and state-specific Statistical Code 9752 will also be withdrawn and national Statistical Code 9740 will be proposed to replace it.

Missouri did not adopt DTEC in 2004. Since NCCI is now proposing a name change to the current catastrophe provision nationally, which will replace the catastrophe provision DTEC with Catastrophe (other than Certified Acts of Terrorism), and no new modeling of Catastrophe (other than Certified Acts of Terrorism) has occurred since the original filing of DTEC, this item proposes to change the terms DTEC to Catastrophe (other than Certified Acts of Terrorism) as needed to reference that this catastrophe provision is not applicable in Missouri.

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FILING MEMORANDUM

**ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS**

---

**Catastrophe Modeling**

Since there is a lack of historical data to support catastrophic loss estimates, NCCI has relied on catastrophe modeling for evaluating and estimating the risk associated with these exposures. In order to complete the modeling, NCCI contracted with EQECAT. Serving the global property and casualty industry, EQECAT is known as a technical leader and innovator in the development of analysis tools and methodologies to quantify insured exposure to natural and man-made catastrophic risk.

For this filing, EQECAT developed a revised model for NCCI. This model addresses the potential exposure to workers compensation for terrorism. The model is described in detail in the Appendix.

**Terrorism**

Exhibit 2 shows the selected terrorism loss costs excluding LAE for states modeled by EQECAT. The modeling exercise produces a range of loss costs per employee for the modeled states shown in Columns (2) and (3). The loss costs exclude loss adjustment expense. The indicated loss costs per employee for modeled states are based on the modeling approach described in the Appendix assuming a frequency of one terrorist event per year as the default. The results are scalable based on a different frequency assumption. A range of .25 to 3 terrorism events per year countrywide was used, based on input from EQECAT.

Two adjustments are necessary to convert this information to a loss cost per \$100 of payroll. First, an adjustment is made to recognize the impact of TRIPRA. This adjustment recognizes that individual company exposure to a certified event is limited. Depending on the state, NCCI's analysis has led to an indicated adjustment factor of 45% to 95% for this component. This adjustment factor is shown in Column (4). The analysis is based on the provisions of the Act, which allow for a recovery of 85% of the insurer's losses above an individual company retention of 20% of the prior year's direct earned premium for that company. The program trigger is \$100 million and there is an annual program cap of \$100 billion in combined federal and industry shared insured losses. For modeled states, NCCI looked at individual state loss distributions for terrorism and assessed the impact of the Act on a variety of attachment point and aggregate loss combinations. States whose aggregate expected losses are higher will expect a larger reduction in gross loss due to the Act. The second adjustment uses the state average weekly wage (Column (5)) to adjust the loss costs from a per-employee basis to a per-\$100 of payroll basis. The range of indicated loss costs are shown in Columns (6) and (7). Column (8) shows the selected loss costs for the modeled states.

Exhibit 3 shows the selected terrorism loss costs including LAE by state. NCCI uses a proxy state approach to apply the terrorism provisions to the remaining nonmodeled NCCI states.

The table of proxy states is shown below:

| Modeled States | Proxy States  |
|----------------|---|
| Arizona        | Colorado, Idaho, Louisiana, Montana, Nevada, Oregon, Rhode Island, Utah |
| Illinois       | Maryland, Virginia  |

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FILING MEMORANDUM

**ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS**

---

|   |  |
|---|--|
| Iowa  | Alabama, Alaska, Arkansas, Connecticut, Hawaii, Kansas, Kentucky, Maine, Mississippi, Missouri, Nebraska, New Hampshire, New Mexico, Oklahoma, South Carolina, South Dakota, Tennessee, Vermont, West Virginia |
| District of Columbia, Florida, Georgia, Indiana | None   |

Loss-based expenses by state are shown in Column (4). The final terrorism loss costs including LAE by state are shown in Column (5).

Exhibit 4 shows the final voluntary rates by state. Where applicable, the terrorism loss costs excluding loss adjustment expense by state have been divided by the permissible loss ratio (PLR) in order to reflect expenses, including loss adjustment expense.

