



# Circular

FEBRUARY 26, 2008

PLAN INFORMATION

PLAN-2008-04

## Plan–Terrorism Risk Insurance Program Reauthorization Act of 2007–Frequently Asked Questions (FAQs)

**ACTION NEEDED** This circular provides responses to FAQs regarding NCCI’s item filings related to the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) for assigned risk carriers in states where NCCI is the Plan Administrator. Please review the information contained in this circular for further details.

**BACKGROUND** In response to the enactment of TRIPRA, NCCI filed countrywide Items B-1405—Terrorism Risk Insurance Program Reauthorization Act of 2007 and P-1405 —Terrorism Risk Insurance Program Reauthorization Act of 2007 Endorsements in all NCCI jurisdictions, including Plan Administered jurisdictions except AK, NM, and VA. (NCCI filed state special item filings for AK, NM, and VA.)

**IMPACT** In addition to providing responses to inquiries that NCCI has received regarding item filings related to TRIPRA, the attached FAQs include:

- Listings of NCCI’s item filings and endorsements related to TRIPRA
- Clarification on the application of these endorsements
- Direction on how to calculate total terrorism premium in compliance with the policyholder disclosure requirements of the Terrorism Risk Insurance Program
- Date that NCCI assigned carriers must be in compliance by

**NCCI ACTION** Our Web site, [ncci.com](http://ncci.com), includes a resource library, which is your central source for all insurance-related information on terrorism including FAQs, a video, all NCCI circulars on the topic, and links to other Web sites. To locate this information from the [ncci.com](http://ncci.com) home page, select **Industry Information, Terrorism and WC**, then **Resource Library**.

**PERSON TO CONTACT**

If you have any questions, please contact:  
 Melissa Palmer  
 Director of Plan Administration  
 NCCI, Inc.  
 901 Peninsula Corporate Circle  
 Boca Raton, FL 33487  
 561-893-3003

Technical Contact:  
 Shani Oulton  
 Regulatory Services Manager  
 NCCI, Inc.  
 901 Peninsula Corporate Circle  
 Boca Raton, FL 33487  
 561-893-3168

**FAQs for Assigned Carriers Where NCCI is the Plan Administrator—Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA)**

**1. How has NCCI responded to the recent enactment of TRIPRA?**

NCCI filed countrywide Items B-1405—Terrorism Risk Insurance Program Reauthorization Act of 2007 and P-1405—Terrorism Risk Insurance Program Reauthorization Act of 2007 Endorsements in all NCCI jurisdictions, including Plan Administered jurisdictions, except AK, NM, and VA. Refer to the list below for the items that NCCI filed in AK, NM, and VA.

<b>State</b>	<b>Item</b>
AK	02-AK-2007—Terrorism Risk Insurance Program Reauthorization Act of 2007
AK	03-AK-2007—Terrorism Risk Insurance Program Reauthorization Act of 2007 Endorsements
NM	03-NM-2007—Terrorism Risk Insurance Program Reauthorization Act of 2007
VA	05-VA-2007—Terrorism Risk Insurance Program Reauthorization Act of 2007
VA	06-VA-2007—Terrorism Risk Insurance Program Reauthorization Act of 2007 Endorsements

**2. What changes were filed in Items B-1405 and P-1405?**

Item B-1405 removes the December 31, 2005 expiration date from National Rule 3-A-24-a, located in NCCI's *Basic Manual*.

Item P-1405 updates the Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13) and the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21 A) to, among other things, reflect the new disclosure requirements and the revised definition of terrorism (which includes domestic terrorism).

**3. Which endorsements should be applied to the policy to reflect the requirements of TRIA and TRIPRA?**

<p><b>The following endorsements reflect the requirements of TRIA, as revised by TRIPRA: (Note: Refer to FAQ #4 for application of endorsements on policies with coverage in AK, NM, and VA)</b></p> <ul style="list-style-type: none"> <li>• Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 00 01 13 A)</li> <li>• Foreign Terrorism Premium Endorsement (WC 00 04 22)</li> <li>• Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21 B)</li> </ul>
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**4. Why did NCCI submit state special item filings to AK, NM, and VA?**

NCCI submitted state special item filings to AK, NM, and VA because these states did not approve the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents filing in 2005. For these states, refer to the following chart for endorsement application requirements.

