

SERFF Tracking Number: ARKS-125467473 State: Arkansas
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104723 \$50
Company Tracking Number: DP 2008-RTRP1
TOI: 01.0 Property Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines)
Product Name: Dwelling Policy Terrorism
Project Name/Number: Terrorism/

Filing at a Glance

Company: 00006 - INSURANCE SERVICES OFFICE, INC.

Product Name: Dwelling Policy Terrorism SERFF Tr Num: ARKS-125467473 State: Arkansas
TOI: 01.0 Property SERFF Status: Closed State Tr Num: #104723 \$50
Sub-TOI: 01.0002 Personal Property (Fire and Allied Lines) Co Tr Num: DP 2008-RTRP1 State Status: Fees verified and received
Filing Type: Rule Co Status: Reviewer(s): Becky Harrington, Betty Montesi, Brittany Yielding
Author: Disposition Date: 01/30/2008
Date Submitted: 01/30/2008 Disposition Status: Filed
Effective Date Requested (New): On Approval Effective Date (New):
Effective Date Requested (Renewal): Effective Date (Renewal):
State Filing Description:

General Information

Project Name: Terrorism Status of Filing in Domicile:
Project Number: Domicile Status Comments:
Reference Organization: Reference Number:
Reference Title: Advisory Org. Circular:
Filing Status Changed: 01/30/2008 Deemer Date:
State Status Changed: 01/30/2008
Corresponding Filing Tracking Number:
Filing Description:
Dwelling policy terrorism revisions due to reauthorization Act of 2007

Company and Contact

Filing Contact Information

NA NA, NA@NA.com

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NA (123) 555-4567 [Phone]
NA, AR 00000

Filing Company Information

00006 - INSURANCE SERVICES OFFICE, CoCode: 6 State of Domicile: Arkansas
INC.
No Address Group Code: Company Type:
City, AR 99999 Group Name: State ID Number:
(999) 999-9999 ext. [Phone] FEIN Number: 99-9999999

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	01/30/2008	01/30/2008

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Supporting Document Schedules

Review Status:

Satisfied -Name: ARKS-125467473

01/31/2008

Comments:

Attachment:

ARKS-125467473.pdf

ARKS-125467473

CK 104723

BH



2828 EAST TRINITY MILLS ROAD SUITE 150 CARROLLTON, TX 75006
TEL: (214) 390-1825 FAX: (214) 390-1975

50.00

January 24, 2008

Honorable Julie Benafield Bowman
Commissioner of Insurance
Arkansas Insurance Department
1200 West Third Street
Little Rock, Arkansas 72201-1904

Attention: William R. Lacy, Director
Property and Casualty Division

RE: Insurance Services Office, Inc.
DP 2008-RTRP1
Dwelling Policy Program
Revisions to State-Specific Additional Rule(s), Terrorism Options –
Federal Backstop in Response to Terrorism Risk Insurance
Program Reauthorization Act of 2007
REFERENCE FILING
State of Arkansas

RECEIVED

JAN 30 2008

PROPERTY AND CASUALTY DIVISION
ARKANSAS INSURANCE DEPARTMENT

FILED

JAN 30 2008

PROPERTY AND CASUALTY
ARKANSAS INSURANCE DEPT.

Dear Mr. Lacy:

On behalf of those participating insurers that have authorized ISO to do so, we hereby file the captioned revision. The purpose of this filing is to revise certain rules in response to enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2007.

Congress recently passed and the President has signed into law on December 26, 2007, the Terrorism Risk Insurance Program Reauthorization Act of 2007. This Act extends the federal Terrorism Risk Insurance Program (which was set to expire at the end of December 31, 2007) for a seven-year period, through December 31, 2014. Several other noteworthy changes in the Act include:

- Revision to the criteria for certification of an act to eliminate the requirement that the act be committed on behalf of a foreign person or foreign interest.
- Requirement to provide a clear and conspicuous disclosure of the \$100 billion cap on payments for insured losses, as well as a strengthening of that cap.
- Requirement that the Secretary of the Treasury develop regulations for determining the pro rata share of insured losses to be paid under the program when those insured losses exceed \$100 billion during any one program year.

The revisions to the Terrorism Risk Insurance Act were effective upon the President's signature. Insurers are now faced with the task of overhauling policy administration systems to comply with the new requirements, including new policy language reflecting the revised definition of a certified act, additional disclosure requirements, and other issues. For this reason, we are proposing that this revision become effective in accordance with the following rule of application:

These changes are available for insurer use upon your approval, in accordance with Treasury guidance on this matter.