Exhibit 5 shows the estimated impact of the proposed changes in terrorism provisions by state on both a percentage and a dollar amount basis.

**PROPOSAL**

It is proposed that:

- The updated miscellaneous value for terrorism in the voluntary market be adopted
- The references of “domestic terrorism, earthquakes, and catastrophic industrial accidents (DTEC)” be updated to “Catastrophe (other than Certified Acts of Terrorism)” in Missouri State Rule Exception 3-A-24-b, in NCCI’s **Basic Manual**
- Missouri state rule exception, Rule 3-A-24-c—Terrorism be eliminated and replaced with national Rule 3-A-24-c located in NCCI’s **Basic Manual**
- Statistical Code 9752 be discontinued and replaced with national Statistical Code 9740
- Missouri Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 24 01 01) be withdrawn and replaced with the single national Terrorism Risk Insurance Program Reauthorization Act Disclosure Endorsement (WC 00 04 22 A)
- Missouri Terrorism Premium Endorsement (WC 24 04 07) be withdrawn and replaced with the single national Terrorism Risk Insurance Program Reauthorization Act Disclosure Endorsement (WC 00 04 22 A)

**IMPACT**

The estimated impact in Missouri is shown in Exhibit 5.

**IMPLEMENTATION**

The attached table of contents lists the exhibits which describe the necessary changes.

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FILING MEMORANDUM

**ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS**

---

Additionally, Missouri has not yet approved Item U-1397—Statistical Plan for Workers Compensation and Employers Liability Insurance. Therefore, Exhibits 8-A, 8-B, and 9 provide the changes needed for the **URE Statistical Plan**, because the recently filed NCCI **Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan)** (Item U-1397) is pending approval. Upon approval of this item and Item U-1397, the modifications to Statistical Codes 9740 and 9752 will be implemented in NCCI's **Statistical Plan**.

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**ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS****TABLE OF CONTENTS**

| <b>Exhibit</b> | <b>Title</b>  | <b>Page</b> |
|----------------|---|-------------|
| N/A            | Appendix  | 6           |
| 1              | Miscellaneous Values Applicable to Voluntary Policies—Terrorism   | 9           |
| 2              | Terrorism Loss Costs for States Modeled by EQECAT   | 10          |
| 3              | Terrorism Loss Costs Including LAE by State   | 11          |
| 4              | Terrorism Voluntary Rates by State  | 12          |
| 5              | Estimated Impact of Changes in Terrorism Provisions by State  | 13          |
| 6              | Basic Manual—Rule 3-A-24-c—Catastrophe Provisions   | 14          |
| 7              | Basic Manual—Rule 3-A-24—Catastrophe Provisions (Missouri State Rule Exceptions)                                | 15          |
| 8-A            | URE Workers Compensation Statistical Plan (Statistical Code reference to Terrorism—withdrawal)                  | 16          |
| 8-B            | URE Workers Compensation Statistical Plan (Statistical Code reference to Terrorism)                             | 17          |
| 9              | URE Workers Compensation Statistical Plan (Premium Amount Not Subject To Experience Modification Factor)        | 18          |
| 10-A           | Statistical Plan (Statistical Code reference to Terrorism—withdrawal)   | 19          |
| 10-B           | Statistical Plan (Statistical Code reference to Terrorism)  | 20          |
| 11             | Forms Manual—Missouri Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 24 01 01—withdrawal) | 21          |
| 12             | Forms Manual—Missouri Terrorism Premium Endorsement (WC 24 04 0—withdrawal)                                     | 23          |
| 13             | Forms Manual—Terrorism Risk Insurance Program Reauthorization Act Disclosure Endorsement (WC 00 04 22 A)        | 24          |

**ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS**

---

**APPENDIX DESCRIPTION OF EQECAT CATASTROPHE MODELS****Introduction**

An updated EQECAT model was developed to provide estimates of the risks to workers compensation insurers due to terrorism events. This model is described below.

