

Filing at a Glance

Company: American Association of Insurance Services

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Non-Liability

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General Information

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Filing Description:

Re: AAIS-2007-53

Businessowners Program

Revised Terrorism Rules and Initial Terrorism Loss Costs

On behalf of our affiliated companies, the American Association of Insurance Services (AAIS) is filing changes to the above program. Our filing consists of updated terrorism rules supplement and the initial filing of terrorism loss costs.

The Filing Memorandum provides detailed descriptions of the changes and additions being proposed at this time. Exhibits are included which support the changes.

We propose that the rules described in this filing become effective October 1, 2007 and only companies that choose not to adopt these materials on that date will be required to notify the Insurance Department. Once approved, we also ask that companies that choose to adopt these materials on an earlier date may do so by notifying the Insurance

Department.

We propose an advisory effective date of October 1, 2007 for the loss cost rating information described herein.

Companies that adopt the loss costs will take the necessary filing action.

The required filing fee, if applicable, has been submitted via regular mail.

Company and Contact

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Filing Fees

Fee Required?	Yes
Fee Amount:	\$300.00
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Per Company:	No

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Llyweyia Rawlins	07-03-2007	07-03-2007

Disposition

Disposition Date: 07-03-2007

Effective Date (New): 10-01-2007

Effective Date (Renewal):

Status: Exempt from Review

Comment: Per Arkansas Code 23-67-206: Property and casualty insurance for commercial risk, excluding workers compensation, employers liability, and professional liability insurance are exempted from rate and rule filing and review. (see actual code site for details)

Company Name:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):	Overall % Indicated Change:
American Association of Insurance Services	-42.700%	\$-7,212	0	\$16,907	0.000%	0.000%	0.000%

Item Type	Item Name	Item Status	Public Access
Supporting Document	BOP Filing Memo Rules & Rating Info - Non-SFP One Zone	Accepted for Informational Purposes	Yes
Supporting Document	AR BOP Actuarial Memo	Accepted for Informational Purposes	Yes
Supporting Document	AR BOP Terror Exhibits	Accepted for Informational Purposes	Yes
Supporting Document	AR - RATE FILING ABSTRACT RF-1	Accepted for Informational Purposes	Yes
Rate	BOP NSFP Terrorism Rating Supplement	Accepted for Informational Purposes	Yes
Rate	BOP NSFP Terrorism Rules Supplement	Accepted for Informational Purposes	Yes

Rate Information

Rate data applies to filing.

Filing Method:	Prior Approval
Rate Change Type:	Decrease
Overall Percentage of Last Rate Revision:	0.000%
Effective Date of Last Rate Revision:	09-01-2006
Filing Method of Last Filing:	Prior Approval

Company Rate Information

Company Name:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):	Overall % Indicated Change:
American Association of Insurance Services	-42.700%	\$-7,212	0	\$16,907	0.000%	0.000%	0.000%

Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Number:	Attachments
Accepted for Informational Purposes	BOP NSFP Terrorism Rating Supplement	Rating Information 1 -4	Replacement	AR-PC-06-020148	Rating Information 1 - 4.PDF
Accepted for Informational Purposes	BOP NSFP Terrorism Rules Supplement	Index i, Rules 1- 14	Replacement	AR-PC-06-020148	Index i, Rules 1- 14.PDF

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ARKANSAS

TERRORISM LOSSES -- RATING INFORMATION

This Supplement provides loss cost rating information for a variety of terrorism exposures that exist while TRIP remains in effect, including certified terrorism loss and non-certified terrorism loss. This Supplement also provides post-TRIP loss cost rating information for the terrorism exposure that exists after TRIP terminates.

Refer to the Rules section of this Supplement for additional premium determination procedures that apply to policies that will be in effect when TRIP is scheduled to terminate.

Premium Determination

Property -- Use the following steps to determine the Building and Business Personal Property premium charges for each type of terrorism coverage provided (certified, non-certified, and/or post-TRIP).

Step 1 Select the terrorism loss cost rating information for the applicable rating zone and the applicable terrorism exposure.

Step 2 Multiply the result of Step 1 by the Protection and Deductible factors shown in this supplement. Round the result to three decimal places.

Step 3 If the building and/or personal property is protected by an automatic sprinkler system, multiply the result of Step 2 by the corresponding Sprinklered Properties factor shown in this Supplement. Round the result of each calculation to three decimal places.

Step 4 Multiply each result of Step 3 by the corresponding amount of insurance in thousands and round to the nearest whole dollar amount. The result is the uncapped Building or Business Personal Property premium charge for terrorism property coverage.

Liability -- Multiply the Businessowners premium charged for loss that does not result from terrorism by the liability factor for each type of terrorism coverage provided (certified and/or post-TRIP; no liability premium charge applies with respect to loss caused by non-certified acts of terrorism). The result is the uncapped premium charge for terrorism liability coverage.

Total Terrorism Premium --

Step 1 Add the uncapped premium charges for terrorism property and liability coverage, as determined above. The result is the total uncapped premium charge for terrorism loss.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

Step 2 If the total uncapped premium charge for terrorism loss does not exceed 25% of the total Businessowners premium charged for loss that does not result from terrorism, the result of Step 1 is the total premium charge for terrorism loss.

Step 3 When the total uncapped premium charge for terrorism loss exceeds 25% of the total Businessowners premium charged for loss that does not result from terrorism, the total premium charge for terrorism loss is capped at 25% of the Businessowners premium charged for loss that does not result from terrorism.

Territorial Definitions -- Terrorism rating zone is determined on the basis of ZIP code. The terrorism rating zone determined for each risk should reflect the risk's physical location, rather than its mailing address.

Rating Zone 1 All ZIP Codes

Refer to the company if the rating information shown in this Supplement has not been converted from loss costs to company rates and premiums.

Terrorism Modification Factors

A. Protection Factors

Protected	Partially Protected / Unprotected
1.000	1.427

B. Deductible Factors

Deductible	Factors
\$ 250	1.05
500	1.00
1,000	0.96
3,000	0.88
5,000	0.84
10,000	0.82

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SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

C. Sprinklered Properties Factors

Rate Groups	Factors
Buildings	
-- Rate Groups 1-6 (Owner Occupied)	.65
-- Rate Groups 1-6 (Lessor's Risk)	.76
-- Rate Group 7-18 (Owner Occupied)	.55
-- Rate Groups 7-18 (Lessor's Risk)	.69
-- Rate Groups 19-20	.76
-- Rate Group 21	.55
-- Rate Groups 22-27 (Owner Occupied)	.55
-- Rate Groups 22-27 (Lessor's Risk)	.69
-- Rate Group 28 (Owner Occupied)	.55
-- Rate Groups 28-29 (Lessor's Risk)	.69
Business Personal Property	
-- Rate Groups 1-6	.76
-- Rate Group 7-18	.69
-- Rate Group 21	.55
-- Rate Groups 22-27	.69
-- Rate Groups 28-29	.69

Property - Loss Costs Per \$1,000 of Insurance and Related Factor(s)

A. Certified Terrorism Loss

The following loss cost applies when the insured accepts the offer of coverage for certified terrorism loss for TRIP Program Year 5 (2007) and any subsequent Program years.

