

SERFF Tracking Number: AMAX-125544567 State: Arkansas  
Filing Company: American Association of Insurance Services State Tracking Number: EFT \$300  
Company Tracking Number: AAIS-2008-4BPR  
TOI: 05.0 Commercial Multi-Peril - Liability & Non- Sub-TOI: 05.0002 Businessowners  
Liability  
Product Name: Multi-Line Terrorism Filings  
Project Name/Number: BOP 01 08 Terrorism Supplement - AAIS-2008-4BOPR/AAIS-2008-4BPR

## Filing at a Glance

Company: American Association of Insurance Services

Product Name: Multi-Line Terrorism Filings SERFF Tr Num: AMAX-125544567 State: Arkansas  
TOI: 05.0 Commercial Multi-Peril - Liability & Non-Liability SERFF Status: Closed State Tr Num: EFT \$300

Sub-TOI: 05.0002 Businessowners Co Tr Num: AAIS-2008-4BPR State Status: Fees verified and received

Filing Type: Rate/Rule Co Status: Reviewer(s): Betty Montesi, Llyweyia Rawlins, Brittany Yielding  
Author: SPI AAIS Disposition Date: 03/19/2008  
Date Submitted: 03/13/2008 Disposition Status: Filed

Effective Date Requested (New): 03/13/2008 Effective Date (New): 03/13/2008  
Effective Date Requested (Renewal): Effective Date (Renewal):

State Filing Description:

## General Information

Project Name: BOP 01 08 Terrorism Supplement - AAIS-2008-4BOPR Status of Filing in Domicile: Pending

Project Number: AAIS-2008-4BPR Domicile Status Comments:

Reference Organization: Reference Number:

Reference Title: Advisory Org. Circular:

Filing Status Changed: 03/19/2008

State Status Changed: 03/19/2008 Deemer Date:

Corresponding Filing Tracking Number:

Filing Description:

Re: AAIS-2008-4BPR

Businessownerst Program

Revised Terrorism Rules and Loss Cost Supplement (Rev 01 08)

On behalf of our affiliated companies, the American Association of Insurance Services (AAIS) is filing revised

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supplement in compliance with the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) for use with the above captioned program.

The Filing Memorandum provide background and supporting information for this submission and detailed descriptions of the materials being filed. A copy of the supplement is enclosed.

In accordance with the recent state bulletin on this issue, this filing will become effective March 13, 2008.

Companies that have granted AAIS filing authority for rules can begin using these materials on the effective date of this filing without taking any additional filing action.

Please be advised that, the materials that are the subject of this filing will also be provided to affiliated companies in an electronic format. We will be happy to furnish you the same material electronically, upon request. Due to differences in printer configurations or other hardware or software differences, the appearance of the materials that are the subject of this filing may be altered slightly when produced by another system. Such alterations will be cosmetic only and will not affect the content of the filed materials.

Under separate cover, in a filing identified as "AAIS-2008-4BPF" we have submitted revised terrorism endorsements and notices.

The expedited filing transmittal document is enclosed.

## Company and Contact

### Filing Contact Information

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### Filing Company Information

American Association of Insurance Services      CoCode: 31400      State of Domicile: Delaware

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Group Code:  
Group Name:  
FEIN Number: 36-2021360

Company Type:  
State ID Number:

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## Filing Fees

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

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
American Association of Insurance Services	\$300.00	03/13/2008	18613461

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Llyweyia Rawlins	03/19/2008	03/19/2008

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## Disposition

Disposition Date: 03/19/2008  
 Effective Date (New): 03/13/2008  
 Effective Date (Renewal):  
 Status: Filed  
 Comment:

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	0.000%	\$0	0	\$0	0.000%	0.000%	%

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Item Type	Item Name	Item Status	Public Access
Supporting Document	BOP Filing Memo - NSFP	Filed	Yes
Supporting Document	AR BOP TRIPRA Expedited Filing Form	Filed	Yes
Rate	BP Terrorism Loss Cost Supplement	Filed	Yes
Rate	BP Terrorism Rules Supplement	Filed	Yes

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**Rate Information**

Rate data applies to filing.