<b>The following endorsements reflect the requirements of TRIA, as revised by TRIPRA:</b>	
AK	<ul style="list-style-type: none"> <li>Alaska Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 54 01 01)</li> <li>Alaska Terrorism Premium Endorsement (WC 54 04 05)</li> </ul>
NM	<ul style="list-style-type: none"> <li>New Mexico Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 30 01 01)</li> <li>New Mexico Terrorism Premium Endorsement (WC 30 04 03)</li> </ul>
VA	<ul style="list-style-type: none"> <li>Virginia Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 45 04 01 A)</li> </ul>

- 5. The Treasury Department issued interim guidance concerning TRIPRA. The guidance states that the disclosure of the \$100 billion cap on liability must be provided to policyholders for policies issued after December 26, 2007. However, the new Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 00 01 13 A), which includes this disclosure, isn't effective until January 1, 2008. How should carriers make the disclosure for policies issued after December 26, 2007 but before the effective date of the new endorsement?**

For the residual market where NCCI is the Plan Administrator, assigned carriers must attach all terrorism-related endorsements (i.e., WC 00 01 13 and WC 00 01 13 A, and WC 00 04 21 A and WC 00 04 21 B, and WC 00 04 22) to policies that are issued after December 26, 2007 and take effect prior to January 1, 2008. In addition to WC 00 04 22, newly filed endorsements (i.e., WC 00 01 13 A and WC 00 04 21 B) must be attached to new and renewal assigned risk policies effective 12:01 a.m. January 1, 2008.

- 6. The Treasury Department interim guidance requires that carriers provide a clear and conspicuous disclosure to policyholders of the premium charged for insured losses covered by the Terrorism Risk Insurance Program. The new definition of an act of terrorism includes both domestic and foreign terrorism. For most states, NCCI has separate miscellaneous values for domestic and foreign terrorism. However, the domestic terrorism portion is included in the miscellaneous value for Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents (DTEC). How do we know what portion of the DTEC rate applies to domestic terrorism, so that we may disclose this information?**

By using the underlying data from the item filings that implemented the DTEC miscellaneous values, NCCI created a table that provides the domestic terrorism percentage of the DTEC miscellaneous values by state. A copy of this table is included as an attachment to these FAQs. This table may be used to determine the portion of the premium attributable to domestic terrorism. To do this, apply the domestic terrorism percentage shown on the table for the applicable state to the premium resulting from the application of that state's DTEC miscellaneous value.

Refer to the following example for a single-state policy:

State A  
 Payroll = \$100,000  
 Foreign Terrorism (FT) Miscellaneous Value = .02  
 DTEC Miscellaneous Value = .01

Domestic Terrorism (DT) % = 30% (or .30) of the DTEC Miscellaneous Value

<b>Single State A</b>	<b>Calculation</b>	<b>Total</b>
Foreign Terrorism (FT) Premium (payroll/100 x FT Misc. Value)	(100,000/100 x .02)	<b>\$20</b>
DTEC Premium (payroll/100 x DTEC Misc. Value)	(100,000/100 x .01)	\$10
Domestic Terrorism (DT) Premium (DTEC Premium x DT %)	(\$10 x .30)	<b>\$3</b>
<b>Subtotal for Terrorism Premium</b> (FT Premium + DT Premium)	(\$20 + \$3)	<b>\$23</b>

Refer to the following example for a multiple-state policy:

State A

Payroll = \$100,000

Foreign Terrorism (FT) Miscellaneous Value = .02

DTEC Miscellaneous Value = .01

Domestic Terrorism (DT) % = 30% (or .30) of the DTEC Miscellaneous Value

State B

Payroll = \$200,000

Foreign Terrorism (FT) Miscellaneous Value = .02

DTEC Miscellaneous Value = .01

Domestic Terrorism (DT) % = 15% (or .15) of the DTEC Miscellaneous Value

<b>Multiple States A and B</b>	<b>State A Calculation</b>	<b>State B Calculation</b>	<b>Total States A and B</b>
Foreign Terrorism (FT) Premium (payroll/100 x FT Misc. Value)	(100,000/100 x .02) = \$20	(200,000/100 x .02) = \$40	<b>\$60</b>
DTEC Premium (payroll/100 x DTEC Misc. Value)	(100,000/100 x .01) = \$10	(200,000/100 x .01) = \$20	\$30
Domestic Terrorism (DT) Premium (DTEC Premium x DT %)	(\$10 x .30) = \$3	(\$20 x .15) = \$3	<b>\$6</b>
<b>Subtotal for Terrorism Premium</b> (FT Premium + DT Premium)	(\$20 + \$3) = \$23	(\$40 + \$3) = \$43	<b>\$66</b>