**Terrorism****1. Exposure**

The location, number, and types of employees are needed to characterize the risk exposures to terrorism events. Business information and Bureau of Labor Statistics databases were used to obtain the addresses of businesses and the estimated number of employees assigned to each location. With more than 100 million workers nationwide at over 10 million businesses, it was necessary to aggregate the exposure. For this model, the exposure was aggregated to the census block level (typically a city block). This aggregation level was suitable for the terrorist events that span hundreds of meters.

The number of workers in each block was prorated to approximately account for part-time workers, workers absent for various reasons, and the self-employed. The workers in each census block were grouped into five NCCI industry groupings: Goods & Services, Office & Clerical, Manufacturing, Construction, and All Others. Certain government classifications not covered by workers compensation were excluded.

**2. Weapons Selection**

Specific weapons were selected from the range of known or hypothesized terrorist weapons. The selection process considered weapons that have been previously employed, weapons that could cause large numbers of casualties, or weapons that would be more readily available. In some cases, a "likely" or "practical" weapons size (or quantity of agent) was selected; in other cases, a range of weapons sizes was selected, in part, to reflect standard quantities that might be available. The selected weapons and their sizes are described below.

**Blast/Explosion**

- Conventional explosives—400 lb / 4,000 lb / 12,000 lb TNT
- Nuclear bomb—1 kiloton and 10 kiloton
- Aircraft impact—large passenger airline

**Chemical**

- Chlorine—15-ton truck, 90-ton railcar
- Anhydrous ammonia—15-ton truck, 90-ton railcar
- Hydrogen cyanide—50 gallons
- Sarin—1 gallon
- Mustard gas—50 gallons

**Biological**

- Anthrax—1 oz inside building, 1 oz outside building, 10 oz mobile dispersion
- Botulism Toxin—1 oz inside building

**ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS**

---

**Radiological**

- Nuclear power plant radioactive release due to sabotage—10% of core radioactivity
- Dirty bomb—10,000 curies

The effects of each type of weapon will vary with the size of the weapon, with atmospheric conditions, and in some cases with local terrain. If detailed knowledge is available, a correspondingly detailed simulation of the effects is possible but would be time consuming to perform. In a large-scale nationwide analysis with millions of simulated events, where local atmospheric and terrain are only generally known, a simpler more generalized simulation is necessary. The simplifications necessary to efficiently model footprints of weapons effects are described below.

For conventional blast loading, blast simulation software is used to estimate casualties in various urban settings where the geometry and height of the buildings is varied. The results of these detailed simulations are used to develop simplified blast attenuation functions that vary with distance and with the general terrain. For conventional blast loading, the footprint is defined as a decreasing function of distance from the source of the blast.

The casualties for nuclear blast can be estimated on the basis of empirical data resulting from wartime and nuclear test experience. Casualties are assumed to be a function of distance from ground zero with the source located either at ground level or at a relatively low altitude. A simplified, conservative casualty footprint was created to encompass the range of conditions that could exist. Long-term radiation effects are not considered.

The casualty effects for aircraft impact are very much dependent upon the details of the event, so much so that only a simple, conservative footprint can be employed. A simplifying assumption is made that the extent of the footprint is a function of the height of the building.

For chemical, biological, and radiological agent releases, a plume is formed that is influenced by atmospheric conditions and by the terrain. The footprint of the cumulative dose that is deposited by a plume over time was calculated using the simulation software, MIDAS-AT (Meteorological Information and Dispersion Assessment System—Anti-Terrorism™). Terrain conditions were assumed to be “rough” to conservatively approximate a general urban terrain, and the wind direction was assumed to be unchanging. The plume footprint was calculated for low, medium, and high wind speeds and for three different atmospheric turbulence conditions. Any of the footprints could then be oriented in each of eight compass directions. Most of the footprints were truncated after an elapsed time of about two hours to account for successful evacuation.