Rating Zone 1 \$.010

B. Non-Certified Terrorism Loss

1. The following loss cost applies when the policy is not endorsed to exclude coverage for non-certified terrorism loss.

Rating Zone 1 \$.020

2. The following loss cost applies when the policy is endorsed to exclude coverage for non-certified terrorism loss that is attributed only to biological or chemical means.

Rating Zone 1 \$.010

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

C. Terrorism Loss After TRIP Terminates

1. The following loss cost applies when the policy is not endorsed to exclude coverage for loss resulting from terrorism after TRIP terminates or is no longer applicable to this line of insurance.

Rating Zone 1 \$.030

2. The following loss cost applies when the policy is endorsed to exclude coverage for terrorism loss attributed to only nuclear, biological, chemical, or radiological means once TRIP terminates or is no longer applicable to this line of insurance.

Rating Zone 1 \$.020

Liability Rating Factors

A. Certified Terrorism Loss

The following factor applies when the insured accepts the offer of coverage for certified terrorism loss for TRIP Program Year 5 (2007) and any subsequent Program years.

.0031

B. Non-Certified Terrorism Loss

No premium adjustments are made with respect to liability coverage for non-certified loss.

C. Terrorism Loss After TRIP Terminates

1. The following factor applies when the policy is not endorsed to exclude coverage for loss resulting from terrorism after TRIP terminates or is no longer applicable to this line of insurance.

.0031

2. The following factor applies when the policy is endorsed to exclude coverage for terrorism loss attributed only to nuclear, biological, chemical, or radiological means once TRIP terminates or is no longer applicable to this line of insurance.

.0018

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SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

TERRORISM LOSSES -- RULES

These pages provide rules addressing coverage and exclusions for loss arising from acts of terrorists.

INDEX

	Page
INTRODUCTION	
Terrorism Risk Insurance Program	1
Important Terms And Loss Criteria	1
POLICIES IN EFFECT PRIOR TO THE TERMINATION OF TRIP	6
Coverage For Certified Terrorism Loss Capped; Coverage For Non-Certified Terrorism Loss Not Excluded.....	6
Coverage For Certified Terrorism Loss Capped; Coverage For Non-Certified Terrorism Loss Excluded.....	6
Coverage For Certified Terrorism Loss Excluded; Coverage For Non-Certified Terrorism Loss Not Excluded.....	7
Coverage For Certified Terrorism Loss Excluded; Coverage For Non-Certified Terrorism Loss Excluded.....	8
Additional Options For Policies That Will Be In Effect Beyond Scheduled Expiration Of TRIP	9
Premium And Coverage Disclosure Requirements.....	10
POLICIES THAT TAKE EFFECT ON OR AFTER THE EXPIRATION DATE OF TRIP OR THE DATE TRIP IS EXTENDED WITH CHANGES	11
Coverage For Terrorism Excluded	11
Coverage For Terrorism Not Excluded.....	11
PREMIUM DETERMINATION	12
Rating Information For Terrorism Exposures.....	12
Additional Rating Procedures - TRIP Status Known At Time Of Premium Determination	13
Additional Rating Procedures - TRIP Status Unknown At Time Of Premium Determination	13
INTERSTATE ACCOUNTS.....	14

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

RULE 1 -- INTRODUCTION

This Supplement provides information about the endorsements and rating information available to address loss resulting from terrorism.

1.1 Terrorism Risk Insurance Program

The federal government established the Terrorism Risk Insurance Program (TRIP or the Program) by the Terrorism Risk Insurance Act of 2002. The Terrorism Risk Insurance Extension Act of 2005 (TRIEA) extended the Program, subject to certain changes.

Companies writing commercial property and casualty insurance must make coverage for certified terrorism loss available to policyholders for those lines of insurance that are included under the Program. The federal government will reimburse companies that comply with the requirements of the federal law for a specified percentage of loss that is attributed to certified acts of terrorism, after the application of statutorily defined deductibles. The maximum annual limit of liability for insured losses in any one Program year is \$100 billion, until such time as Congress makes other provisions for such losses. No insurer that has met its obligations under the Program will be liable for payment of any portion of loss resulting from a certified act of terrorism that exceeds the annual aggregate.

1.2 Important Terms And Loss Criteria

1.2.1 Certified And Non-Certified Acts Of Terrorism

The terrorism endorsements filed for use with policies that remain subject to TRIP under TRIEA include the following important terms and loss criteria.

Certified Act Of Terrorism

A certified act of terrorism is an act of terrorism that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States:

1. to be an act of terrorism;
2. to be a violent act or an act that is dangerous to human life, property, or infrastructure;
3. to have resulted in damage:
 - a. within the United States; or
 - b. to an air carrier (as defined in section 40102 of title 49, United States Code); to a United States flag vessel (or a vessel based principally in the United States, on which United States income tax is paid and whose insurance coverage is subject to regulation in the United States), regardless of where the loss occurs; or at the premises of any United States mission; and

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

4. to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as a 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.

An act of terrorism resulting in losses less than \$5,000,000 in the aggregate will not be certified by the Secretary of the Treasury as an act of terrorism.

Certified Terrorism Loss

A certified terrorism loss is loss that results from a certified act of terrorism.

Non-Certified Act Of Terrorism

A non-certified act of terrorism is a violent act or an act that is dangerous to human life, property, or infrastructure that:

1. is committed by an individual or individuals; and
2. appears to be part of an effort to coerce a civilian population or to influence the policy or affect the conduct of any government by coercion; and
3. is not certified as a terrorist act pursuant to federal law.

When a non-certified act of terrorism exclusion endorsement described under Rule 2 of this Supplement applies, there is no coverage for loss or damage caused directly or indirectly by non-certified acts of terrorism, including action in hindering or defending against an actual or expected non-certified act of terrorism, provided that, for the type of coverage being provided and the type of exclusion attached, one or more of the criteria shown below are attributed to the non-certified act of terrorism.