**For the residual market where NCCI is the Plan Administrator, assigned carriers must include all information related to terrorism premium on Item 4. of the Information Page as shown in the following example:**

Assuming the approved miscellaneous values in this example are as follows:

- \$0.03 for Foreign Terrorism
- \$0.01 for DTEC

<b>Class Code</b>	<b>Code No.</b>	<b>Premium Basis Total Estimated Annual Remuneration</b>	<b>Rate or Misc. Value Per \$100 of Remuneration</b>	<b>% of DTEC Misc. Value</b>	<b>Terrorism Premium</b>	<b>Estimated Annual Premium</b>
Nursing Home	####	\$1,000,000	\$3.06			\$30,600
		Subject Premium				\$30,600
		Experience Modification				1.00
		Standard Premium				\$30,600
		Expense Constant				\$ 220
		Foreign Terrorism	\$0.03		\$300	\$ 300
		DTEC	\$0.01			\$100
		<i>Domestic Terrorism*</i>		30%	\$30	
		<b>Subtotal for Terrorism Premium**</b>			\$330	
		<b>Total Estimated Annual Premium</b>				\$31,220

\* Domestic Terrorism shown as a percentage of DTEC Misc. Value by state

\*\* Subtotal for Terrorism Premium = Domestic Terrorism + Foreign Terrorism

**Examples of how NCCI's Premium Calculator Worksheet will display terrorism premium in NCCI's Data Capture is as follows:**

Single State Example:



National  
Council On  
Compensation  
Insurance, Inc

## PREMIUM CALCULATOR WORKSHEET

RISK NAME: TESTING IL TRIA  
EFFECTIVE DATE: 02/20/2008  
BINDER NUMBER:  
APPLICATION ID NUMBER: 21289840  
GOVERNING STATE: Illinois  
GOVERNING CLASS CODE: 9014  
ANNIVERSARY RATING DATE: 02/20/2008  
PREMIUM PERIOD: 02/20/2008 - 02/20/2009

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### SUMMARY INFORMATION

STATE NAME	ESTIMATED ANNUAL PREMIUM
Illinois	9,820
<b>Subtotal for Terrorism Premium - ALL STATE(S):**** (IL) \$91.50 = \$91.50</b>	<b>INCL</b>
<b>ESTIMATED ANNUAL PREMIUM</b>	<b>9,820</b>
DEPOSIT PERCENTAGE:	40%
DEPOSIT PREMIUM:	3,928
ILLINOIS OPERATIONS FUND SURCHARGE(1.01)	99
<b>TOTAL DEPOSIT PREMIUM</b>	<b>4,027</b>
<b>TOTAL ESTIMATED ANNUAL PREMIUM</b>	<b>9,919</b>

\*\*\*\*See individual state worksheet(s) for explanation

Risk Name: TESTING SUB TERRORISM PREMIUM  
 EFFECTIVE DATE: 02/20/2008  
 STATE: Illinois

Employee Information:

Class Code:	Suffix:	No of Employees	Total Payroll	Rate	Calculated Premium	Minimum Premium
9014		1	150,000	6.29	9435	1000

Executive Officer Information:

Name	INC/ EXC	Class Code:	Title	Salary	Calculated Salary	Rate	Calculated Premium	Minimum Premium
FGDFGDF, FGFGFDG	E	5645	PRES	1	0	0.00	0	1000

MANUAL PREMIUM		9435
SUBJECT PREMIUM	=	9435
TOTAL MODIFIED PREMIUM	=	9435
STANDARD PREMIUM	=	9435
EXPENSE CONSTANT	+	280
Foreign Terrorism Misc. Value by State (.05)	+	75
DTEC Misc. Value by State (.02)	+	30
Foreign Terrorism (0.05)		\$75
Domestic Terrorism as a % of DTEC by State (55%) *		\$16.50
<b>Subtotal for Terrorism Premium **</b>		<b>\$91.50</b>
ESTIMATED ANNUAL PREMIUM	=	9820

