



Wisconsin Compensation Rating Bureau

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CIRCULAR LETTER 2980—FEBRUARY 13, 2006

PROCEEDINGS OF THE WISCONSIN RATING COMMITTEE

TO: Members of the Bureau

FROM: Donna Knepper

RE: Terrorism Risk Insurance Extension Act of 2005 - Update

Circular Letter 2979 dated January 23, 2006 announced the approval of NCCI Item P-1404 Terrorism Risk Extension Act of 2005. This item filing was approved to be effective January 1, 2006 applicable to new and renewal business only. Other States approved the filing to be applicable to outstanding business. This raised several questions as to the applicability of endorsements WC 00 01 13 – Terrorism Risk Insurance Extension Act Endorsement and WC 00 04 21 Domestic Terrorism, Earthquakes and Catastrophic Industrial Accidents Premium Endorsement. After several discussions with the NCCI and other Independent Bureaus, WCRB concurs with the following interpretation found in NCCI Circular CIF-2006-03:

“After extensive consideration and review, NCCI has concluded that the Terrorism Risk Insurance Act Endorsement (WC 00 04 20) satisfies the policyholder disclosure requirements of the Extension Act for policies effective prior to and in-force as of January 1, 2006. Therefore, the Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13), the Foreign Terrorism Premium Endorsement (WC 00 04 22), and the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents (DTEC) Premium Endorsement (WC 00 04 21A) only need to be applied to new and renewal policies effective January 1, 2006. Any carrier that may have endorsed existing policies with WC 00 01 13 and WC 00 04 21A need not rescind those endorsements as they satisfy the notification requirements of the Extension Act.

The final determination of how to apply these endorsements to outstanding policies is based on each insurer's interpretation of the Terrorism Risk Insurance Extension Act. However, it is important to note that the Terrorism Risk Insurance Act Endorsement (WC 00 04 20) may not provide proper policyholder notification to outstanding policies effective prior to January 1, 2006 and expiring after December 31, 2006. The endorsement WC 00 04 20 does not address the change in the federal share of reimbursement under the Extension Act from 90% in Program Year 4 to 85% in Program Year 5. In addition, an insurer's response to NCCI filings varies by the designation determined by state statutes and regulations. For example, in a number of states, insurers may make modifications to NCCI's rules or supplementary rating information by filing the modification for approval with the state regulator. Refer to NCCI's Filing Guide for Rates and Forms for state-specific requirements.

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The following table shows the applicability of the terrorism-related endorsements to workers compensation insurance policies:

Policies Effective Prior to 1/1/06 and Expiring On or Before 12/31/06
<p>Keep these existing endorsements on the policy:</p> <ul style="list-style-type: none">• Terrorism Risk Insurance Act Endorsement (WC 00 04 20)• Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Act of 2002 (WC 00 01 12)• Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21) <p>Note: Any carrier that may have endorsed existing policies with WC 00 01 13 and WC 00 04 21A need not rescind those endorsements as they satisfy the notification requirements of the Extension Act.</p>
Multiyear Policies Effective prior to 01/01/06 and Expiring After 12/31/06
<p>Keep these existing endorsements on the policy:</p> <ul style="list-style-type: none">• Terrorism Risk Insurance Act Endorsement (WC 00 04 20)• Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Act of 2002 (WC 00 01 12)• Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21) <p>Note: Application of these existing endorsements ensures that the certified rate for the Extension Act is properly disclosed.</p> <p>The following endorsements should be attached to meet the policyholder disclosure requirements of the Extension Act:</p> <ul style="list-style-type: none">• Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13)• Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21A) <p>Note: The Department of the Treasury has not made clear when these new endorsements must be attached. While it may be acceptable to Treasury to attach these endorsements at any time during 2006, we believe that by attaching these endorsements at this time, it would preclude questions related to clear and conspicuous disclosure notification to the policyholder.</p>

Policies Effective 1/1/06 and Subsequent

Apply these new endorsements to the policy:

- Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13)
- Foreign Terrorism Premium Endorsement (WC 00 04 22) (**Note:** This endorsement is only applicable to new and renewal policies effective on or after January 1, 2006)
- Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21A)”