**Filing Method:** File and Use  
**Rate Change Type:** Neutral  
**Overall Percentage of Last Rate Revision:** 0.000%  
**Effective Date of Last Rate Revision:** 10/01/2007  
**Filing Method of Last Filing:** File and Use

**Company Rate Information**

Company Name:	Overall % Indicated Change:	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):
American Association of Insurance Services	%	0.000%	\$0	0	\$0	0.000%	0.000%

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## Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Number:	Filing Attachments
Filed	BP Terrorism Loss Cost Supplement	Loss Cost Rating Information 1	Replacement	AR-PC-025240	Loss Cost Rating Information 1.PDF
Filed	BP Terrorism Rules Supplement	Index i, Rules 1 - 14, TD - 1	Replacement	AR-PC-025240	Index i, Rules 1 - 14, TD - 1 .PDF

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**LOSS COST RATING INFORMATION**

This section of the Supplement provides loss cost rating information for property loss resulting from certified acts of terrorism while TRIP is in effect and property loss resulting from acts of terrorism after TRIP terminates.

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

**1. Certified Terrorism Loss - Loss Costs Per \$1,000 of Insurance**

The following loss costs apply when the insured accepts the offer of coverage for certified terrorism loss.

Rating Zone 1                      \$.010

**2. Terrorism Loss After TRIP Terminates (post-TRIP Terrorism Coverage) - Loss Costs Per \$1,000 of Insurance**

A. The following loss costs apply when the policy is not endorsed to exclude coverage for loss resulting from terrorism once TRIP terminates or is no longer applicable to this line of insurance.

Rating Zone 1                      \$.030

B. The following loss costs apply 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.

Rating Zone 1                      \$.020

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**TERRORISM LOSSES -- RULES**

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

**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. Subject to certain changes, TRIP was extended by the Terrorism Risk Insurance Extension Act of 2005 (TRIEA), and again by the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA).

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 terrorism law for a 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 \$100 billion annual aggregate.

**1.2 Important Terms And Loss Criteria**

**1.2.1 Certified Acts Of Terrorism**

The terrorism endorsements filed for use with policies that remain subject to TRIP under TRIPRA 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;

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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
4. to have been committed by an individual or individuals, 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; and
5. to have resulted in insured losses in excess of five million dollars in the aggregate, attributable to all types insurance subject to the Terrorism Risk Insurance Act, as amended.

**Certified Terrorism Loss**

A certified terrorism loss is loss that results from a 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 and/or that become effective after TRIP ceases to be in effect or otherwise ceases to apply.

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

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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.
- 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.

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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.

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

In accordance with TRIPRA, companies providing insurance under the AAIS Businessowners Program must make available coverage for certified terrorism loss while TRIP remains in effect. The mandatory offer of coverage is required at the time of offer, purchase, and renewal of the policy.

Policyholder Disclosure CL 1045 includes the terms needed to fulfill the mandatory offer requirement. The CL 1045 requires the insured's or applicant's signature to acknowledge being informed of the offer of coverage for loss resulting from certified acts of terrorism and to acknowledge being informed of the portion of the annual premium that is attributable to coverage for certified acts of terrorism. The CL 1045 also discloses the \$100 billion cap on annual aggregate losses.

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

**2.1 Coverage For Certified Terrorism Loss Capped**

When the insured accepts the offer of coverage for loss resulting from certified acts of terrorism, coverage for such loss can be capped at \$100 billion annually, which is the maximum annual aggregate limit of liability set forth by TRIPRA.

Attach endorsement BP 0750.

See Rule 4, Rule 6, and the Loss Cost Rating Information section of this Supplement for instructions regarding premium determination. See Rule 2.4 regarding the separate line item premium and coverage disclosure requirements for certified terrorism loss.