**3. Targets**

A target is the location of a terrorist attack and, in the model, represents the locus of a casualty footprint. An inventory of targets is created by selecting locations with the following characteristics:

- Tall buildings—10 stories and higher
- Government buildings—with large number of employees or of a critical or sensitive nature (e.g., FBI office)
- Airports—major
- Ports—major
- Military bases—US armed forces
- Prominent locations—capitol buildings, major amusement parks, etc.
- Nuclear power plants—operational
- Railroads, railroad yards and stations—freight lines for railroad cars carrying chemicals
- Chemical facilities—emphasizes those with chlorine and ammonia on site



**ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS**

---

Nuclear power plants and chemical facilities receive only specific casualty footprints. Other locations are assigned more than one type of terrorist weapon.

Some footprints have no specific target but are distributed at regular intervals throughout the urban area. This spreads out the effect to a larger population in the urban area.

Mobile release anthrax is not located at any target but located in the general downtown area in major metropolitan areas.

**4. Frequency of Attack**

The relative likelihood of a type of attack occurring at a target location is represented by an assigned (annual) frequency. The significance of an attack's frequency is in its relationship to other attacks. Attack frequency is based on the following considerations:

- Availability of weapon
- Attractiveness of target
- Relative attractiveness of the region to other regions based on various theories

For footprints that are atmospheric releases of chemical, biological, and radiological agents, wind direction affects the assigned frequency. The frequency for each wind direction is weighted by the likelihood of the wind blowing in that direction based on historical wind speed and direction measurements for the region.

Nationwide results assume that there is, on average, one terrorist event per year. If a higher or lower degree of threat is perceived, results can be scaled assuming that all areas scale proportionately with the change in frequency.

**5. Analysis Methodology**

The analysis methodology applies a casualty footprint to an assigned target and then calculates the extent of casualties to the covered workers within the footprint. For chemical, biological, and radiological footprints, the dose to each employee is calculated and a conversion is made to the degree or category of injury. Degree of injury is then converted to loss based upon the average costs by injury category provided by NCCI. The average costs provided vary by state.

**ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS**

---

**EXHIBIT 1  
BASIC MANUAL  
MISCELLANEOUS VALUES PAGES  
APPLICABLE TO VOLUNTARY POLICIES**

Terrorism ..... See below:

| <b>State</b> | <b>Current<br/>Loss Cost</b> | <b>Proposed<br/>Loss Cost</b> | <b>Current<br/>Rate</b> | <b>Proposed<br/>Rate</b> |
|--------------|------------------------------|-------------------------------|-------------------------|--------------------------|
| Missouri     | <del>0.02</del>              | 0.01                          | N/A                     | N/A                      |

**ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS**

**EXHIBIT 2  
TERRORISM LOSS COSTS FOR STATES MODELED BY EQECAT**

| State<br>(1) | Loss Cost<br>per<br>Employee<br>(exc. LAE)<br>Lower<br>Range* | Loss Cost<br>per<br>Employee<br>(exc. LAE)<br>Upper<br>Range* | Estimated<br>Impact of<br>TRIPRA**<br>(4) | State<br>Average<br>Weekly<br>Wage***<br>(5) | Loss Cost<br>per<br>\$100 of<br>payroll<br>(exc. LAE)<br>Lower<br>Range | Loss Cost<br>per<br>\$100 of<br>payroll<br>(exc. LAE)<br>Upper<br>Range | Selected<br>Loss Cost<br>(exc. LAE)<br>(8) |
|--------------|---|---|---|--|---|---|--|
|              | (2)   | (3)   |   |  | (6) <sup>1</sup>  | (7) <sup>2</sup>  |  |
| Arizona      | 1.19  | 14.30   | 55%                                       | 731.68                                       | 0.002   | 0.021   | 0.01                                       |
| DC           | 45.80   | 549.57  | 60%                                       | 951.91                                       | 0.056   | 0.666   | 0.04                                       |
| Florida      | 0.59  | 7.12  | 85%                                       | 723.52                                       | 0.001   | 0.016   | 0.01                                       |
| Georgia      | 0.79  | 9.50  | 80%                                       | 750.27                                       | 0.002   | 0.019   | 0.01                                       |
| Illinois     | 4.29  | 51.46   | 45%                                       | 772.23                                       | 0.005   | 0.058   | 0.03                                       |
| Indiana      | 0.31  | 3.75  | 95%                                       | 707.18                                       | 0.001   | 0.010   | 0.01                                       |
| Iowa         | 0.63  | 7.57  | 90%                                       | 667.50                                       | 0.002   | 0.020   | 0.01                                       |

