

## **Terrorism Risk Insurance Act of 2002**

In accordance with the Terrorism Risk Insurance Act of 2002 NJIUA is required to offer commercial policyholders and applicants coverage for losses resulting from Certified Acts of Terrorism. We are also required to disclose the existence of the federal government backstop, and to separately identify the premium charged for terrorism coverage. The following information explains our procedures to comply with the act, and the rating structure for future premium charges.

### **Commercial Policies In-Force as of 2-24-03**

For all commercial policies currently in force, we will mail a disclosure notice to the named insured prior to February 24, 2003. No producer or customer action is required, but a sample of this notice (TRIA MTDISC-0203) is available in the forms sections of our website. For those customers who already have a terrorism exclusion endorsement (form IL 09 40) on the in-force policy, it will be replaced by the new endorsement (form IL 09 51). For those customers who do not have a terrorism exclusion endorsement on the in-force policy, the new endorsement (form IL 09 52) will be added. Both forms provide coverage for Certified Acts of Terrorism up to the federally prescribed cap on certain losses. NJIUA will waive the additional premium for this coverage until the next policy anniversary.

### **Commercial New Business**

As of February 24, 2003 all Commercial new business submissions must include the ACORD 62 form, which provides the required disclosures, and requires the applicant's signature to reject terrorism coverage. Producers may obtain it from ACORD or download it from our website. We will also mail the form with all new commercial quotations. As always, NJIUA will not bind coverage until we receive the full annual premium, a completed application, and the signed ACORD 62 Supplement if coverage is rejected. If insufficient premium is sent, we will issue a shortage notice, and withhold coverage until payment is made. When issued, the policy will include another disclosure notice (TRIA-NRDISC-0203), plus the appropriate endorsement IL 09 52 if insured accepts coverage, or IL 09 53 if the insured rejects coverage.

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### Commercial Renewal Business

As of March 15, 2003 the insured's copy of the NJIUA expiration notice on Commercial renewal business will include the ACORD 62 form and a renewal premium quotation including terrorism coverage. As with new business, the insured must sign and return the ACORD 62 Supplement to reject coverage. Likewise, coverage will not be renewed until we receive the full annual premium, a completed application, and the signed ACORD 62 Supplement if coverage is rejected. When issued, the policy will include another disclosure notice (TRIA-NRDISC-0203), plus the appropriate endorsement IL 09 52 if insured accepts coverage, or IL 09 53 if the insured rejects coverage.

### Premium Charges

NJIUA will waive the additional premium for terrorism coverage on in-force policies for the remainder of the mid-term offer. With new business effective February 24, 2003 and renewal business effective March 15, 2003 additional premium for terrorism coverage will be charged. NJIUA will charge 6% of the total Group I and Group II premium for building and contents for Certified Acts of Terrorism. Because New Jersey is a Standard Fire Policy state, coverage for fire damage following an otherwise excluded act of terrorism is possible. Therefore, even if the insured rejects the offer for coverage of Certified Acts of Terrorism, an additional premium charge will apply. We will collect 3.6% of the Group I premium for building and contents if terrorism coverage is excluded.

Example:

	<u>Building Premium</u>	<u>Contents Premium</u>	<u>Total</u>
<u>Group I</u>	\$500	\$130	\$630
<u>Group II</u>	\$300	\$ 70	\$370
<u>Total</u>	\$800	\$200	\$1000
Terrorism Coverage IL 09 52	(6% of 1000)		\$60
Terrorism Exclusion IL 09 53	(3.6% of 630)		\$23