**2.2 Coverage For Certified Terrorism Loss Excluded**

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

Attach endorsement BP 0760.

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**2.3 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, 2014 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 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.

Such terrorism exclusions can be limited to nuclear, biological, or chemical events, or can apply to those events as well as to other events that meet certain specified thresholds, as explained under Rule 1.2.2 of this Supplement.

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

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, Rule 6, and the Loss Cost Rating Information section of this Supplement for instructions regarding premium determination. See Rule 2.4 regarding the separate line item premium and coverage disclosure requirements for certified terrorism loss.

### **2.4 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.

Endorsements CL 0605 and CL 1605 can be used for this purpose, or disclosure can be made on the declarations page of the policy or elsewhere within the policy itself. 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.

Endorsement CL 0605 also discloses the \$100 billion cap on loss resulting from certified acts of terrorism in a single Program Year and indicates that, if certified terrorism losses exceed \$100 billion dollars in a Program Year, losses up to \$100 billion dollars are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

If endorsement CL 0605 or CL 1605 is used to satisfy the separate line item disclosure requirement, make an entry on the endorsement schedule to indicate the premium charged for loss resulting from certified acts of terrorism.

When endorsement CL 1605 is used, also make endorsement schedule entries to indicate the termination date of the coverage for certified terrorism loss and the share of terrorism loss paid by the United States during each Program Year. When a Conditional Terrorism Exclusion endorsement is not attached to the policy, make entries in both items A. and B. of the endorsement CL 1605's schedule.

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**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 Rule 6 and the Loss Cost Rating Information section of this Supplement.

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**RULE 4 -- PREMIUM DETERMINATION**

Rule 6 and the Loss Cost Rating Information section of this Supplement address two terrorism loss exposures: 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 provided under Rule 6 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. **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.

**4.2 Additional Premium Determination 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.

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**4.3 Additional Premium Determination 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.

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**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.

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**RULE 6 -- RATING PROCEDURES**

Refer to Rule 4 of this Supplement for additional premium determination procedures that apply to policies that will be in effect when TRIP is scheduled to terminate.

**Property** -- Use the following steps to determine the Building and Business Personal Property premium charges for each type of terrorism coverage provided (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 below. Round the result to three decimal places.

<b>Protected</b>	<b>Partially Protected / Unprotected</b>
1.000	1.427

Protection Factors

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

Deductible Factors

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**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 below. Round the result of each calculation to three decimal places.

<b>Rate Groups</b>	<b>Factors</b>
<b>Buildings</b>	
-- 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
<b>Business Personal Property</b>	
-- Rate Groups 1-6	.76
-- Rate Group 7-18	.69
-- Rate Group 21	.55
-- Rate Groups 22-27	.69
-- Rate Groups 28-29	.69

Sprinklered Properties Factors

**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.

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**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), as shown below. The result is the uncapped premium charge for terrorism liability coverage.

**Certified Terrorism Loss**

The following factor applies when the insured accepts the offer of coverage for certified terrorism loss.

.0031

**Terrorism Loss After TRIP Terminates (post-TRIP Terrorism Coverage)**

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

**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.

**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.

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**TERRITORIAL DEFINITIONS (7-1)**

Terrorism rating zones are 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

SERFF Tracking Number: AMAX-125544567 State: Arkansas  
Filing Company: American Association of Insurance Services State Tracking Number: EFT \$300  
Company Tracking Number: AAIS-2008-4BPR  
TOI: 05.0 Commercial Multi-Peril - Liability & Non- Sub-TOI: 05.0002 Businessowners  
Liability  
Product Name: Multi-Line Terrorism Filings  
Project Name/Number: BOP 01 08 Terrorism Supplement - AAIS-2008-4BOPR/AAIS-2008-4BPR