\* Source: Loss cost information developed by EQECAT for terrorism events

\*\* This adjustment reflects the impact of TRIPRA relative to terrorism events

\*\*\* 2007 US Bureau of Labor Statistics, Current Population Survey

<sup>1</sup> Column (A) = (2) x (4) / ((5) x 52 / 100)

<sup>2</sup> Column (B) = (3) x (4) / ((5) x 52 / 100)

ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS

---

EXHIBIT 3  
TERRORISM LOSS COSTS INCLUDING LAE BY STATE

| State<br>(1) | Proxy State<br>(2) | Selected<br>Terrorism<br>Loss Cost<br>(exc. LAE)<br>(3) | Loss-Based<br>Expense<br>Factor<br>(4) | Terrorism<br>Loss Cost<br>(inc. LAE)<br>(5) = (3) x (4) |
|--------------|--------------------|---|--|---|
| Missouri     | Iowa               | 0.01  | 1.203                                  | 0.01  |

ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS

---

EXHIBIT 4  
TERRORISM VOLUNTARY AND ASSIGNED RISK RATES BY STATE

| State    | Selected<br>Terrorism<br>Voluntary<br>Loss Cost<br>(exc. LAE) | Voluntary<br>PLR | Selected<br>Terrorism<br>Voluntary<br>Rate | Assigned<br>Risk PLR | Selected<br>Terrorism<br>Assigned Risk<br>Rate |
|----------|---|------------------|--|----------------------|--|
| (1)      | (2)   | (3)              | (4) = (2) / (3)                            | (5)                  | (6) = (2) / (5)                                |
| Missouri | 0.01  | N/A              | N/A  | N/A                  | N/A  |

ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS

---

EXHIBIT 5  
ESTIMATED IMPACT OF CHANGES IN TERRORISM PROVISIONS BY STATE

| State    | Current<br>Terrorism<br>Loss Cost<br>(exc. LAE) | Proposed<br>Terrorism<br>Loss Cost<br>(exc. LAE) | Proposed<br>Change in<br>Terrorism<br>Loss Cost<br>(exc. LAE) | Avg. Non-<br>Terrorism<br>Loss Cost<br>(exc. LAE) | Percentage<br>Impact of<br>Terrorism<br>Loss Cost | CY 2006<br>WC Written<br>Premium<br>(\$ 000) | Estimated<br>Premium<br>Impact<br>(\$ 000) |
|----------|---|--|---|---|---|--|--|
| (1)      | (2)   | (3)  | (4)   | (5)   | (6) = (4) / (5)                                   | (7)  | (8) = (6) x (7)                            |
| Missouri | 0.02  | 0.01   | -0.01   | 1.41  | -0.7%   | 1,002,698                                    | (7,111)                                    |

**ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS**

---

**EXHIBIT 6  
BASIC MANUAL—2001 EDITION  
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS  
A. EXPLANATION AND APPLICATION**

**24. Catastrophe Provisions**

**c. Terrorism**

Premium for Terrorism is calculated on the basis of total payroll according to Rule 2. A risk's total payroll in each state is divided by units of \$100 and multiplied by the appropriate value found in the state pages. The calculation is expressed as  $(\text{Payroll} / 100 \times \text{Terrorism Value} = \text{Premium})$ . This premium is applied after standard premium and is not subject to any other modifications including, but not limited to, premium discount, experience rating, schedule rating, or retrospective rating.

Unless an "If Any" policy develops premium during the policy term or at audit, policies issued on an "If Any" basis will not be charged this premium.

Per capita charges are not subject to premium under this Act.

ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS

---

EXHIBIT 7  
BASIC MANUAL—2001 EDITION  
MISSOURI STATE RULE EXCEPTIONS  
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS  
A. EXPLANATION AND APPLICATION

24. Catastrophe Provisions

b. ~~Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents (DTEC)-  
Catastrophe (other than Certified Acts of Terrorism)~~

Rule 3-A-24-b does not apply in Missouri.

c. ~~Terrorism~~

~~Change Rule 3 A 24 c as follows:-~~

~~Premium for Terrorism is calculated on the basis of total payroll according to Rule 2. A risk's total payroll in each state is divided by units of \$100 and multiplied by the appropriate value found in the state pages. The calculation is expressed as (Payroll/100 x Terrorism Value = Premium). This premium is applied after standard premium and is not subject to any other modifications including, but not limited to, premium discount, experience rating, schedule rating, or retrospective rating.~~

~~Unless an "If Any" policy develops premium during the policy term or at audit, policies issued on an "If Any" basis will not be charged this premium.~~

~~Per capita charges are not subject to premium under this Act.~~

~~Expense constants are not subject to premium under this Act.~~

~~Premium developed under this act is not included in standard premium.~~



ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS

---

EXHIBIT 8-A  
URE WORKERS COMPENSATION STATISTICAL PLAN  
PART 7—CODING SPECIFICATIONS

9. STATISTICAL CODES—PREMIUM AMOUNT NOT SUBJECT TO EXPERIENCE MODIFICATION  
FACTOR

| Description                                      | Stat Code | Premium Credit<br>(-) or Debit (+) | Applicable<br>States | Effective<br>Date | Discontinuation<br>Date |
|--|-----------|------------------------------------|----------------------|-------------------|-------------------------|
| Terrorism—Not<br>Subject to Experience<br>Rating | 9752      | +                                  | FL,HI, MO, NM        | 01/01/08          | 08/31/08                |
|  |           |                                    | AK                   | 01/07/08          | 08/31/08                |

ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS

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EXHIBIT 8-B  
URE WORKERS COMPENSATION STATISTICAL PLAN  
PART 7—CODING SPECIFICATIONS

9. STATISTICAL CODES—PREMIUM AMOUNT NOT SUBJECT TO EXPERIENCE MODIFICATION  
FACTOR

| Description  | Stat Code | Premium Credit<br>(-) or Debit (+) | Applicable<br>States | Effective Date | Discontinuation<br>Date |
|--|-----------|------------------------------------|----------------------|----------------|-------------------------|
| Catastrophe<br>Provisions for<br>Terrorism—Not Part<br>of Standard Premium | 9740      | +                                  | All States           | 09/01/08       |                         |

**ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS**

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**EXHIBIT 9  
URE WORKERS COMPENSATION STATISTICAL PLAN  
PART 3—EXPOSURE INFORMATION****14. STATISTICAL CODES—REMIUM AMOUNT NOT SUBJECT TO EXPERIENCE MODIFICATION  
FACTOR**

Report the premium credit or debit amount not subject to experience modifications. These premiums should be reported separately from class code exposures and premiums under the designated class code or statistical code. These premiums are generated from the following premium programs or coverages:

- Catastrophe Provisions for ~~Domestic Terrorism, Earthquakes, and Industrial Accidents~~ Catastrophe (other than Certified Acts of Terrorism)
- Catastrophe Provisions for Foreign Terrorism

ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS

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EXHIBIT 10-A  
STATISTICAL PLAN—2008 EDITION  
PART 6—CODING VALUES  
H. STATISTICAL CODES  
Pending Approval of Item U-1397 in Missouri

3. PREMIUM AMOUNT *NOT* PART OF STANDARD PREMIUM

| Description                                      | Stat Code | Premium Credit<br>(-) or Debit (+) | Applicable<br>States | Effective<br>Date | Discontinuation<br>Date |
|--|-----------|------------------------------------|----------------------|-------------------|-------------------------|
| Terrorism—Not<br>Subject to<br>Experience Rating | 9752      | +                                  | FL, HI, MO, NM       | 01/01/08          | 08/31/08                |
|  |           |                                    | AK                   | 01/07/08          | 08/31/08                |

ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS

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EXHIBIT 10-B  
STATISTICAL PLAN—2008 EDITION  
PART 6—CODING VALUES  
H. STATISTICAL CODES  
Pending Approval of Item U-1397 in Missouri

3. PREMIUM AMOUNT NOT PART OF STANDARD PREMIUM

| Description  | Stat Code | Premium Credit<br>(-) or Debit (+) | Applicable<br>States | Effective Date | Discontinuation<br>Date |
|--|-----------|------------------------------------|----------------------|----------------|-------------------------|
| Catastrophe<br>Provisions for<br>Terrorism—Not Part<br>of Standard Premium | 9740      | +                                  | All States           | 09/01/08       |                         |

**ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS**

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**EXHIBIT 11  
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE****~~MISSOURI TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION ACT ENDORSEMENT  
(WG 24 01 04)~~**

~~This endorsement addresses the requirements of the Terrorism Risk Insurance Act of 2002 as amended and extended by the Terrorism Risk Insurance Program Reauthorization Act of 2007.~~

**~~Definitions~~**

~~The definitions provided in this endorsement are based on and have the same meaning as the definitions in the Act. If words or phrases not defined in this endorsement are defined in the Act, the definitions in the Act will apply.~~

~~“Act” means the Terrorism Risk Insurance Act of 2002, which took effect on November 26, 2002, and any amendments resulting from the Terrorism Risk Insurance Program Reauthorization Act of 2007.~~

~~“Act of Terrorism” means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States as meeting all of the following requirements:~~

- ~~a. The act is an act of terrorism.~~
- ~~b. The act is violent or dangerous to human life, property or infrastructure.~~
- ~~c. The act resulted in damage within the United States, or outside of the United States in the case of the premises of United States missions or certain air carriers or vessels.~~
- ~~d. The act has been committed by an individual or individuals as 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.~~

~~“Insured Loss” means any loss resulting from an act of terrorism (including an act of war, in the case of workers compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if the loss occurs in the United States or at the premises of United States missions or to certain air carriers or vessels.~~

~~“Insurer deductible” means, for the period beginning on January 1, 2008, and ending on December 31, 2014, an amount equal to 20% of our direct earned premiums, over the calendar year immediately preceding the applicable Program Year.~~

~~“Program Year” refers to each calendar year between January 1, 2008 and December 31, 2014, as applicable.~~

**~~Limitation of Liability~~**

~~The Act limits our liability to you under this policy. If aggregate Insured Losses exceed \$100,000,000,000 in a Program Year and if we have met our Insurer Deductible, we are not liable for the payment of any portion of the amount of Insured Losses that exceeds \$100,000,000,000; and for aggregate Insured Losses up to \$100,000,000,000, we will pay only a pro-rata share of such Insured Losses as determined by the Secretary of the Treasury.~~

**~~Policyholder Disclosure Notice~~**

- ~~1. Insured Losses would be partially reimbursed by the United States Government. If the aggregate industry Insured Losses exceeds \$100,000,000 in a Program Year, the United States Government would pay 85% of our Insured Losses that exceed our Insurer Deductible.~~

**ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS**

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**EXHIBIT 11 (CONT'D)  
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

- ~~2. Notwithstanding item 1 above, the United States Government will not make any payment under the Act for any portion of Insured Losses that exceeds \$100,000,000,000.~~
- ~~3. The premium charged for the coverage for Insured Losses under this policy is included in the amounts shown in Item 4 of the Information Page or in the Schedule in the Missouri Terrorism Premium Endorsement. (WC 24 04 07), attached to this policy.~~

**ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS**

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**EXHIBIT 12  
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

**~~MISSOURI TERRORISM PREMIUM ENDORSEMENT (WC 24 04 07)~~**

~~This endorsement is notification that your insurance carrier is charging premium for losses that may occur in the event of an act of terrorism.~~