1. Property Coverages
 - a. Exclusion pertaining only to losses resulting from biological or chemical events
 - 1) The loss is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
 - 2) pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

- b. Exclusion pertaining to losses resulting from biological or chemical events and other events
 - 1) The loss meets one or more of the criteria shown above for losses resulting from biological or chemical events; or
 - 2) the total of insured damage to all types of property in the United States, its territories and possessions, Puerto Rico, and Canada and business interruption losses exceeds \$25,000,000.

2. Liability Coverages

- a. Exclusion pertaining only to loss resulting from nuclear, biological, or chemical events
 - 1) The loss involves the use, release, or escape of nuclear materials, or directly or indirectly results in nuclear reaction or radiation or radioactive contamination;
 - 2) the loss is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
 - 3) pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials.
- b. Exclusion pertaining to loss resulting from nuclear, biological, or chemical events and other events
 - 1) The loss meets one or more of the criteria shown above for loss resulting from nuclear, biological, or chemical events;
 - 2) the total of insured damage to all types of property in the United States, its territories and possessions, Puerto Rico, and Canada and business interruption loss exceeds \$25,000,000; or
 - 3) 50 or more persons sustain death or serious physical injury.

Non-Certified Terrorism Loss

A non-certified terrorism loss is loss that results from a non-certified act of terrorism.

1.2.2 Terrorism

The following important terms and loss criteria are included in the optional terrorism exclusion endorsements filed for use with policies that will be in effect when and/or that become effective after TRIP ceases to be in effect or otherwise ceases to apply.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

Terrorism is defined as activities against persons, organizations, or property of any nature:

1. that involve the following or preparation for the following:
 - a. use or threat of force or violence; or
 - b. commission or threat of a dangerous act; or
 - c. commission or threat of an act that interferes with or disrupts an electronic, communication, information, or mechanical system; and
2. when one or both of the following applies:
 - a. the effect is to intimidate or coerce a government or the civilian population or any segment thereof, or to disrupt any segment of the economy; or
 - b. it appears that the intent is to intimidate or coerce a government, or to further political, ideological, religious, social, or economic objectives, or to express (or express opposition to) a philosophy or ideology.

There is no coverage for loss or damage caused directly or indirectly by terrorism, including action in hindering or defending against an actual or expected incident of terrorism, provided that, for the type of coverage being provided and the type of exclusion attached, one or more of the criteria shown below are attributed to the incident of terrorism.

1. Property Coverages
 - a. Exclusion pertaining only to loss resulting from nuclear, biological, or chemical events
 - 1) The terrorism is carried out by means of the dispersal or application of radioactive material, or through the use of a nuclear weapon or device that involves or produces a nuclear reaction, nuclear radiation, or radioactive contamination;
 - 2) radioactive material is released, and it appears that one purpose of the terrorism was to release such materials;
 - 3) the terrorism is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
 - 4) pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

- b. Exclusion pertaining to loss resulting from nuclear, biological, or chemical events and other events
 - 1) The loss meets one or more of the criteria shown above for loss resulting from nuclear, biological, or chemical events; or
 - 2) the total of insured damage to all types of property in the United States, its territories and possessions, Puerto Rico, and Canada and business interruption loss exceeds \$25,000,000.

- 2. Liability Coverages
 - a. Exclusion pertaining only to loss resulting from nuclear, biological, or chemical events
 - 1) The terrorism is carried out by means of the dispersal or application of radioactive material, or through the use of a nuclear weapon or device that involves or produces a nuclear reaction, nuclear radiation, or radioactive contamination;
 - 2) radioactive material is released, and it appears that one purpose of the terrorism was to release such materials;
 - 3) the terrorism is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
 - 4) pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials.

 - b. Exclusion pertaining to loss resulting from nuclear, biological, or chemical events and other events
 - 1) The loss meets one or more of the criteria shown above for loss resulting from nuclear, biological, or chemical events;
 - 2) the total of insured damage to all types of property in the United States, its territories and possessions, Puerto Rico, and Canada and business interruption loss exceeds \$25,000,000; or
 - 3) 50 or more persons sustain death or serious physical injury.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

RULE 2 -- POLICIES IN EFFECT PRIOR TO THE TERMINATION OF TRIP

In accordance with TRIEA, companies providing insurance under the AAIS Businessowners Program must make available coverage for certified terrorism loss while TRIP remains in effect.

Companies must also provide written notice to insureds of their right to purchase this coverage. Form CL 1045 is a Policyholder Disclosure Notice that requires the insured to sign the Notice to acknowledge being informed of this right as well as the portion of annual premium that is attributable to coverage for acts of terrorism. Companies can use this notice or develop one of their own to meet this requirement.

At the option of the company, coverage for loss resulting from non-certified acts of terrorism can be excluded under the Businessowners Program.

The following rules address the use of the endorsements that address certified and non-certified acts of terrorism.

2.1 Coverage For Certified Terrorism Loss Capped; Coverage For Non-Certified Terrorism Loss Not Excluded

When the insured accepts the offer of coverage for loss resulting from certified acts of terrorism, coverage for such loss can be capped at the maximum annual limit of liability as set forth by TRIEA.

Attach endorsement BP 0750.

Do not attach either of the non-certified terrorism exclusion endorsements described under Rule 2.2 of this Supplement when coverage for loss resulting from non-certified acts of terrorism is not excluded.

See Rule 4 and the Rating Information section of this Supplement for instructions regarding premium determination. See Rule 2.6 regarding the separate line item premium and coverage disclosure requirements for certified terrorism loss.

2.2 Coverage For Certified Terrorism Loss Capped; Coverage For Non-Certified Terrorism Loss Excluded

When the insured accepts the offer of coverage for certified terrorism loss, coverage for such loss can be capped at the maximum annual limit of liability as set forth by TRIEA and companies have the option to exclude coverage for non-certified terrorism loss. However, when the insured accepts the offer of coverage for certified terrorism loss, the exclusion for non-certified terrorism loss does not apply to loss resulting from an act that is not certified by the Secretary of the Treasury solely because the property and casualty loss resulting from the act does not exceed \$5,000,000 in the aggregate.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

The exclusion pertaining to non-certified terrorism loss can be limited to biological or chemical events, or it can apply to those events as well as others meeting certain specified thresholds, as explained under Rule 1.2.1 of this Supplement. (The terms that address terrorism rely on the Nuclear Hazard exclusion that is currently included in the Businessowners forms.)

Attach endorsement BP 0750 and attach the endorsement referenced below for the applicable type of exclusion when coverage for non-certified terrorism loss is to be excluded, but certified terrorism loss is not excluded. The endorsements referenced below also restate the War exclusion.

Attach endorsement BP 0800 to exclude non-certified terrorism loss that is caused only by biological or chemical means.

Attach endorsement BP 0780 to exclude non-certified terrorism loss that is caused by biological or chemical means or other means.

See Rule 4 and the Rating Information section of this Supplement for instructions regarding premium determination. See Rule 2.6 regarding the separate line item premium and coverage disclosure requirements for certified terrorism loss.

2.3 Coverage For Certified Terrorism Loss Excluded; Coverage For Non-Certified Terrorism Loss Not Excluded

Coverage for loss resulting from certified acts of terrorism can be excluded when the insured rejects the offer coverage for such loss.

Attach endorsement BP 0760.

Do not attach either of the non-certified terrorism exclusion endorsements described under Rule 2.2 of this Supplement when coverage for loss resulting from non-certified acts of terrorism is not excluded.

See Rule 4 and the Rating Information section of this Supplement for instructions regarding premium determination.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

2.4 Coverage For Certified Terrorism Loss Excluded; Coverage For Non-Certified Terrorism Loss Excluded

When the insured rejects the offer of coverage for certified terrorism loss, companies have the option to exclude coverage for both certified and non-certified terrorism loss, without making an exception for loss resulting from an act that is not certified by the Secretary of the Treasury solely because the property and casualty loss resulting from the act does not exceed \$5,000,000 in the aggregate.

The exclusion pertaining to non-certified terrorism loss can be limited to biological or chemical events, or it can apply to those events as well as to others meeting certain specified thresholds, as explained under Rule 1.2.1 of this Supplement. (The terms that address terrorism rely on the Nuclear Hazard exclusion that is currently included in the Businessowners forms.)

Attach the endorsement referenced below for the applicable type of exclusion when coverage for both certified and non-certified terrorism loss is to be excluded. The endorsements referenced below also restate the War exclusion.

Attach endorsement BP 0774 to exclude certified terrorism loss and to exclude non-certified terrorism loss that is caused only by biological or chemical means.

Attach endorsement BP 0784 to exclude certified terrorism loss and to exclude non-certified terrorism loss that is caused by biological or chemical means or other means.

See Rule 4 and the Rating Information section of this Supplement for instructions regarding premium determination.

When an endorsement referenced above is used for the first time, a policyholder disclosure notice can be provided to emphasize that there is no exception for loss resulting from an act that is not certified by the Secretary of the Treasury solely because the property and casualty loss resulting from the act does not exceed \$5,000,000 in the aggregate. Sample disclosure notices CL 0314 and CL 0319 are described below.

CL 0314 - confirms that coverage is not provided for certified acts of terrorism as well as two specific types of non-certified acts of terrorism, including specific biological or chemical loss and losses that reach a specific dollar or injury threshold. The non-certified terrorism exclusion applies regardless of the magnitude of the property and casualty insurance losses resulting from the act.

CL 0319 - confirms that coverage is not provided for certified acts of terrorism as well as certain types of non-certified acts of terrorism, including biological or chemical loss. The non-certified terrorism exclusion applies regardless of the magnitude of the property and casualty insurance losses resulting from the act.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

2.5 Additional Options For Policies That Will Be In Effect Beyond Scheduled Expiration Of TRIP

This rule sets forth additional options for policies that are in effect during the time that federal compensation for losses arising out of certain acts of terrorism is available under TRIP and that will continue to be in effect beyond TRIP's scheduled expiration date. (TRIP is scheduled to expire at midnight on December 31, 2007 unless extended.)

The options described under this rule also apply to policies that will take effect on or after the date that TRIP is scheduled to cease if the status of TRIP is unknown at the time of policy issue.

Upon TRIP's expiration, federal compensation for certified terrorism loss will no longer be available. For those policies that are written prior to TRIP's expiration date and that remain in effect after its expiration date, this unavailability of federal compensation will occur mid-term.

At the option of the company, a commercial lines property and/or casualty policy can be endorsed to include a conditional terrorism exclusion that applies to terrorism loss in the event of:

- TRIP's expiration, either in its entirety or with respect to the type of insurance being provided; or
- TRIP's renewal, extension, or replacement without a requirement that terrorism coverage be made available under the Businessowners Program and with changes that redefine terrorism, increase the company's financial exposure under TRIP, or impose requirements on insurance coverage for terrorism that differ from the terms that otherwise govern coverage.

The conditional terrorism exclusion endorsement can be attached to a policy regardless of whether or not other endorsements addressing certified terrorism loss and/or non-certified terrorism loss are also attached.

The exclusion added by the conditional terrorism exclusion endorsement does not become effective unless one or more of the conditions described above occurs. However, if either of the conditions described above occurs prior to the effective date of a policy, the terrorism exclusion set forth by the endorsement will apply as of the effective date of that policy period.

If the exclusion added by the conditional terrorism exclusion endorsement becomes effective, it supersedes any other endorsements addressing certified terrorism loss and/or non-certified terrorism loss that otherwise might apply.

Attach endorsement BP 1800 to conditionally exclude terrorism loss that is caused only by nuclear, biological, chemical, or radiological means.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

Attach endorsement BP 1780 to conditionally exclude terrorism loss that is caused by nuclear, biological, chemical, or radiological means or other means.

See Rule 4 and the Rating Information section of this Supplement for instructions regarding premium determination.

2.6 Premium And Coverage Disclosure Requirements

When coverage is provided for certified terrorism loss, the premium charged for the portion of coverage the company retains and the federal share of compensation for insured losses must be disclosed as a separate line item of the policy. An endorsement can be used for this purpose, or disclosure can be made on the declarations page of the policy or elsewhere within the policy itself.

Endorsements CL 0605 and CL 1605 are disclosure notices that can be used by the company.

Endorsement CL 0605 can be used when TRIP is not scheduled to terminate while the policy is in force.

Endorsement CL 1605 can be used when TRIP is scheduled to terminate while the policy is in force. When a Conditional Terrorism Exclusion endorsement is not attached to the policy, make entries in both items A. and B. of the endorsement's schedule.