To provide maximum flexibility to insurers in revising their policy administration systems, we propose that insurers are not required to advise you of the actual date on which they incorporate the attached into their workflow. This will avoid the need for unnecessary filings to delay effective dates, and takes into consideration the fact that insurers have varying system considerations and lead-time requirements.

It is very important that insurers have the tools contained in this filing available for use as soon as practicable. Your prompt approval of this critical filing is appreciated. Should you have any questions on the material contained herein, we would be happy to discuss them with you at your convenience.

Please return an acknowledged copy of this cover letter for our records. An addressed, stamped envelope is enclosed for your convenience.

Very truly yours,



Donald J. Beckel, CPCU, ARM
Assistant Regional Manager

DJB:db
Encl.

**EXPEDITED FILING TRANSMITTAL DOCUMENT
FOR TERRORISM RISK INSURANCE FORMS AND PRICING**

This page applies to the following state(s) Arkansas

Indicate Type of Filing
<input checked="" type="checkbox"/> Filing Related to <i>Certified Losses</i>
<input type="checkbox"/> Filing Related to <i>Non-Certified Losses</i>
<input type="checkbox"/> Filing Applicable to Both Certified and Non-Certified Losses

Department Use only

Company Name(s)	Domicile	NAIC #	FEIN #
Insurance Service Office, Inc.	Delaware	N/A	13-3131412

Contact Info for Filer

Name and address of Filer(s)	Telephone #	FAX #	e-mail
Donald J. Beckel, CPCU, ARM Insurance Services Office, Inc. 2828 E. Trinity Mills Road, Suite 315 Carrollton, TX 75006	(214) 390-1825	(214) 390-1975	dbeckel@iso.com

Filing information

Line of Insurance (see attachment)	Personal Property (Fire & Allied Lines)
Company Program Title (Marketing title) (if applicable)	Dwelling Policy Program
Filing Type ** see note below	Rules
This application is used with:	Dwelling Policy Program Manual
Effective Date Requested	This revision is available upon your acknowledgement for insurer use in accordance with Treasury guidance on this matter
Filing date	1/24/08
Company Tracking Number	DP-2008-RTRP1
Date filing approved in domiciliary state, if applicable	Pending

<u>Component/Form Name /Description/Synopsis</u>	<u>Form # or Rate Page Include edition date</u>	<u>Replacement Or withdrawn?</u>	<u>If replacement, give form # or rate page(s) it replaces</u>	<u>Previous State Filing Number, if required by state</u>
Terrorism Options – Federal Backstop	Rule A#	<input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither	Rule A#	
		<input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither		

To be complete, a filing must include the following:

- A completed Expedited Filing Transmittal Document for each insurer or advisory organization.
- One copy of each endorsement, disclosure form or other policy language, unless the insurer has given an advisory organization authorization to file them on its behalf.
- A copy of the rates, rating systems and supporting documentation.
- The appropriate filing fees, if required
- A postage-paid, self-addressed envelope **large enough to accommodate the return.**

The insurer(s) submitting this filing certifies that it:

- Is in compliance with the terms of the Terrorism Risk Insurance Act, as amended, and the laws of this state; and
- Is in compliance with the requirements of the bulletin containing the voluntary expedited filing procedures.


Signature

John J. Kollar
Print Name:

Vice President
Title:

RECEIVED

JAN 30 2008

Revisions To State Specific Additional Rule(s), Terrorism Options - Federal Backstop

About This Filing

This filing revises Additional Rule, Terrorism Options - Federal Backstop in response to the Terrorism Risk Insurance Program Reauthorization Act of 2007.

Revised Rules

We are revising the following Additional rule:

- ◆ Rule A# Terrorism Options - Federal Backstop

We have used a format of ~~striking through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes.

(# denotes the rule number may differ by jurisdiction.)

Related Filing(s)

- ◆ Companion Forms filing DP-2008-OTRP1

Background

The Terrorism Risk Insurance Act (TRIA) of 2002 established a program (Terrorism Risk Insurance Program) within the Department of the Treasury, under which the federal government shares, with the insurance industry, the risk of loss from future terrorist attacks. Pursuant to Section 103(c) of the Act, all insurers providing insurance for applicable lines of business are required to participate in the program by making available coverage for insured losses resulting from an act of terrorism as defined by the Act (so-called certified acts coverage). The Terrorism Risk Insurance Program was extended for two years, until December 31, 2007, by the Terrorism Risk Insurance Extension Act of 2005, which incorporated various changes with respect to federal share of losses and affected lines of business. We responded in the past to each of these enactments, with filings of various coverage options and related rules addressing the terrorism risk.