~~Your policy provides coverage for workers compensation losses caused by acts of terrorism, including workers compensation benefit obligations dictated by state law. Coverage for such losses is still subject to all terms, definitions, exclusions, and conditions in your policy, and any applicable federal and/or state laws, rules, or regulations.~~

~~For purposes of this endorsement, an "act of terrorism" is defined as:~~

- ~~a. Any act that is violent or dangerous to human life, property or infrastructure; and~~
- ~~b. The act has been committed by an individual or individuals as 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.~~

~~The premium charge for the coverage your policy provides for workers compensation losses caused by an act of terrorism is shown in Item 4 of the Information Page or in the Schedule below.~~

**~~Schedule~~**

**~~State~~**

**~~Rate per \$100 of payroll~~**



**ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS**

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**EXHIBIT 13  
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE****TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION ACT DISCLOSURE ENDORSEMENT  
(WC 00 04 22 A)**

This endorsement addresses the requirements of the Terrorism Risk Insurance Act of 2002 as amended and extended by the Terrorism Risk Insurance Program Reauthorization Act of 2007. It serves to notify you of certain limitations under the Act, and that your insurance carrier is charging premium for losses that may occur in the event of an Act of Terrorism.

Your policy provides coverage for workers compensation losses caused by Acts of Terrorism, including workers compensation benefit obligations dictated by state law. Coverage for such losses is still subject to all terms, definitions, exclusions, and conditions in your policy, and any applicable federal and/or state laws, rules, or regulations.

**Definitions**

The definitions provided in this endorsement are based on and have the same meaning as the definitions in the Act. If words or phrases not defined in this endorsement are defined in the Act, the definitions in the Act will apply.

“Act” means the Terrorism Risk Insurance Act of 2002, which took effect on November 26, 2002, and any amendments thereto resulting from the Terrorism Risk Insurance Program Reauthorization Act of 2007.

“Act of Terrorism” means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States as meeting all of the following requirements:

- a. The act is an act of terrorism.
- b. The act is violent or dangerous to human life, property, or infrastructure.
- c. The act resulted in damage within the United States, or outside of the United States in the case of the premises of United States missions or certain air carriers or vessels.
- d. The act has been committed by an individual or individuals as 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.

“Insured Loss” means any loss resulting from an act of terrorism (and, except for Pennsylvania, including an act of war, in the case of workers compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if the loss occurs in the United States or at the premises of United States missions or to certain air carriers or vessels.

“Insurer Deductible” means, for the period beginning on January 1, 2008, and ending on December 31, 2014, an amount equal to 20% of our direct earned premiums, over the calendar year immediately preceding the applicable Program Year.

“Program Year” refers to each calendar year between January 1, 2008 and December 31, 2014, as applicable.

**Limitation of Liability**

The Act limits our liability to you under this policy. If aggregate Insured Losses exceed \$100,000,000,000 in a Program Year and if we have met our Insurer Deductible, we are not liable for the payment of any portion of the amount of Insured Losses that exceeds \$100,000,000,000; and for aggregate Insured Losses up to \$100,000,000,000, we will pay only a pro rata share of such Insured Losses as determined by the Secretary of the Treasury.

**ITEM 01-MO-2008—CATASTROPHE PROVISIONS MISCELLANEOUS VALUES, RULES,  
STATISTICAL CODES AND FORMS**

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**EXHIBIT 13 (CONT'D)  
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

**Policyholder Disclosure Notice**

1. Insured Losses would be partially reimbursed by the United States Government. If the aggregate industry Insured Losses exceed \$100,000,000 in a Program Year, the United States Government would pay 85% of our Insured Losses that exceed our Insurer Deductible.
2. Notwithstanding item 1 above, the United States Government will not make any payment under the Act for any portion of Insured Losses that exceed \$100,000,000,000.
3. The premium charge for the coverage your policy provides for Insured Losses is included in the amount shown in Item 4 of the Information Page or in the Schedule below.

**Schedule**

State

Rate

Premium