## Supporting Document Schedules

**Satisfied -Name:** BOP Filing Memo - NSFP **Review Status:** Filed 03/19/2008  
**Comments:**  
**Attachment:**  
BOP Filing Memo - NSFP.PDF

**Satisfied -Name:** AR BOP TRIPRA Expedited Filing **Review Status:** Filed 03/19/2008  
Form  
**Comments:**  
**Attachment:**  
AR BOP TRIPRA Expedited Filing Form.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 extended by the Terrorism Risk Insurance Extension Act of 2005 ('TRIEA') and again by the Terrorism Risk Insurance Program Reauthorization Act of 2007 ('TRIPRA'). The latest extension of TRIP will terminate on 12/31/2014.

Previous manual supplements were filed for the AAIS Businessowners program to address rules and rating information for loss caused by certified acts of terrorism, non-certified acts of terrorism, and acts of terrorism after TRIP terminates. Those supplements also introduced the variety of endorsements that were filed to correspond with terms of TRIP as established by TRIEA. In addition, previous filing introduced loss cost rating information for both loss that is the result of foreign (certified) acts of terrorism and for loss that is the result of domestic (non-certified) acts of terrorism. New loss costs were also provided for loss resulting from terrorism that occurs after the termination of TRIP.

At this time, we are filing a revised Terrorism Losses Supplement for the Businessowners Program in response to changes introduced by TRIPRA. Separate filings have been submitted to address the revised terrorism exclusion endorsements.

The rules and loss cost rating information previously filed for non-certified terrorism loss is being withdrawn in response to the revised definition of terrorism introduced under TRIPRA. All other terrorism loss costs previously filed and approved for use in this state will remain on file without change. The Supplement changes described below are not substantive in nature, but are primarily being filed to coincide with the endorsement changes made to comply with TRIPRA.

The changes to the Terrorism Supplement for the Businessowners Program are described below.

**Rules Section**

- Index Page -- This page has been revised to identify the various topics found in the *entire* Supplement, as opposed to only the Rules section in the previously filed Supplement.
- Rule 1, Introduction -- The revised rules provide background information regarding TRIA, TRIEA, and the latest addition of TRIPRA; References to non-certified act of terrorism and non-certified terrorism loss are no longer applicable within this revision and are thus eliminated.

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- Rule 2, Policies In Effect Prior To The Termination Of TRIP -- This rule includes a number of sub-parts that support the endorsements, rating procedures, and disclosure requirements pertaining to the Businessowners Program, for use with policies which become effective while TRIP is in place but that will continue to be in effect beyond TRIP's scheduled termination on December 31, 2014.

Information regarding endorsement options with respect to non-certified terrorism loss has been eliminated, and as a result, Rule 2 has been consolidated to include the following 4 sub-parts:

- Rule 2.1, Coverage for Certified Terrorism Loss Capped.

This rule addresses the use of the endorsement to cap coverage for loss resulting from certified acts of terrorism. That endorsement has been revised based on the previously filed and approved edition to correspond with changes introduced by TRIPRA, and submitted under a companion filing in this state.

- Rule 2.2, Coverage for Certified Terrorism Loss Excluded

This rule addresses the use of the endorsement to exclude coverage for loss resulting from certified acts of terrorism. That endorsement has been revised based on the previously filed and approved edition to correspond with changes introduced by TRIPRA, and submitted under a companion filing in this state.

- Rule 2.3, Additional Options For Policies That Will Be In Effect Beyond Scheduled Expiration of TRIP

This rule addresses the use of conditional terrorism exclusion endorsements that can be attached to policies that will become effective while TRIP is in place, but that will continue to be in effect beyond TRIP's scheduled termination on December 31, 2014. No significant changes were made to this rule.

- Rule 2.4, Premium And Coverage Disclosure Requirements

This rule addresses the separate line item disclosure requirements imposed by TRIPRA and the endorsements that can be used to satisfy those requirements. 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.