Current Environment

The federal Terrorism Risk Insurance Program has been revised and extended by the Terrorism Risk Insurance Program Reauthorization Act of 2007, which incorporates various changes to the Program. Certain changes, summarized as follows, have an impact on ISO terrorism forms (addressed in the companion Forms filing) and the rules associated with those forms:

- ◆ Under Section 102(1)(A)(iv) of the Act, the definition of an act of terrorism (with respect to certification of such act) is revised by eliminating the criterion that the act be committed on behalf of a foreign person or foreign interest. As revised, the definition, in part, requires the act to have been committed by an individual or individuals 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.
- ◆ Section 103(b)(3) of the Act requires disclosure of the existence of the \$100 billion cap on payments by insurers.
- ◆ Section 103(e)(2)(A) of the Act eliminates the provision asserting that Congress may take action to increase the \$100 billion cap in the event that insured losses exceed such cap; and Section 103(e)(2)(B) requires the Secretary of the Treasury to issue regulations for determining the pro rata share of insured losses to be paid under the Program (up to \$100 billion) when insured losses exceed \$100 billion.

Explanation of Changes

In response to the Terrorism Risk Insurance Program Reauthorization Act of 2007, the Additional Rule Terrorism Options - Federal Backstop, is being revised as follows:

- ◆ The definition of certified act of terrorism has been revised by deleting the text "acting on behalf of any foreign person or foreign interest", in line with the revision to Section 102(1)(A)(iv) of the Act;
- ◆ Reference to subsequent action of Congress changing the amount of the \$100 billion cap has been deleted; and
- ◆ In paragraph A., sub-sections 1, 2 and 3 referencing the federal share of terrorism losses for years 2006, 2007 and 2008 are being removed. Paragraph A. of the rule is revised to disclose the federal share of 85%. With the 2007 extension of TRIA, the 85% federal share will remain constant for the life of the extension, that is, through December 31, 2014.

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Important Note

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ADDITIONAL RULE(S)

RULE A#.
TERRORISM OPTIONS – FEDERAL BACKSTOP

A. The "Terrorism Risk Insurance Act" and accompanying regulations establish a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by an individual(s) ~~acting on behalf of any foreign interest~~, provided the terrorist act results in aggregate losses in excess of \$5 million. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for: 85% of that portion of the amount of such insured losses that exceeds the applicable insurer retention.

- ~~1. Losses that occur through December 31, 2006, 90% of that portion of the amount of such insured losses that exceeds the applicable insurer retention;~~
- ~~2. Losses that occur on or after January 1, 2007 through December 31, 2007, 85% of that portion of the amount of such insured losses that exceeds the applicable insurer retention; and~~
- ~~3. Losses that occur on or after January 1, 2008, the applicable percentage of such insured losses that exceeds the applicable insurer retention if the federal program is in effect beyond 2007.~~

The insurer's retention is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year ~~unless subsequent action of Congress changes that amount~~; this provision serves to limit insurers' liability for losses.

B. All insurers providing commercial property and casualty insurance are required to participate in the program to the extent of making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage which apply to other perils. Certain risks written under the Dwelling Policy Program may be considered commercial exposures for the purposes of this act and hence eligible for participation in the program. The following may be considered commercial exposures:

1. 1 – 4 family rental dwellings owned for the business purpose of generating income for the property owner; or
2. Policies on which incidental business premium is more than 25% of total direct earned premium.

C. The following applies to those insurers offering Dwelling policies who choose to be eligible for federal reinsurance by making the disclosures needed for such eligibility.

An insurer must extend coverage to insureds for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered and the federal share of compensation for such losses under the program at the time of offer, purchase and renewal of the policy. Insurers may disclose the premium information on the Declarations or elsewhere in the policy.

D. There are no terrorism exclusions in the Dwelling Policy Program. The following endorsements specify that coverage for certified acts of terrorism is subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard. They differ based on how the insurer chooses to disclose the premium and federal share of compensation for such losses to the insured:

1. For insurers who choose to disclose the premium and federal share by endorsement, use Cap On Losses From Certified Acts Of Terrorism; Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement **DP 05 38**.
2. For insurers who choose to disclose the premium and federal share on the Declarations, use Cap On Losses From Certified Acts Of Terrorism Endorsement **DP 05 37**.