\* Domestic Terrorism shown as a percentage of DTEC Misc. Value by State  
 \*\* Subtotal for Terrorism Premium = Domestic Terrorism + Foreign Terrorism

Multistate Example:



PREMIUM CALCULATOR WORKSHEET

RISK NAME: TESTING SUB TERRORISM PREMIUM
EFFECTIVE DATE: 02/20/2008
BINDER NUMBER:
APPLICATION ID NUMBER: 21317820
GOVERNING STATE: Illinois
GOVERNING CLASS CODE: 9014
ANNIVERSARY RATING DATE: 02/20/2008
PREMIUM PERIOD: 02/20/2008 - 02/20/2009

SUMMARY INFORMATION

Table with 2 columns: STATE NAME, ESTIMATED ANNUAL PREMIUM. Rows include Virginia (1,260), Illinois (9,820), Subtotal for Terrorism Premium - ALL STATE(S): \*\*\*\* (VA) \$20 + (IL) \$91.50 = \$111.50 INCL, ESTIMATED ANNUAL PREMIUM (11,080), DEPOSIT PERCENTAGE (25%), DEPOSIT PREMIUM (2,770), ILLINOIS OPERATIONS FUND SURCHARGE(1.01) (99), TOTAL DEPOSIT PREMIUM (2,869), TOTAL ESTIMATED ANNUAL PREMIUM (11,179).

\*\*\*\* See individual state worksheet(s) for explanation



Risk Name: TESTING SUB TERRORISM PREMIUM  
 EFFECTIVE DATE: 02/20/2008  
 STATE: Virginia

Employee Information:

Class Code:	Suffix:	No of Employees	Total Payroll	Rate	Calculated Premium	Minimum Premium
8010		1	50,000	2.48	1240	644
MANUAL PREMIUM						1240
SUBJECT PREMIUM						= 1240
TOTAL MODIFIED PREMIUM						= 1240
STANDARD PREMIUM						= 1240
Terrorism Misc. Value by State (.04)						+ 20
Terrorism (0.04)					\$20	Incl
<b>Subtotal for Terrorism Premium ***</b>					<b>\$20</b>	<b>Incl</b>
ESTIMATED ANNUAL PREMIUM						= 1260

\*\*\* Subtotal for Terrorism Premium= Terrorism Misc. Value by State for AK, NM, and VA

Risk Name: TESTING SUB TERRORISM PREMIUM  
 EFFECTIVE DATE: 02/20/2008  
 STATE: Illinois

Employee Information:

Class Code:	Suffix:	No of Employees	Total Payroll	Rate	Calculated Premium	Minimum Premium
9014		1	150,000	6.29	9435	1000

Executive Officer Information:

Name	INC/ EXC Code:	Class Code:	Title	Salary	Calculated Salary	Rate	Calculated Premium	Minimum Premium
FGDFGDF, FGFGFDG	E	5645	PRES	1	0	0.00	0	1000

MANUAL PREMIUM		9435
SUBJECT PREMIUM	=	9435
TOTAL MODIFIED PREMIUM	=	9435
STANDARD PREMIUM	=	9435
EXPENSE CONSTANT	+	280
Foreign Terrorism Misc. Value by State (.05)	+	75
DTEC Misc. Value by State (.02)	+	30
<hr/>		
Foreign Terrorism (0.05)		\$75
Domestic Terrorism as a % of DTEC by State (55%) *		\$16.50
<b>Subtotal for Terrorism Premium **</b>		<b>\$91.50</b>
<hr/>		
ESTIMATED ANNUAL PREMIUM	=	9820

\* Domestic Terrorism shown as a percentage of DTEC Misc. Value by State  
 \*\* Subtotal for Terrorism Premium = Domestic Terrorism + Foreign Terrorism

**7. Will there be any changes in the data reporting requirements?**

The reporting requirements will remain the same for all NCCI Plan Administered states except AK, NM, and VA:

- Continue to use Statistical Code 9740 to report the premium debit generated from foreign terrorism coverage.
- Continue to use Statistical Code 9741 to report the premium debit generated from DTEC.
- For AK, NM, and VA, Statistical Code 9752—Terrorism—Not Subject to Experience Rating will replace Statistical Code 9740. Statistical Code 9741—Catastrophe Provisions for Domestic Terrorism, Earthquakes, and Industrial Accidents is not applicable in these three NCCI Plan Administered states. Statistical Code 9752 contemplates domestic terrorism as well as foreign terrorism with one combined statistical code.

