



Pennsylvania Compensation Rating Bureau

The Widener Building • 6th Floor
One South Penn Square • Philadelphia, PA 19107-3577
(215)568-2371 • FAX (215)564-4328 • www.pcrb.com

January 27, 2006

BUREAU CIRCULAR NO. 1505

To All Members of the Bureau:

Re: **NEW AND REVISED ENDORSEMENTS – BUREAU FILING NO. 221**
TERRORISM RISK INSURANCE EXTENSION ACT ENDORSEMENT (WC 37 01 10) – *NEW*
DOMESTIC TERRORISM, EARTHQUAKES, AND CATASTROPHIC INDUSTRIAL
ACCIDENTS PREMIUM ENDORSEMENT (WC 00 04 21 A) - *REVISED*
APPROVED RETROACTIVE TO JANUARY 1, 2006
FOR NEW AND RENEWAL POLICIES

Enactment of the Terrorism Risk Insurance Extension Act of 2005 by the U. S. Congress required adoption of a new endorsement form and conforming changes in the language of the existing endorsement form for domestic terrorism, earthquakes and catastrophic industrial accidents

To maintain consistency with industry standards, the Bureau filed and the Insurance Commissioner approved a new endorsement, the Terrorism Risk Insurance Extension Act Endorsement (WC 37 01 10). This new endorsement is an adaptation of the National Council on Compensation Insurance, Inc. (NCCI) Item Filing No. P-1404 endorsement, with language changes recognizing the exclusion of war losses from workers compensation coverage under Pennsylvania law. This new endorsement is to be applied in conjunction with the existing Foreign Terrorism Premium Endorsement (WC 00 04 22).

An amendment to the Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21) has also been filed and approved, reflecting a revised definition of domestic terrorism.

These new and revised endorsements are approved for new and renewal policies ***effective retroactive to January 1, 2006.***

Bureau Circular No. 1505
Page 2

Copies of the two referenced endorsements are attached to this circular.

Questions about these endorsements should be addressed to Betty Ann Campbell, Director – Rating Rules and Policy Reporting, at Extension 4425 or bcampbell@pcrb.com.

Timothy L. Wisecarver
President

kg

Remember to visit our web site at www.pcrb.com for more information about this and other topics.

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY
TERRORISM RISK INSURANCE EXTENSION ACT ENDORSEMENT

This endorsement addresses the requirements of the Terrorism Risk Insurance Act of 2002 as amended and extended by the Terrorism Risk Insurance Extension Act of 2005.

Definitions

The definitions provided in this endorsement are based on the definitions in the Act and are intended to have the same meaning. 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 Extension Act of 2005.

“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 United States missions or certain air carriers or vessels.
- d. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, 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 terrorism loss” means any loss resulting from an act of terrorism 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 United States missions or to certain air carriers or vessels.

“Insurer deductible” means:

- a. For the period beginning on November 26, 2002 and ending on December 31, 2002, an amount equal to 1% of our direct earned premiums as provided in the Act, over the calendar year immediately preceding November 26, 2002.
- b. For the period beginning on January 1, 2003 and ending on December 31, 2003, an amount equal to 7% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2003.
- c. For the period beginning on January 1, 2004 and ending on December 31, 2004, an amount equal to 10% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2004.
- d. For the period beginning on January 1, 2005 and ending on December 31, 2005, an amount equal to 15% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2005.

- e. For the period beginning on January 1, 2006 and ending on December 31, 2006, an amount equal to 17.5% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2006.
- f. For the period beginning on January 1, 2007 and ending on December 31, 2007, an amount equal to 20% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2007.

Limitation of Liability

The Act may limit our liability to you under this policy. If annual aggregate insured terrorism losses of all insurers exceed \$100,000,000,000 during the applicable period provided in the Act and if we have met our insurer deductible, the amount we will pay for insured terrorism under this policy will be limited by the Act, as determined by the Secretary of the Treasury.

Policyholder Disclosure Notice

1. Insured terrorism losses would be partially reimbursed by the United States Government under a formula established by the Act. Under this formula, the United States Government would pay 90% for Program Year 4 and 85% for Program Year 5 of our insured terrorism losses exceeding our insurer deductible.
2. The premium charged for the coverage this policy provides for insured terrorism losses is included in the amount shown in Item 4 of the Information Page or in the Schedule in the Foreign Terrorism Premium Endorsement (WC 00 04 22) attached to this policy.

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY
DOMESTIC TERRORISM, EARTHQUAKES, AND CATASTROPHIC INDUSTRIAL
ACCIDENTS PREMIUM ENDORSEMENT

This endorsement is notification that your insurance carrier is charging premium to cover the losses that may occur in the event of domestic terrorism, earthquakes, and/or a catastrophic industrial accident.

The premium charge provides funding for the risk of earthquakes, catastrophic industrial accidents, and certain acts of domestic terrorism. It does not provide funding for acts of terrorism certified as such by the Terrorism Risk Insurance Act of 2002 and any amendments resulting from the Terrorism Risk Insurance Extension Act of 2005 (the Act) or acts of foreign terrorism as that term is defined in the Foreign Terrorism Premium Endorsement (WC 00 04 22), attached to this policy.

For purposes of this endorsement, the following definitions apply:

Domestic terrorism: All acts of terrorism outside the scope of the Act or the Foreign_ Terrorism Premium Endorsement (WC 00 04 22), with aggregate workers compensation losses in excess of \$50 million.

Earthquake: The shaking and vibration at the surface of the earth resulting from underground movement along a fault plane or from volcanic activity where aggregate workers compensation losses from the single event are in excess of \$50 million.

Catastrophic Industrial Accident: Any single event resulting in aggregate workers compensation losses in excess of \$50 million.

Schedule

Payroll

Rate