A schedule must be completed in each endorsement, including:

- the termination date of the coverage for certified terrorism loss;
- the premium allocated to that coverage; and
- if TRIP is extended beyond its currently scheduled expiration date, the company must make an entry into the endorsement's schedule to reflect the share of terrorism loss paid by the United States for each successive year.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

**RULE 3 -- POLICIES THAT TAKE EFFECT ON OR AFTER THE
EXPIRATION DATE OF TRIP OR THE DATE TRIP IS EXTENDED WITH
CHANGES**

This rule provides options for policies that take effect on or after the date that:

1. the Program ceases to be in effect; or
2. an extension of the Program takes effect, but only if the Program is extended without a requirement that coverage for certified terrorism loss be made available and with changes that redefine terrorism, increase the company's financial exposure under the Program, or impose requirements on insurance coverage for terrorism that differ from the terms that otherwise govern coverage.

3.1 Coverage For Terrorism Excluded

At the option of the company, a policy issued under the Businessowners Program can be endorsed to exclude coverage for terrorism loss. The exclusion can be limited to nuclear, biological, chemical, or radiological events, or it can apply to those events as well as to others meeting certain specified thresholds, as explained under Rule 1.2.2 of this Supplement.

Attach endorsement BP 2800 to exclude terrorism loss that is caused only by nuclear, biological, chemical, or radiological means.

Attach endorsement BP 2780 to exclude terrorism loss that is caused by nuclear, biological, chemical, or radiological means or other means.

3.2 Coverage For Terrorism Not Excluded

When coverage for terrorism loss is not excluded, determine the premium for terrorism coverage using the rating information for terrorism coverage in the Rating Information section of this Supplement.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

RULE 4 -- PREMIUM DETERMINATION

The following terrorism loss exposures are addressed by the Rating Information section of this Supplement: Certified Terrorism Loss, Non-Certified Terrorism Loss, and Terrorism Loss After TRIP Terminates. Rule 4.1 provides more information regarding the applicability of the rating information for each terrorism loss exposure.

The steps used to determine the property and liability premium for terrorism coverage are also addressed by the Rating Information section of this Supplement. The additional procedures set forth under Rule 4.2 and Rule 4.3 apply only when TRIP is scheduled to terminate with respect to the Businessowners Program while the policy is in force.

4.1 Rating Information For Terrorism Exposures

This Supplement provides rating information for the following terrorism exposures:

- a. **Certified Terrorism Loss** -- For policies in effect prior to TRIP's termination, rating information for this exposure applies when the policy is not endorsed to exclude coverage for certified terrorism loss.
- b. **Non-Certified Terrorism Loss** -- For policies in effect prior to TRIP's termination, property rating information for this exposure applies when the policy is not endorsed to exclude coverage for non-certified terrorism loss or when the policy is endorsed to exclude coverage for non-certified terrorism loss attributed only to biological or chemical means. No premium adjustments are made with respect to liability coverage for non-certified terrorism loss.
- c. **Terrorism Loss After TRIP Terminates** -- For policies in effect prior to TRIP's termination and that will continue to be in effect beyond TRIP's scheduled expiration date, rating information for this exposure applies when a conditional terrorism exclusion endorsement is not attached to the policy or when the policy is endorsed to include a conditional terrorism exclusion that applies to terrorism loss attributed only to nuclear, biological, chemical, or radiological means.

For policies that take effect on or after TRIP's expiration date or the date TRIP is extended with changes, rating information for this exposure applies when a post-TRIP terrorism exclusion endorsement is not attached to the policy or when the policy is endorsed to include a post-TRIP terrorism exclusion that applies to terrorism loss attributed only to nuclear, biological, chemical, or radiological means.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

4.2 Additional Rating Procedures - TRIP Status Known At Time Of Premium Determination

When TRIP is scheduled to terminate while the policy is in force and TRIP's termination status is known at the time of premium determination, prorate the rating information shown in this Supplement for each applicable terrorism exposure listed under Rule 4.1, based upon the proportion of time that the policy will be in effect prior to and after TRIP's termination date.

4.3 Additional Rating Procedures - TRIP Status Unknown At Time Of Premium Determination

When TRIP is scheduled to terminate while the policy is in force but TRIP's termination status has not been finalized at the time of premium determination, a company may choose to use the procedure described under either item a. or item b. below. Any additional or return terrorism premium calculated according to the following procedures can be waived when the company has a waiver of premium rule on file with the insurance department and the amount of the additional or return premium meets the threshold specified in the rule.

- a. Prorate the rating information shown in this Supplement for each applicable terrorism exposure listed under Rule 4.1, based upon the proportion of time that the policy will be in effect prior to and after TRIP's termination date. If TRIP is extended, re-determine the terrorism premium and, if applicable, charge an additional premium or refund the excess premium.
- b. Determine the terrorism premium for the entire policy term using the rating information shown in this Supplement for each applicable terrorism exposure listed under Rule 4.1.

If TRIP terminates with respect to the Businessowners Program or is renewed, extended, or replaced without a requirement that terrorism coverage be made available for policies issued under the Businessowners Program, re-determine the terrorism premium by prorating the rating information shown in this Supplement for each applicable terrorism exposure listed under Rule 4.1, based on the proportion of time that the policy will be in effect prior to and after the date of TRIP's change in status. If applicable, charge an additional premium or refund the excess premium.

If TRIP is extended with changes and the requirement that terrorism coverage be made available for policies issued under the Businessowners Program remains in effect, re-determine the terrorism premium, and if applicable, charge an additional premium or refund the excess premium.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS PROGRAM MANUAL**

ARKANSAS

RULE 5 -- INTERSTATE ACCOUNTS

The manual rule specifying that policies covering property located in more than one state may be written subject to the rules, forms, and endorsements for the state with either the largest values or where the insured's headquarters are located does not apply with respect to terrorism loss. When a policy covers property located in more than one state or jurisdiction, exclusions and/or coverage for terrorism loss for each location must be written in accordance with the forms, rules, and rating information applicable in that state or jurisdiction.

When a policy covers property located in more than one state or jurisdiction and more than one endorsement must be attached, make an entry on the declarations to indicate the location(s) to which each endorsement applies.

Supporting Document Schedules

Satisfied -Name: BOP Filing Memo Rules & Rating Info - Non-SFP One Zone	Review Status: Accepted for Informational Purposes	07-03-2007
Comments:		
Attachment: BOP Filing Memo Rules & Rating Info - Non-SFP One Zone.PDF		
Satisfied -Name: AR BOP Actuarial Memo	Review Status: Accepted for Informational Purposes	07-03-2007
Comments:		
Attachment: AR BOP Actuarial Memo.PDF		
Satisfied -Name: AR BOP Terror Exhibits	Review Status: Accepted for Informational Purposes	07-03-2007
Comments:		
Attachment: AR BOP Terror Exhibits.PDF		
Satisfied -Name: AR - RATE FILING ABSTRACT RF-1	Review Status: Accepted for Informational Purposes	07-03-2007
Comments:		
Attachment: AR - RATE FILING ABSTRACT RF-1.PDF		

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS MANUAL
TERRORISM LOSSES
RULES AND RATING INFORMATION FILING MEMORANDUM**

The Terrorism Risk Insurance Program (the Program or 'TRIP'), as established by the Terrorism Risk Insurance Act of 2002 (TRIA), was modified by the Terrorism Risk Insurance Extension Act of 2005 (TRIEA).

At this time, we are filing a separate Supplement to the Businessowners Manual to provide rules and rating information that are specific to loss caused by Terrorism. With respect only to the Businessowners Program, the Supplement that is the subject of this filing will replace the Terrorism rules and rating information currently on file in this state. However, this filing is not intended to replace the Terrorism rules and rating information on file for any other lines of insurance.

We are not proposing any changes to the Terrorism endorsements currently on file in this state; accordingly, there is no forms and endorsement filing memorandum counterpart to the filing described in this memorandum.

This filing introduces terrorism rating procedures for two coverage components of the Businessowners program - property (Building and Business Personal Property) and liability. A brief discussion of each component follows. A more detailed description of the premium determination process is provided in the subsequent part of this memo addressing specific segments of the Rules and Rating Information Supplements. In addition, a separate Actuarial filing memorandum is submitted with this filing to address the development process of new loss cost and factor rating information.

- Property - New loss cost rating information is developed for loss that is the result of foreign (certified) acts of terrorism, domestic (non-certified) acts of terrorism, and terrorism that occurs after the termination of TRIP.
- Liability - Rating factors will be used to calculate the premium charge for loss resulting from certified terrorism and terrorism after TRIP terminates. Two different factors are provided:
 - One factor is applied when calculating the premium charge for certified terrorism loss and any terrorism loss after TRIP terminates.
 - A second factor is applied when calculating the premium charge for terrorism loss after TRIP terminates when loss caused by nuclear, biological, chemical, or radiological (NBCR) means is excluded.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS MANUAL
TERRORISM LOSSES
RULES AND RATING INFORMATION FILING MEMORANDUM**

The table below summarizes the use of loss costs and factors applicable for various types of terrorism coverage in a Businessowners program for this filing:

	Property	Liability
Certified Terrorism		
Coverage accepted	a. loss costs	factor (A)
Coverage rejected	No premium adjustment	No premium adjustment
Non-certified Terrorism		
Coverage not excluded	b. loss costs	No premium adjustments
Coverage w/ biological/chemical excl.	c. loss costs	
Coverage excluded	No premium adjustment	
Terrorism after TRIP Terminates		
Full coverage	d. loss costs	factor (A)
Coverage with NBCR exclusion	e. loss costs	factor (B)
Coverage excluded	No premium adjustment	No premium adjustment

The terrorism rules previously filed in this state have been revised to refer only to the Businessowners Program; no other lines of insurance are referenced in the revised rules. The terrorism rules also now address the use of the loss cost rating information. The terrorism rules that are the subject of this filing are described below.

- A Rules Index identifies the various topics found in the Rules portion of the Supplement. Those topics include: Introduction; Policies In Effect Prior To The Termination Of TRIP; Policies That Take Effect On Or After The Expiration Date Of TRIP Or The Date That TRIP Is Extended With Changes; Premium Determination; and Interstate Accounts.
- Rule 1, Introduction, explains the 'make available' requirements of TRIP, as they pertain to the Businessowners Program. Rule 1 also explains important terms, such as certified acts of terrorism, certified terrorism loss, non-certified acts of terrorism, and non-certified terrorism loss, as well as the definition of terrorism that will apply after TRIP terminates.
- Rule 2, Policies In Effect Prior To The Termination Of TRIP, describes the various endorsements that can be used to cover or exclude loss resulting from certified and non-certified acts of terrorism, as well as the terrorism endorsements that can be attached to policies that will already be in effect at the point of TRIP's scheduled termination.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS MANUAL
TERRORISM LOSSES
RULES AND RATING INFORMATION FILING MEMORANDUM**

Rule 2 addresses only the endorsements already filed and approved for use with the Businessowners Program. Given that the proposed Supplement will be used only with the Businessowners Manual, endorsements filed and approved for other lines of insurance are not referenced.

Rule 2 also addresses the premium and coverage disclosure requirements associated with the federal share of compensation for insured terrorism losses.

- Rule 3, Policies That Take Effect On Or After The Expiration Date Of TRIP Or The Date TRIP Is Extended With Changes, describes the terrorism endorsements that can be attached to policies that become effective after TRIP's scheduled termination date. Given that the proposed Supplement will be used only with the Businessowners Manual, endorsements filed and approved for other lines of insurance are not referenced.
- Rule 4, Premium Determination, explains that the Supplement provides rating information for three types terrorism exposures: Certified, Non-Certified, and Terrorism Loss After TRIP Terminates. Finally, Rule 4 explains when the various types of Terrorism Rating Information provided by the Supplement apply and it addresses the rating procedures to be used when TRIP is scheduled to terminate while the policy is in effect.
- Rule 5, Interstate Accounts, explains that the Interstate Accounts rule in the Businessowners manual does not apply with respect to terrorism loss.
- In the Rating Information section of the Supplement, specific steps are provided for calculating the premium for the terrorism exposure.

With respect to property coverage, the new terrorism loss costs are subject to modification by the application of the Protection, Deductible, and Sprinklered Property factors provided in this Supplement. The result is multiplied by the limit of insurance for Building and Business Personal Property, respectively; the result of that step is the uncapped premium charge for terrorism property coverage.

With respect to liability coverage, a factor is applied to the Businessowners premium charged for loss that does not result from terrorism. The result is the uncapped premium charge for terrorism liability coverage.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
SUPPLEMENT TO BUSINESSOWNERS MANUAL
TERRORISM LOSSES
RULES AND RATING INFORMATION FILING MEMORANDUM**

The Supplement then calls for combining the premium charges for property and liability. The result is the total uncapped premium charge for terrorism loss. When the uncapped premium charge for terrorism coverage exceeds 25% of the total Businessowners premium charged for loss that does not result from terrorism, the total premium charge for terrorism loss is to be capped at 25% of the Businessowners premium charged for loss that does not result from terrorism.

- Terrorism rating zones are determined on the basis of ZIP code. However, in this state, all ZIP codes are assigned to a single rating territory.

American Association of Insurance Services

ARKANSAS Businessowners Program Actuarial Memorandum

Introduction

The following information is provided to support revised rating procedures for the Businessowners Program. For property exposures, loss costs are developed for various types of terrorism coverage (certified/foreign terrorism, non-certified/domestic terrorism, and terrorism after TRIP terminates). We are also introducing a new factor to be applied when calculating terrorism premium charge for liability exposure.

While this memorandum is intended to provide actuarial background information which includes a detailed discussion on the technical aspects of loss cost and factor development, a separate Rules and Rating Information Filing Memorandum is submitted with this filing to provide further information regarding the use of such loss costs and factors to derive the actual premium charge for various terrorism related losses.

The following attached exhibits contain state specific data as related to the revised terrorism rating discussed throughout this memo:

<u>Exhibit</u>	<u>Description</u>
A	Estimated Rate Effect
B	Calculation of Proposed Loss Costs

AIR Worldwide Corporation

The loss costs in this document reflect the use of the U.S. Terrorism Model Version 1.0, as developed by AIR Worldwide Corporation (AIR). The model estimates the financial impact of insured property losses from potential future terrorist attacks in the United States. It examines the full range of potential conventional and non-conventional weapons attacks, and the various threats posed by domestic extremists and international terrorist organizations and loosely affiliated networks.

AIR has been modeling natural catastrophes since 1987. The terrorism model is similar in structure. It considers frequency and severity of attacks, likely targets and the impacts on both the intended targets and on surrounding structures, all within a fully probabilistic framework. A detailed technical description of the AIR Terrorism model is available in the AIR Terrorism Loss Estimation Model technical document TEUS_0210, which is available upon request.

Development of Modeled Loss Costs

AAIS retained AIR to provide modeled ground-up building plus contents loss costs, separated between domestic and foreign-generated events and conventional and non-conventional (chemical, biological, nuclear, or radiological, or “CBNR”) attacks. The loss simulation was run on AIR’s nationwide data base of commercial and industrial risks and results were provided at ZIP Code aggregation.

The Industry Exposure Database maintained by AIR is at a high geographic resolution and is conducive of modeling the potential loss impact of terrorist attacks. Data sources include the U.S. Census Bureau, U.S. bureau of Economic Analysis, Dun & Bradstreet, R.S. Means, American Housing Survey, CLARITAS, and HAZUS. Physical attributes such as age, square footage, number of floors, and wall type are incorporated for commercial and industrial buildings by location. Data sources for individual structure characteristics include the most current tax assessor data, CLARITAS, and HAZUS.

Quantifying the Impact of the Federal Backstop

AAIS calculated the impact of the Terrorism Risk Insurance Extension Act of 2005 (TRIA 2005) and the expected insurer retained percentage of terrorism losses. The new legislation continues many of the same provisions of the Terrorism Risk Insurance Act of 2002 (TRIA), while scaling back the scope of certified coverage and increasing the size of losses needed to trigger the Act.

The expected insurer share of terrorism losses for program year 2007 was estimated using modeled size of loss distributions provided by AIR, reflecting TRIA conditions on those losses. The 2007 TRIA adjustment is estimated to be 82.3%. Certain assumptions were employed where needed. The following provides pertinent information on the steps used in the development of the retained percentages.

Ø Covered Lines of Business

The starting point is the modeled size of loss distribution for Businessowners as provided by the AIR model. It includes losses for both conventional and CBRN means of attack, generated by foreign attack sources. Covered insurance under TRIA 2005 is Businessowners and casualty (excluding auto, burglary, surety, professional liability, and farm owners multiple peril). A gross-up factor of 1.84 was applied to modeled losses in order to impute losses for all lines covered under the legislation. The factor was developed based on premium volume.

Ø Business Interruption

Modeled losses were further grossed up by a factor of 2.06 to include Business Interruption coverage. This factor is based on the ratio of Business Interruption to Property Damage losses for typical experience data, and information on the increase in the BI component of losses in a catastrophe event.

Ø Loss Adjustment Expense

The United States Treasury Department definition of insured losses includes loss adjustment expenses other than internal staff salaries. A factor of 1.15 was applied to include loss adjustment expense at a level appropriate for catastrophes.

Ø Alternative Markets

Modeled losses were developed using AIR's Industry Exposure Database, which represents insurable exposure values and includes risks that self-insure or are covered through captives. TRIA affords coverage to the property and casualty insurance industry. A factor of 0.80 was applied to exclude losses generated in the alternative markets.

Ø Policyholder Retained Losses

The modeled losses represent ground-up losses at full insurance to value. A factor of 0.95 was applied to exclude the percentage of losses retained due to underinsurance and the application of coinsurance penalties.

Ø Terrorism Coverage Acceptance Rate

A factor of 0.75 was applied to adjust modeled losses for the TRIA acceptance rate (also referred to as 'take-up rate').

Ø Industry Deductible

The TRIA deductible is applied to a company's earned premium for covered lines of business. A total industry deductible was estimated based on industry direct earned premium for covered lines of business.

Ø Market Share of Impacted Companies

Assumptions needed to be made about the market share of impacted companies for losses of any given size, since TRIA deductibles are percentages of individual company premium. A market share percentage was developed for the quartiles of the size of loss distribution, and multiplied by the industry average deductible.

Adjustments to Loss Costs

Ø The building and contents loss costs were not significantly different, therefore the building loss costs are being used as the basis for the property loss costs.

Ø The TRIA retention percentage as calculated above for year 5 and subsequent years was 82.3%. This percentage applies only to certified/foreign loss costs.

Ø ALAE was included along with an amount due to anticipated demand surge. The percentage ALAE/surge included was 26.5%. Demand surge was selected with the aid of AIR staff.

Ø The losses provided were "ground-up" losses. In order to reflect the assumed \$500 deductible base, the resulting amount was multiplied by 0.80.

Ø For domestic terrorism, the effect of limitations in the coverage were accounted for by multiplying the result above by 0.96. This factor was selected with the help of AIR staff.

Liability Surcharge

We are proposing that the loss cost rating information described in this memorandum be used to determine the Businessowners terrorism premium associated with property exposures. We are also proposing modifications to the terrorism rating factor previously filed for the Businessowners Program to develop the terrorism premium charges for liability coverage associated with certified/foreign acts of terrorism. Two factors are developed:

- Ø Currently, the terrorism premium for the Businessowners policy is calculated by multiplying the total policy premium by a factor of .0125. We have modified that factor as shown below for use in developing the liability only component of the terrorism premium charge for loss caused by certified/foreign acts of terrorism:

$$.0125 \times .25 = .0031$$

The modification factor of .25 was used to recognize that approximately 25% of the total Businessowners premium is attributed to liability exposures.

We are proposing that the terrorism rating factor developed above be used in determining the liability premium charge associated with loss caused by foreign acts of terrorism committed both when TRIP is in force and after it terminates.

- Ø We are proposing a separate rating factor for determining the liability premium charge that will apply to coverage for foreign acts of terrorism that are attributed to 'conventional' means after TRIP terminates. Such terrorism consists of acts that do not involve chemical, biological, nuclear, or radiological (CBNR) weapons. That factor was developed as follows:

$$.0031 \times .58 = .0018$$

We selected the modification factor of .58 based on judgment, following our review of liability rating factors filed for post-TRIP terrorism coverage excluding loss caused by CBNR acts.

Rate Effect Calculation

- Ø Current Loss Costs

Our statistical information was limited for the purpose of calculating terrorism premium. To determine the estimated current loss costs from the premium-related statistical information available, we gathered 2005 written premium for Businessowners Program for all reported companies (AAIS affiliates and non-affiliates) by state. A terrorism take-up rate (an estimated percentage of Businessowners insureds that actually purchase terrorism coverage) was calculated for each state individually. In addition, we determined a Permissible Loss Ratio (PLR) of 70.1% using industry data from A.M. Best's Averages and Aggregates. We then applied the following formula to determine terrorism loss costs for this state:

$$(Total\ Written\ Premium\ in\ the\ State) \times (Current\ Terrorism\ Surcharge) \times (Take-up\ Rate) \times (PLR\ of\ 70.1\%)$$

Ø Proposed Loss Costs

Proposed loss costs were determined using the proposed rates in the 2005 data. The following is a step-by-step walk-through of the calculations:

Property:

- We multiplied the total Amount of Insurance with proposed terrorism loss costs for each state;
- We then multiplied the result above with the 'take-up rate' in the state. This gave us the new loss costs for property (see Exhibit B).

Liability:

We estimated the new liability loss costs using the 2005 written premium for Businessowners Program for all reported companies (AAIS affiliates and non-affiliates) by state.

- A terrorism take-up rate was calculated for the state.
- We multiplied the total written premium by the new proposed liability terrorism surcharge in the state;
- We multiplied the result above by the take-up rate in the state;
- We multiplied the result above by the PLR of 70.1%. This gave us the estimated liability terrorism loss cost in state.

We added the property and liability loss costs to get the total estimated terrorism loss cost for the Businessowners program.

Ø Rate Effect

We compared the current loss costs with the proposed loss costs and determined the rate effect for the state due to this filing. See Exhibit A.

AMERICAN ASSOCIATION OF INSURANCE SERVICES

**Businessowners Program
Terrorism Supplement**

Arkansas

Coverage	Estimated Current Loss Costs	Estimated Projected Loss Costs	Percentage Change
Terrorism	\$ 6,058	\$ 3,474	-43%
Balance of Program	\$ 894,824	\$ 894,824	0%

Impact on Terrorism Supplement -43%
Overall Impact on BOP Program 0%

Certified Loss Costs (Foreign)

AIR Raw Data

Terrorism - Zone Average Loss Costs

Per \$1000 coverage, ground up, \$0 deductible

* Weighted to Zone level using AIR industry commercial lines exposure by ZIP Code and Coverage

Zone	AIR RAW DATA Building & Contents	AAIS ASSUMPTIONS				YEAR 5	Selected YEAR 5
		2007 TRIA Retention	LAE/ULAE Incl. Surge	Business Interruption	Deductible		
12	-	82.30%	1.265	1.876	0.800	-	0.010

Non-Certified Loss Costs (Domestic)

Domestic Zone	AIR RAW DATA Building & Contents	AAIS ASSUMPTIONS				(All) A
		LAE/ULAE Incl. Surge	Business Interruption	Deductible	Coverage Limitations	
1	0.015	1.265	1.876	0.800	0.960	0.270
2	0.001	1.265	1.876	0.800	0.960	0.020

Domestic Zone 1 applies to Foreign Zones 6 and 7.
Domestic Zone 2 applies to Foreign Zones 8 through 12.

Domestic Zone	AIR RAW DATA Building & Contents	AAIS ASSUMPTIONS				(Conventional Only) B
		LAE/ULAE Incl. Surge	Business Interruption	Deductible	Coverage Limitations	
1	0.012	1.265	1.876	0.800	0.960	0.220
2	0.000	1.265	1.876	0.800	0.960	0.010

Domestic Zone 1 applies to Foreign Zones 6 and 7.
Domestic Zone 2 applies to Foreign Zones 8 through 12.

Total Loss Costs

Territory	Foreign Zone	Domestic Zone
1	12	2

Post-TRIA Foreign Loss Costs

Zone	AIR RAW DATA Building Only	AAIS ASSUMPTIONS				Selected FULL
		LAE/ULAE Incl. Surge	Business Interruption	Deductible	FULL	
12	-	1.265	1.876	0.800	-	0.010

Total Post-TRIA Loss Costs

Territory	Foreign Zone	Domestic Zone	Foreign Loss Cost	Domestic A	Domestic B	Foreign & Domestic A	Foreign & Domestic B
1	12	2	0.010	0.020	0.010	0.030	0.020

FORM RF-1 Rate Filing Abstract NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	AAIS-2007-53
2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	We are the rating organization

Company Name		Company NAIC Number	
3.	A. American Association of Insurance Services	B.	0000-31400

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)	
4.	A. 05.0 Commercial Multi-Peril - Liability & Non-Liability	B.	05.0002 Businessowners

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
BOP Terrorism	-42.7%	-42.7%	0%	N/A	N/A	N/A	N/A
TOTAL OVERALL EFFECT	-42.7%	-42.7%	0%	N/A	N/A	N/A	N/A

6. 5 Year History Rate Change History

Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2005	N/A	N/A	N/A	\$ 16,513	\$ 0	0%	0%

7.

Expense Constants	Selected Provisions
A. Total Production Expense	
B. General Expense	
C. Taxes, License & Fees	
D. Underwriting Profit & Contingencies	
E. Other (explain)	
F. TOTAL	N/A

8. Y Apply Lost Cost Factors to Future filings? (Y or N)
9. N/A Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): _____
10. -42.7% Estimated Maximum Rate Decrease for any Insured (%). Territory (if applicable): _____