**8. When will NCCI issue circulars showing the approval status of item filings related to TRIPRA?**

As with all filings, the approval status by state can be found in the latest **Status of Item Filings** circular. In addition, the approval status will be posted in the Terrorism Resource Library, which is located in the **Industry Information** section of **ncci.com**.

**9. What information will NCCI be providing on the residual market binder?**

The language placed on the binder in states where NCCI is the Plan Administrator upon coverage being bound will be:

Your policy provides coverage for certain losses caused by acts of terrorism. You should know that, effective November 26, 2002 and extended through December 2014, under your existing coverage, any losses caused by certified acts of terrorism would be partially reimbursed by the United States Government under a formula established by federal law. Under this formula, the United States Government pays 85% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. If the insurance company providing the coverage has met its statutorily established deductible, the insurance company is not liable for any portion of the amount of insured losses that exceeds \$100,000,000,000. Further, the United States Government will not make any payment under the federal law for any portion of insured losses that exceeds \$100,000,000,000. For aggregate insured losses up to \$100,000,000,000, the insurance company will pay only a pro rata share of such losses as determined by the Secretary of Treasury. The portion of your total estimated annual premium that currently is attributable to coverage for certain losses caused by certified and non-certified acts of terrorism is: **\$(Premium Amount here)**.

**10. The Terrorism Risk Insurance Program Reauthorization Act of 2007 does not distinguish between domestic and foreign terrorism. Why does NCCI make this distinction?**

As a result of the passage of the Terrorism Risk Insurance Act of 2002 (TRIA) and the establishment of the Terrorism Risk Insurance Program, NCCI filed the TRIA endorsement (which provided coverage for foreign terrorism), along with the miscellaneous values for TRIA losses in all NCCI states in 2002. At the end of 2004, recognizing the uniqueness of workers compensation insurance, which requires coverage for acts of terrorism outside the scope of TRIA, NCCI filed a separate endorsement and rating value for domestic terrorism, earthquakes, and catastrophic industrial accidents (DTEC).

With the passage of the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA), there is no longer a distinction made between domestic and foreign terrorism under the Act. However, combining the foreign terrorism and DTEC endorsements requires an actuarial analysis of the rating values. Due to the short time frame in getting the new disclosure requirements approved, NCCI did not have the supporting actuarial analysis to include these changes in Items B-1405 and P-1405. The table of values that follows will provide estimates of the percentage of the DTEC premium that can be attributed to domestic terrorism based on our current filings. Following the procedure outlined in FAQ #6, carriers will be able to calculate

the total premium charged for terrorism to be shown on the policy as required by TRIPRA.

## Domestic Terrorism as a % of DTEC by State

NCCI Plan Administered State	Domestic Terrorism as a % of DTEC
Alabama	30%
Alaska	N/A
Arizona	30%
Arkansas	15%
Connecticut	30%
District of Columbia	55%
Georgia	30%
Idaho	30%
Illinois	55%
Iowa	30%
Kansas	30%
Mississippi	30%
Nevada	20%
New Hampshire	30%
New Mexico	N/A
Oregon	15%
South Carolina	20%
South Dakota	30%
Vermont	30%
Virginia	N/A

N/A: DTEC has not been approved in this state.

### 11. What action is NCCI taking in regard to refilings of combined values?

Currently, NCCI is:

- Remodeling both foreign terrorism and DTEC miscellaneous values that would be used to evaluate the efficiency of a refiling of combined foreign and domestic terrorism values
- Reviewing the impact that TRIPRA may have to the results of the remodeling
- Developing a strategy to incorporate a combined terrorism value and other catastrophe provisions in preparation for a future filing
- Anticipating that a refiling of combined miscellaneous values for terrorism and other catastrophe provisions would likely occur in the second quarter of 2008

**12. When must the assigned carriers in states where NCCI is the Plan Administrator be in compliance with updating the new disclosure requirements to policyholders?**

In accordance with the US Treasury Department interim guidance, March 31, 2008 is the latest reasonable date for providing the additional disclosure requirements under TRIPRA.