

FAQs for 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 except AK, FL, HI, MO, NM, TN, and VA. Refer to the list below for the items that NCCI filed in AK, FL, HI, MO, NM, TN, and VA.

State	Item
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
FL	04-FL-2007—Terrorism Risk Insurance Program Reauthorization Act of 2007
FL	05-FL-2007—Terrorism Risk Insurance Program Reauthorization Act of 2007 Endorsements
HI	05-HI-2007—Terrorism Risk Insurance Program Reauthorization Act of 2007
MO	06-MO-2007—Terrorism Risk Insurance Program Reauthorization Act of 2007
NM	03-NM-2007—Terrorism Risk Insurance Program Reauthorization Act of 2007
TN	02-TN-2007—Terrorism Risk Insurance Program Reauthorization Act of 2007
TN	RM-01-TN-2008—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

In addition, NCCI provided a copy of its filings to the independent bureaus for their consideration.

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 (includes domestic terrorism).

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

<p>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, FL, HI, MO, NM, and VA)</p>
<ul style="list-style-type: none">• Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 00 01 13 A)• Foreign Terrorism Premium Endorsement (WC 00 04 22)• Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21 B)

4. Why did NCCI submit state special item filings to AK, FL, HI, MO, NM, TN, and VA?

The two TN state-specific item filings are similar to Items B-1405 and P-1405, but because NCCI is not the Plan Administrator in TN, two separate endorsements had to be filed, i.e., one for the voluntary market (Item 02-TN-2007) and the other for the residual market (Item RM-01-TN-2008).

NCCI submitted state special item filings to AK, FL, HI, MO, 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:

The following endorsements reflect the requirements of TRIA, as revised by TRIPRA:	
AK	<ul style="list-style-type: none"> Alaska Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 54 01 01) Alaska Terrorism Premium Endorsement (WC 54 04 05)
FL	<ul style="list-style-type: none"> Florida Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 09 04 03 A) Florida Retrospective Premium Endorsement for Non-Ratable Catastrophe Element or Surcharge (WC 09 05 02 A) (Note: This endorsement is applied only to policies written under the retrospective rating plan in Florida.)
HI	<ul style="list-style-type: none"> Hawaii Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 52 01 01) Hawaii Terrorism Premium Endorsement (WC 52 04 04)
MO	<ul style="list-style-type: none"> Missouri Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 24 01 01) Missouri Terrorism Premium Endorsement (WC 24 04 07)
NM	<ul style="list-style-type: none"> New Mexico Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 30 01 01) New Mexico Terrorism Premium Endorsement (WC 30 04 03)
VA	<ul style="list-style-type: none"> Virginia Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 45 04 01 A)

5. The Treasury Department issued a draft 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?

The draft interim guidance states that the disclosure requirement applies to any policy that is "issued" after December 26, 2007. However, Items B-1405 and P-1405 apply to new and renewal policies that "become effective" on and after January 1, 2008 because this was the first day of the 2008 "program year" as reflected in Section 3 of TRIPRA.

If voluntary carriers issued policies after December 26, 2007 that took effect before January 1, 2008, they should determine whether to apply the 2008 endorsement (i.e. WC 00 01 13 A) only or both the 2006 and 2008 endorsements (i.e. WC 00 01 13 and WC 00 01 13 A).

For the residual market where NCCI is the Plan Administrator, Assigned Risk Direct Assignment and/or Servicing Carriers must attach all terrorism-related endorsements (i.e. WC 00 01 13, WC 00 01 13 A, WC 00 04 21 A, 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 draft 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

Single State A	Calculation	Total
Foreign Terrorism (FT) Premium (payroll/100 x FT Misc. Value)	(100,000/100 x .02)	\$20
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)	\$3
Total Terrorism Premium (FT Premium + DT Premium)	(\$20 + \$3)	\$23

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

Multiple States A and B	State A Calculation	State B Calculation	Total States A and B
Foreign Terrorism (FT) Premium (payroll/100 x FT Misc. Value)	(100,000/100 x .02) = \$20	(200,000/100 x .02) = \$40	\$60
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	\$6
Total Terrorism Premium (FT Premium + DT Premium)	(\$20 + \$3) = \$23	(\$40 + \$3) = \$43	\$66

Carriers should make their own determination as to whether to disclose the combined premium for foreign terrorism and domestic terrorism or list them separately on the policy. For the residual market where NCCI is the Plan Administrator, Assigned Risk Direct Assignment and/or Servicing Carriers will be given further guidance shortly.

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

The reporting requirements will remain the same for all states except AK, FL, HI, MO, 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, FL, HI, MO, NM, and VA, Statistical Code 9752—Terrorism—Not Subject to Experience Rating will replace Statistical Code 9740. (DTEC isn't applicable in these six states.)

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. The Policyholder Disclosure Notice section (#1) of the Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 00 01 13 A) states:

“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.”

All other references in the endorsement contain \$100,000,000,000. Is the first amount listed correct?

This is correct. According to the Act, \$100,000,000 is the trigger for reimbursement, and \$100,000,000,000 is the US government’s cap for reimbursement.

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 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. NCCI will evaluate its current filings for DTEC and Foreign Terrorism to determine whether refilings of combined values are appropriate at some future date.

Domestic Terrorism as a % of DTEC by State

State	Domestic Terrorism as a % of DTEC
Alabama	30%
Alaska	NA
Arizona	30%
Arkansas	15%
Colorado	30%
Connecticut	30%
District of Columbia	55%
Florida	NA
Georgia	30%
Hawaii	NA
Idaho	30%
Illinois	55%
Indiana	30%
Iowa	30%
Kansas	30%
Kentucky	30%
Louisiana	30%
Maine	30%
Maryland	55%
Mississippi	30%
Missouri	NA
Montana	30%
Nebraska	30%
Nevada	20%
New Hampshire	30%
New Mexico	NA
North Carolina	30%
Oklahoma	30%
Oregon	15%
Rhode Island	30%
South Carolina	20%
South Dakota	30%
Tennessee	15%
Utah	15%
Vermont	30%
Virginia	NA
West Virginia	30%

NA: DTEC has not been approved in this state.