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Endorsement CL 0605 described above was revised based on the previously filed and approved edition to reflect the TRIP terms introduced by TRIPRA, and has been submitted under a companion filing.

- Rule 3, Policies That Take Effect On Or After The Expiration Date Of TRIP Or The Date TRIP Is Extended With Changes -- This rule describes the terrorism endorsements that can be attached to policies that become effective after TRIP's scheduled termination date. No significant changes were made to this rule.
- Rule 4, Premium Determination -- This rule explains that the Supplement provides rating information for *two* types of terrorism exposures: Certified, and Terrorism Loss After TRIP Terminates. References to non-certified terrorism loss have been omitted.
- Rule 5, Interstate Accounts - No changes were made to this rule.
- Rule 6, Rating Procedures -- This rule sets forth the rating steps for determining the premium charges for the various terrorism exposures and various coverage components under the Businessowners Program. Though now presented as a separate rule, the information contained within Rule 6 was previously found in the former Rating Information section of the Supplement.

The changes made to the previously filed rating procedures are as follows:

- The Premium Determination procedures in the previously filed Supplement call for modifying the terrorism loss costs by Protection and Deductible factors. Those factors are now incorporated into the premium determination procedures under Rule 6, Property, Step 2.
- The Premium Determination procedures in the previously filed Supplement call for further adjusting the terrorism loss costs by the Sprinklered Properties Factors when the insured building and/or personal property is protected by an automatic sprinkler system. Those factors have now been incorporated, without change, into the premium determination procedures under Rule 6, Property, Step 3.
- The previously filed Supplement provides factor rating information for determining the terrorism liability premium. Such rating information has been incorporated, without change, into the premium determination procedures under Rule 6, Liability.

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- Territorial Definitions -- This section defines terrorism rating zones in this state. No changes were made to this section.

**Loss Cost Rating Information**

This section of the revised Supplement addresses the *loss cost* rating information that was included in the former Rating Information section of the Supplement. It provides loss costs for determining property terrorism premium charge for the two types of applicable terrorism exposures - Certified Terrorism Loss and Terrorism Loss After TRIP Terminates.

No changes were made to the loss costs that address certified terrorism loss and terrorism loss after TRIP terminates. Rating information that addresses the non-certified terrorism loss exposure in the previously filed Supplement is no longer applicable, and has thus been omitted in the revised Supplement.

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

**This page applies to the following state(s)** \_\_\_\_\_

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 #
American Association of Insurance Services	DE		36-2021360

**Contact Info for Filer**

Name and address of Filer(s)	Telephone #	FAX #	e-mail
Norma Jean Knight 1745 S. Naperville Road Wheaton, Illinois 60187-8132	630-681-8347	630-681-8356	normak@aisonline.com

**Filing information**

<b>Line of Insurance</b> (see attachment)	05.0 Commercial Multi-Peril - Liability & Non-Liability
<b>Company Program Title</b> (Marketing title) (if applicable)	05.0002 Businessowners
<b>Filing Type</b> ** see note below	Rates and Rules
<b>This application is used with:</b>	Businessowners Program
<b>Effective Date Requested</b>	March 13 2008
<b>Filing date</b>	March 13, 2008
<b>Company Tracking Number</b>	AAIS-2008-4BPR
<b>Date filing approved in domiciliary state, if applicable</b>	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>
01	Terrorism Rules Supplement	Index - i Rev 01 08  Rules - 1 to Rules - 14 Rev 01 08  TD - 1 Rev 01 08	<input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither	Index - i Rev 06 07  Rules - 1 to Rules - 14 Rev 06 07	AR-PC-07-025240
02	Terrorism Rating Supplement	Loss Cost Rating Information - 1 Rev 01 08	<input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither	Rating Information - 1 to Rating Information - 4 Rev 06 07	AR-PC-07-025240

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.



Norma Jean Knight

Filings/Compliance Specialist

Signature

Print Name:

Title: