

SERFF Tracking Number: BEAC-125550733 State: Arkansas
 First Filing Company: The Employers' Fire Insurance Company, ... State Tracking Number: EFT \$100
 Company Tracking Number: 2008-ML-AR-RU-526
 TOI: 05.0 Commercial Multi-Peril - Liability & Non- Sub-TOI: 05.0000 CMP Sub-TOI Combinations
 Liability
 Product Name: Terrorism Risk Insurance Program Reauthorization Act of 2007
 Project Name/Number: Terrorism Risk Insurance Program Reauthorization Act of 2007/2008-ML-AR-RU-526

Filing at a Glance

Companies: The Employers' Fire Insurance Company, OneBeacon America Insurance Company, Atlantic Specialty Insurance Company

Product Name: Terrorism Risk Insurance Program Reauthorization Act of 2007 SERFF Tr Num: BEAC-125550733 State: Arkansas

TOI: 05.0 Commercial Multi-Peril - Liability & Non-Liability SERFF Status: Closed State Tr Num: EFT \$100

Sub-TOI: 05.0000 CMP Sub-TOI Combinations Co Tr Num: 2008-ML-AR-RU-526 State Status: Fees verified and received

Filing Type: Rule Co Status: Reviewer(s): Betty Montesi, Llyweyia Rawlins, Brittany Yielding
 Authors: Judith Carrasco, John Cordner, Linda Jordan-Dow, Sharon Kennedy Disposition Date: 04/01/2008
 Date Submitted: 03/24/2008 Disposition Status: Exempt from Review

Effective Date Requested (New): 04/01/2008

Effective Date Requested (Renewal): 04/01/2008

Effective Date (New): 04/01/2008

Effective Date (Renewal):

04/01/2008

State Filing Description:

General Information

Project Name: Terrorism Risk Insurance Program Reauthorization Act of 2007 Status of Filing in Domicile: Pending

Project Number: 2008-ML-AR-RU-526

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 04/01/2008

State Status Changed: 04/01/2008

Deemer Date:

Corresponding Filing Tracking Number: 2008-ML-AR-FO-526

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Filing Description:

We are filing revisions of previously approved rules related to Certified Acts of Terrorism. These revisions are reflective of the changes brought about by the 2007 Reauthorization of the Terrorism Risk Insurance Act and are applicable to all of our Commercial Lines Programs.

The revisions will apply to all affected policies providing commercial property, commercial general liability, commercial inland marine and umbrella coverage. The rules applicable to terrorism coverage have been amended to reflect the new definition of a Certified Act as well as the new additional disclosure requirements. Further details regarding this submission are explained in greater detail in the enclosed Explanatory Memo.

A companion forms filing has been submitted under separate cover and is identified under company filing no. 2008-ML-AR-FO-526.

We are proposing to implement this revision to be effective April 1, 2008 under the expedited filing procedures authorized by your state.

Should you have any questions regarding this submission, please contact me.

Company and Contact

Filing Contact Information

Judith A. Carrasco, jcarrasco@onebeacon.com
 1 Beacon Lane (781) 332-8937 [Phone]
 Canton, MA 02021-1030 (888) 475-9817[FAX]

Filing Company Information

The Employers' Fire Insurance Company	CoCode: 20648	State of Domicile: Massachusetts
One Beacon Lane	Group Code: 1129	Company Type:
Canton, MA 02021-1030	Group Name:	State ID Number:
(781) 332-7000 ext. [Phone]	FEIN Number: 04-1288420	

OneBeacon America Insurance Company	CoCode: 20621	State of Domicile: Massachusetts
One Beacon Lane	Group Code: 1129	Company Type:

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Canton, MA 02021-1030
(781) 332-7000 ext. [Phone]

Group Name:
FEIN Number: 04-2475442

State ID Number:

Atlantic Specialty Insurance Company
One Beacon Lane
Canton, MA 02021-1030
(781) 332-7000 ext. [Phone]

CoCode: 27154
Group Code: 1129
Group Name:
FEIN Number: 13-3362309

State of Domicile: New York
Company Type:
State ID Number:

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Filing Fees

Fee Required? Yes
Fee Amount: \$100.00
Retaliatory? No
Fee Explanation: \$100.00 per filing for rules.
Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
The Employers' Fire Insurance Company	\$100.00	03/24/2008	18883267
OneBeacon America Insurance Company	\$0.00	03/24/2008	
Atlantic Specialty Insurance Company	\$0.00	03/24/2008	

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Llyweyia Rawlins	04/01/2008	04/01/2008

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Disposition

Disposition Date: 04/01/2008

Effective Date (New): 04/01/2008

Effective Date (Renewal): 04/01/2008

Status: Exempt from Review

Comment:

This line is exempt from filing rates/rule in compliance with ACA 23-67-206 which states that P&C insurance for commercial risks, excluding workers' compensation, employers' liability and professional liability insurance, including but not limited to, medical malpractice insurance, are exempted from the rate/rule filing and review requirements.

Rate data does NOT apply to filing.

Overall Rate Information for Multiple Company Filings

Overall Percentage Rate Indicated For This Filing	0.000%
Overall Percentage Rate Impact For This Filing	0.000%
Effect of Rate Filing-Written Premium Change For This Program	\$0
Effect of Rate Filing - Number of Policyholders Affected	0

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Explanatory Memos for Property, GL, Inland Marine Terrorism Rules	Accepted for Informational Purposes	Yes
Supporting Document	Expedited Transmittal Document	Accepted for Informational Purposes	Yes
Rate	Additional Rule 01. Terrorism	Accepted for Informational Purposes	Yes
Rate	Additional Rule 01. Terrorism	Accepted for Informational Purposes	Yes
Rate	Rule 38f. Terrorism	Accepted for Informational Purposes	Yes
Rate	Rule 38f. Terrorism	Accepted for Informational Purposes	Yes
Rate	Rule 38f. Terrorism Pricing - Federal Backstop	Accepted for Informational Purposes	Yes
Rate	Rule 38f. Terrorism Pricing - Federal Backstop	Accepted for Informational Purposes	Yes
Rate	Rule 38f. Terrorism Pricing - Federal Backstop	Accepted for Informational Purposes	Yes
Rate	Additional Rule 01 Terrorism CW	Accepted for Informational Purposes	Yes
Rate	Additional Rule 01 Terrorism AR	Accepted for Informational Purposes	Yes

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Rate Information

Rate data does NOT apply to filing.

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Accepted for Informational Purposes	Additional Rule 01. Terrorism	@V4GLADD01C	Replacement W	@V4GLADD01CW 0108.pdf
Accepted for Informational Purposes	Additional Rule 01. Terrorism	@V4GLADD01A	Replacement R	@V4GLADD01AR 0108.pdf
Accepted for Informational Purposes	Rule 38f. Terrorism	@V4CP038fCW	Replacement	@V4CP038fCW 0108pdf.pdf
Accepted for Informational Purposes	Rule 38f. Terrorism	@V4CP038fOK	Replacement	@V4CP038fOK 0108.pdf
Accepted for Informational Purposes	Rule 38f. Terrorism Pricing - Federal Backstop	@V4CP038fAR	Withdrawn	
Accepted for Informational Purposes	Rule 38f. Terrorism Pricing - Federal Backstop	@V4CP038fWV	Withdrawn	
Accepted for Informational Purposes	Rule 38f. Terrorism Pricing - Federal Backstop	@V4CP038fWY	Withdrawn	

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Accepted for Informational Purposes Additional Rule 01 Terrorism CW @V4CMADD01 Replacement CW @V4CMADD01CW 0108.pdf

Accepted for Informational Purposes Additional Rule 01 Terrorism AR @V4CMADD01 Withdrawn AR

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ADDITIONAL RULE 01.
TERRORISM

A. Introduction

The "Terrorism Risk Insurance Act" (TRIA) establishes 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 provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which 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; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing general liability 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 non-terrorism events.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, the federal share of compensation for such losses under the program and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

B. Coverage Options

1. THE FOLLOWING RULES IN THIS SECTION (**B.1.**) INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO THE RULES IN SECTION **B.2.** FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

a. When coverage for certified acts of terrorism is to be provided, the following options are available:

- (1) To provide coverage for both certified acts of terrorism and other acts of terrorism (subject to underlying policy provisions), but provide that the insurer will not pay any amount for injury or damage for any certified act of terrorism after the amounts of all such events in a statutory period exceed the cap provided by the Act, use CG 21 70, Cap On Losses From Certified Acts Of Terrorism.
- (2) To provide coverage for acts of terrorism (subject to the cap on liability for losses for certified acts of terrorism and subject to underlying policy provisions), except those acts committed outside of the jurisdictional boundaries of the federal program, use CG 21 71, Exclusion Of Other Acts Of Terrorism Committed Outside The United States; Cap On Losses From Certified Acts Of Terrorism. The exclusion for acts of terrorism committed outside the United States is subject to a \$25 million threshold (valued in US dollars) for events other than nuclear, biological, chemical or radiological events. For nuclear, biological, chemical or radiological events, no dollar threshold applies.
- (3) To also exclude punitive damages arising out of a certified act of terrorism, use CG 21 76, Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism.

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b. When coverage for certified acts of terrorism is not provided (or is provided with a specific limitation), the following options are available:

- (1) To exclude coverage for certified acts of terrorism but provide coverage for other acts of terrorism (subject to underlying policy provisions), use CG 21 73, Exclusion Of Certified Acts Of Terrorism. The exclusion does not extend to acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program).
- (2) To exclude coverage for certified acts of terrorism and acts of terrorism committed outside the jurisdictional boundaries of the federal program, use CG 21 75, Exclusion Of Certified Acts Of Terrorism And Exclusion Of Other Acts Of Terrorism Committed Outside The United States. The exclusion for acts of terrorism committed outside the United States is subject to a \$25 million threshold (valued in US dollars) for events other than nuclear, biological, chemical or radiological events. For nuclear, biological, chemical or radiological events committed outside the United States, no dollar threshold applies.
- (3) To exclude coverage for certified acts of terrorism only when such acts qualify as a nuclear, biological, chemical, or radiological terrorist event; but provide coverage for other acts of terrorism subject to underlying policy provisions, use CG 21 84, Exclusion Of Certified Nuclear, Biological, Chemical Or Radiological Terrorism; Cap On Losses From Certified Acts Of Terrorism. Coverage for certified acts of terrorism under this endorsement is subject to the statutory cap on liability for losses provided by the Act.

This option may be offered to the insured, at the insurer's option, only when the insured initially rejects coverage for certified acts terrorism.

- (4) To provide coverage for certified acts of terrorism subject to a Certified Acts Of Terrorism Aggregate Limit and provide coverage for other acts of terrorism subject to full policy limits, use CG 21 80, Certified Acts Of Terrorism Aggregate Limit; Cap On Losses From Certified Acts Of Terrorism. Coverage is subject to the cap on liability for losses and subject to underlying policy provisions.

To provide this coverage for use with the Products/Completed Operations Liability Coverage Form, use CG 21 82, Certified Acts Of Terrorism Aggregate Limit; Cap On Losses From Certified Acts Of Terrorism.

These options may be offered to the insured, at the insurer's option, only when the insured initially rejects coverage for certified acts terrorism.

- (5) To also exclude punitive damages arising out of a certified act of terrorism when endorsement CG 21 80, CG 21 82 or CG 21 84 is attached to a policy, use CG 21 76, Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism.

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2. THE FOLLOWING RULES IN THIS SECTION (B.2.) INSTRUCT ON THE USAGE OF CONDITIONAL TERRORISM ENDORSEMENT OPTIONS FOR:

- POLICIES THAT BECOME EFFECTIVE DURING THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THAT PROGRAM;
- POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.

THESE CONDITIONAL ENDORSEMENTS ARE DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN ALSO BE USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO SECTION **B.3.** FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

The following information is based on a scheduled termination date of December 31, 2014. However, if there is an extension of the federal Program beyond 2014 and this line of business remains subject to TRIA under such extension, then the following information would apply instead to the last Program Year enacted via the extension, provided the federal Program will end on a specified date with respect to all policies for this line of business (a so-called hard ending).

Policies that become effective on or after January 1, 2014 may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement options provide insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.

- a. To exclude terrorism coverage, attach Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) endorsement CG 21 87.
- b. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Conditional Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) endorsement CG 21 88.
- c. To provide coverage for terrorism subject to a Terrorism Aggregate Limit (and subject to underlying policy provisions), attach Conditional Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis (Relating To Disposition Of Federal Terrorism Risk Insurance Act) endorsement CG 21 89.

If this conditional endorsement is used along with the terrorism aggregate limit endorsement described in Coverage Options rule **B.1.**, do not enter a Terrorism Aggregate Limit amount for the conditional endorsement. A footnote in the Schedule of the conditional endorsement makes reference to relevant text within the endorsement, which in turn explains how the Terrorism Aggregate Limit applies.

When conditional exclusion Endorsement CG 21 87 or CG 21 88 is attached to a policy that is written on a claims-made basis, also attach Extended Reporting Period For Terrorism endorsement CG 21 93. This endorsement provides the insured with an extended reporting period (5 years from the date the conditional exclusion went into effect) for claims arising out of an incident of terrorism that occurred prior to the conditional exclusion being triggered.

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3. THE FOLLOWING RULES IN THIS SECTION (B.3.) INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO:

- POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;
- POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES).
 - a. To exclude terrorism coverage, attach Exclusion Of Terrorism endorsement CG 21 90.
 - b. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism endorsement CG 21 91.
 - c. To provide coverage for terrorism subject to a Terrorism Aggregate Limit (and subject to underlying policy provisions), attach Limitation Of Coverage For Terrorism On Annual Aggregate Basis endorsement CG 21 92.

C. Pricing

1. General

The federal Program will expire on 12/31/2014 unless extended by future act of Congress. When the federal Program expires, whether on 12/31/2014 or subsequently if extended, premium charges for Certified Acts of Terrorism will be replaced by post-TRIA premium charges for acts of terrorism. Charges applicable to the time period following termination of the federal Program would be designated as Full charges to reflect the absence of federal participation in losses. The Premium Determination rule shown below will continue to apply if the federal program is extended beyond 12/31/2014 and to the post-TRIA premium in the period after the federal Program has expired. If Full charges, or charges for the period after the federal Program is extended, are not provided, use the current charges shown instead. Refer to paragraph **C.3.** for information on prorating.

2. Premium Determination

- a. To develop the "Certified Acts of Terrorism" premium, multiply the final policy premium by a percentage factor as shown below. (The final policy premium is the premium after all modifications, but not including any premium taxes or surcharges.) Apply no further pricing modifications to the "Certified Acts of Terrorism" premium.
- b. For General Liability coverages:
 - (1) Charge up to 5 percent of final policy premium for all locations and occupancies other than those identified in (2) below.
 - (2) Refer to company for pricing when any of the following conditions apply:
 - (a) The risk is an occupancy specified in the Terrorism Target Occupancies List and the risk is located in a city specified in the Terrorism Target Cities List (if any);
 - (b) Risks values of \$20,000,000 or greater; or
 - (c) Exposed headcount of 100 or greater.

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3. Disclosure Of Premium

a. For Policies That Begin Prior To The Last Program Year Of The Federal Program

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and the existence of the \$100 billion cap, is a condition for reimbursement under the federal program.

Form IL 09 85, Disclosure Pursuant To Terrorism Risk Insurance Act, which responds to the Treasury Guidance on line item disclosure, may be used to provide the required information.

b. For Policies That Begin In The Last Program Year Of The Federal Program

Use IL 09 99, Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act), for policies that begin in the last Program Year of the federal Program and extend into the following year, when disclosing premium for the period during which the federal Program is in effect and disclosing estimated premium for the remainder of the policy term.

4. Prorating

a. When Certified Exclusion and Conditional Exclusion Are Not Used

The federal Program is scheduled to terminate at the end of 12/31/2014 unless extended by the federal government. For annual policies with a term that begins in the last Program Year of the federal Program and extends into the following year, prorate the rate using applicable Program Year and Full charges, if available, based on the proportion of time the policy will be in effect before and after the Program's termination. If such a policy is rated prior to a Congressional decision on extension of the federal Program, the company may:

- (1) Prorate based on the federal Program's anticipated termination date. If the federal Program is extended, recalculate the premium and refund the excess premium, unless such amount falls within the waiver of return premium, if any, on file for the company in this state; or
- (2) Use the applicable Program Year rates for the entire annual policy period, instead of prorating. If the federal Program terminates, recalculate the premium and charge additional premium. If the federal Program is extended with changes in the backstop, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the company in this state.

b. When Terrorism Coverage Applies Subject To Conditional Exclusion

When a conditional exclusion is attached, the duration of coverage and the commensurate premium are not fully determined until the disposition of the federal Program is decided. When a conditional exclusion is used, prorate the applicable Program Year charge based on the proportion of time that coverage will apply. Make no charge (charge for fire only in Standard Fire Policy states - see Paragraph **B.2.c.** in such states) for the portion of time that coverage will be excluded. Example: Annual policy begins on 6/01/14; exclusion is anticipated to become effective on 1/01/15. The rate would be 59% (214/365 days) of the rate applicable to the 2014 Program Year..

If such a policy is rated prior to a Congressional decision on extension of the federal Program, the company may:

- (1) Prorate as indicated above based on the federal Program's anticipated termination date. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium unless such amount falls within the waiver of additional premium, if any, on file for the company in this state; or

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- (2) Calculate the premium using the applicable Program Year charges for the entire policy term. If the federal Program terminates, recalculate the premium by prorating that applicable Program Year charges and refund the excess premium. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the company in this state.

5. Individual Risk Situations

Rule 2. Referrals to Company may be used for rating any risk or exposure for which the premium that would be developed in C.2. would be inappropriate because of the nature of the exposure to terrorist acts, whether higher or lower, relative to other risks within the same territory.

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D. Terrorism Target Occupancies List

Services / Utilities, including:

- Colleges / Universities
- Hospitals / Health Care Facilities
- Medical Research Facilities
- Mailing Firms
- Major Media / Broadcasting / Communication Companies
- Oil / Gas Pipelines
- Public Utilities – including Electric, Water, Telephone and Gas
- Internet Companies and Telecommunications Companies

Financial Institutions – Large Risks

Government / Landmark Buildings and Structures, including:

- Risks Located Near Government / Landmark Buildings
- Risks Located Within 15 Miles of Nuclear Power Facilities

Public Assembly, including:

- Amusement Parks
- Arenas
- Casinos
- Concert Halls
- Convention / Exhibition Centers
- Shopping Malls and Department Stores – Large or Multi-Story
- Special Events
- Stadiums

Manufacturing

- Chemical / Fertilizer / Pharmaceutical Manufacturing or Distributing
- Defense / Aerospace / Military Goods – Manufacturing / Assembly
- Food Manufacturers
- High Tech Manufacturing Companies
- Oil and Gas Manufacturing or Distributing Companies

Infrastructure Risks, including:

- Bridges / Tunnels / Dams
- Public Transit Risks / Port or Transit Authorities / Railroads
- All Airports (or Risks Within a 1 Mile Radius)
- Military Facilities (or Risks Within a 1 Mile Radius)

E. Terrorism Target Cities List

None, except as provided in state exception pages.

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ADDITIONAL RULE 01.
TERRORISM

B. Coverage Options

1. Paragraphs **B.1.a.(3)** is replaced by the following:
 - (3) To also exclude punitive damages arising out of a certified act of terrorism, use CG 26 86, Arkansas Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism.
2. Paragraphs **B.1.b.(5)** is replaced by the following:
 - (5) To also exclude punitive damages arising out of a certified act of terrorism when endorsement CG 21 80, CG 21 82 or CG 21 84 is attached to a policy, use CG 26 86, Arkansas Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism.

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RULE 38f.
TERRORISM

A. Introduction

The Terrorism Risk Insurance Act (TRIA) establishes 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, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which 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; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, the federal share of compensation for such losses under the program and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

B. Coverage Options

1. THE FOLLOWING RULES IN THIS SECTION (**B.1.**) INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO THE RULES IN SECTION **B.2.** FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

- a. When coverage for certified acts of terrorism is provided, use endorsement IL 09 52, Cap On Losses From Certified Acts Of Terrorism. Coverage for certified acts of terrorism is subject to the statutory cap on liability for losses and subject to the nuclear hazard exclusion and all other underlying policy exclusions. Coverage for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program) is not subject to the statutory cap.
- b. When coverage for certified acts of terrorism is not provided (or is provided with a specific limitation), the following options are available:
 - (1) Exclude coverage for certified acts of terrorism by using endorsement IL 09 53, Exclusion Of Certified Acts Of Terrorism. The exclusion does not extend to acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program).
 - (2) Exclude coverage for certified acts of terrorism only when such acts qualify as a nuclear, biological, chemical, or radiological terrorist event; and cover other acts of terrorism subject to underlying policy provisions. Use Exclusion Of Certified Acts Of Terrorism Involving Nuclear, Biological, Chemical Or Radiological Terrorism; Cap On Covered Certified Acts Losses Endorsement IL 09 86. Coverage for certified acts of terrorism under this endorsement is subject to the statutory cap on liability for losses provided by the Act.

This option may be offered to the insured, at the insurer's option, only when the insured initially rejects coverage for certified acts terrorism.

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- (3) Limit coverage for certified acts of terrorism by writing coverage at a sub-limit (lower limit than the limit that applies to other perils). The sub-limit applies on an annual aggregate basis. Coverage for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program) remains subject to full underlying limits. Use Limitation Of Coverage For Certified Acts Of Terrorism (Sub-Limit On Annual Aggregate Basis) Endorsement IL 09 87.

This option may be offered to the insured, at the insurer's option, only when the insured initially rejects coverage for certified acts terrorism.

- c. The exclusions and sub-limit options addressed in paragraph b. (above) do not extend to fire following an act of terrorism, with respect to states which have a Standard Fire Policy (SFP) statute or similar statute prohibiting such exclusion or limitation for certain property lines of business. Use the Schedule in endorsements IL 09 53, IL 09 86 and IL 09 87 to indicate applicability of the Exception Covering Certain Fire Losses. That Exception is contained in the aforementioned endorsements.

Use the Terrorism Supplements to the ISO Commercial Lines Manual for guidance on applicability of the Exception Covering Certain Fire Losses.

- d. The federal program does not include Canada, and therefore endorsements relating to certified acts of terrorism are not relevant to acts of terrorism occurring in Canada. The federal program in general encompasses losses that occur within the United States, with State defined in the Act to include U.S. territories and possessions and the commonwealth of Puerto Rico. For commercial property insurance provided under the Commercial Property Coverage Part, the coverage territory as addressed in Commercial Property Conditions Form CP 00 90 is the United States, its territories and possessions, Puerto Rico and Canada. The foregoing is for information only; this Terrorism Supplement does not address policywriting outside the aforementioned coverage territory.

2. THE FOLLOWING RULES IN THIS SECTION (B.2.) INSTRUCT ON THE USAGE OF CONDITIONAL TERRORISM ENDORSEMENT OPTIONS FOR:

- POLICIES THAT BECOME EFFECTIVE DURING THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THAT PROGRAM;
- POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.

THESE CONDITIONAL ENDORSEMENTS ARE DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN ALSO BE USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO SECTION B.3. FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

The following information is based on a scheduled termination date of December 31, 2014. However, if there is an extension of the federal Program beyond 2014 and this line of business remains subject to TRIA under such extension, then the following information would apply instead to the last Program Year enacted via the extension, provided the federal Program will end on a specified date with respect to all policies for this line of business (a so-called hard ending).

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Policies that become effective on or after January 1, 2014 may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement options provide insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.

- a. To exclude terrorism coverage, attach Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement IL 09 95.
- b. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Conditional Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement IL 09 96.
- c. To provide coverage for terrorism subject to an annual aggregate sub-limit (and subject to underlying policy provisions including exclusions such as the nuclear hazard exclusion and war and military action exclusion), attach Conditional Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement IL 09 97.

If this conditional endorsement is used along with a sub-limit endorsement described in Coverage Options rule **B.1.**, do not enter a sub-limit amount for the conditional endorsement. A footnote in the Schedule of the conditional endorsement makes reference to relevant text within the endorsement, which in turn explains that the original sub-limit endorsement states the amount of the sub-limit.

3. THE FOLLOWING RULES IN THIS SECTION (**B.3.**) INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO:
 - POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;
 - POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES).
- a. To exclude terrorism coverage, attach Exclusion Of Terrorism Endorsement IL 00 30.
- b. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism Endorsement IL 00 31.
- c. To provide coverage for terrorism subject to an annual aggregate sub-limit (and subject to underlying policy provisions including exclusions such as the nuclear hazard exclusion and war and military action exclusion), attach Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis Endorsement IL 00 32.

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C. Pricing

1. General

The federal Program will expire on 12/31/2014 unless extended by future act of Congress. When the federal Program expires, whether on 12/31/2014 or subsequently if extended, premium charges for Certified Acts of Terrorism will be replaced by post-TRIA premium charges for acts of terrorism. Charges applicable to the time period following termination of the federal Program would be designated as Full charges to reflect the absence of federal participation in losses. The Premium Determination rule shown below will continue to apply if the federal program is extended beyond 12/31/2014 and to the post-TRIA premium in the period after the federal Program has expired. If Full charges, or charges for the period after the federal Program is extended, are not provided, use the current charges shown instead. Refer to paragraph **C.3.** for information on prorating.

2. Premium Determination

- a. To develop the "Certified Acts of Terrorism" premium, multiply the final policy premium by a percentage factor as shown below. (The final policy premium is the premium after all modifications, but not including any premium taxes or surcharges.) Apply no further pricing modifications to the "Certified Acts of Terrorism" premium or the post-TRIA premium.
- b. For Commercial Property coverage:
 - (1) Charge 3 percent surcharge rate for all locations and occupancies other than those identified in (2) and (3) below.
 - (2) Charge 5 percent if the risk is located in a city specified in the Terrorism Target Cities List or is an occupancy specified in the Terrorism Target Occupancies List , except as identified in (3) below.
 - (3) Refer to company for pricing when any of the following conditions apply:
 - (a) The risk is an occupancy specified in the Terrorism Target Occupancies List and the risk is located in a city specified in the Terrorism Target Cities List (if any);
 - (b) Risks values of \$20,000,000 or greater; or
 - (c) Exposed headcount of 100 or greater.
- c. If the insured rejects coverage for certified acts of terrorism, that rejection does not apply, due to a statutory requirement in some states, to direct loss or damage from fire following a certified act of terrorism. These statutes may affect locations on single state or multistate policies. For locations in states with such statutory requirements, to develop a premium only for direct loss or damage from fire following a certified act of terrorism, apply a factor of .60 to that portion of the premium for certified acts of terrorism coverage that would be developed in **C.2.** to apply to direct property damage coverage for locations in such states. This rule will also apply to the post-TRIA premium in the period after the federal Program has expired.

Use the Terrorism Supplements to the ISO Commercial Lines Manual for guidance on states that require coverage for fire following an act of terrorism.

3. Disclosure Of Premium

a. For Policies That Begin Prior To The Last Program Year Of The Federal Program

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and the existence of the \$100 billion cap, is a condition for reimbursement under the federal program.

Form IL 09 85, Disclosure Pursuant To Terrorism Risk Insurance Act, which responds to the Treasury Guidance on line item disclosure, may be used to provide the required information.

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b. For Policies That Begin In The Last Program Year Of The Federal Program

Use IL 09 99, Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act), for policies that begin in the last Program Year of the federal Program and extend into the following year, to disclose premium for the period during which the federal Program is in effect and to disclose estimated premium for the remainder of the policy term.

4. Prorating

a. When Certified Exclusion and Conditional Exclusion Are Not Used

The federal Program is scheduled to terminate at the end of 12/31/2014 unless extended by the federal government. For annual policies with a term that begins in the last Program Year of the federal Program and extends into the following year, prorate the rate using applicable Program Year and Full charges, if available, based on the proportion of time the policy will be in effect before and after the Program's termination. If such a policy is rated prior to a Congressional decision on extension of the federal Program, the company may:

- (1) Prorate based on the federal Program's anticipated termination date. If the federal Program is extended, recalculate the premium and refund the excess premium, unless such amount falls within the waiver of return premium, if any, on file for the company in this state; or
- (2) Use the applicable Program Year rates for the entire annual policy period, instead of prorating. If the federal Program terminates, recalculate the premium and charge additional premium. If the federal Program is extended with changes in the backstop, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the company in this state.

b. When Terrorism Coverage Applies Subject To Conditional Exclusion

When a conditional exclusion is attached, the duration of coverage and the commensurate premium are not fully determined until the disposition of the federal Program is decided. When a conditional exclusion is used, prorate the applicable Program Year charge based on the proportion of time that coverage will apply. Make no charge (charge for fire only in Standard Fire Policy states - see Paragraph **B.2.c.** in such states) for the portion of time that coverage will be excluded. Example: Annual policy begins on 6/01/14; exclusion is anticipated to become effective on 1/01/15. The rate would be 59% (214/365 days) of the rate applicable to the 2014 Program Year..

If such a policy is rated prior to a Congressional decision on extension of the federal Program, the company may:

- (1) Prorate as indicated above based on the federal Program's anticipated termination date. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium unless such amount falls within the waiver of additional premium, if any, on file for the company in this state; or
- (2) Calculate the premium using the applicable Program Year charges for the entire policy term. If the federal Program terminates, recalculate the premium by prorating that applicable Program Year charges and refund the excess premium. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the company in this state.

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5. Individual Risk Situations

Rule 2. Referrals to Company may be used for rating any risk or exposure for which the premium that would be developed in C.2. would be inappropriate because of the nature of the exposure to terrorist acts, whether higher or lower, relative to other risks within the same territory.

D. Terrorism Target Occupancies List

Services / Utilities, including:

- Colleges / Universities
- Hospitals / Health Care Facilities
- Medical Research Facilities
- Mailing Firms
- Major Media / Broadcasting / Communication Companies
- Oil / Gas Pipelines
- Public Utilities – including Electric, Water, Telephone and Gas
- Internet Companies and Telecommunications Companies

Financial Institutions – Large Risks

Government / Landmark Buildings and Structures, including:

- Risks Located Near Government / Landmark Buildings
- Risks Located Within 15 Miles of Nuclear Power Facilities

Public Assembly, including:

- Amusement Parks
- Arenas
- Casinos
- Concert Halls
- Convention / Exhibition Centers
- Shopping Malls and Department Stores – Large or Multi-Story
- Special Events
- Stadiums

Manufacturing

- Chemical / Fertilizer / Pharmaceutical Manufacturing or Distributing
- Defense / Aerospace / Military Goods – Manufacturing / Assembly
- Food Manufacturers
- High Tech Manufacturing Companies
- Oil and Gas Manufacturing or Distributing Companies

Infrastructure Risks, including:

- Bridges / Tunnels / Dams
- Public Transit Risks / Port or Transit Authorities / Railroads
- All Airports (or Risks Within a 1 Mile Radius)
- Military Facilities (or Risks Within a 1 Mile Radius)

E. Terrorism Target Cities List

None, except as provided in state exception pages.

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TERRORISM

Paragraph **2.b.** of Section **C. Pricing** is replaced by the following:

2. Premium Determination

b. For Commercial Property coverage:

- (1)** Charge 3 percent if the risk is located in a city specified in the Terrorism Target Cities List or is an occupancy specified in the Terrorism Target Occupancies List, except as identified in **(2)** below.
- (2)** Refer to company for pricing when any of the following conditions apply:
 - (a)** The risk is an occupancy specified in the Terrorism Target Occupancies List and the risk is located in a city specified in the Terrorism Target Cities List;
 - (b)** Risks values of \$20,000,000 or greater; or
 - (c)** Exposed headcount of 100 or greater.

Paragraph **C.4., Individual Risk Situations**, is deleted. This paragraph does not apply in the State of Oklahoma.

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ADDITIONAL RULE 01
TERRORISM

A. Introduction

The "Terrorism Risk Insurance Act" (TRIA) establishes 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 provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which 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; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing commercial property 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 non-terrorism events.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, the federal share of compensation for such losses under the program and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

B. Coverage Options

1. THE FOLLOWING RULES IN THIS SECTION (**B.1.**) INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO THE RULES IN SECTION **B.2.** FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

- a. When coverage for certified acts of terrorism is provided, use endorsement IL 09 52, Cap On Losses From Certified Acts Of Terrorism. Coverage for certified acts of terrorism is subject to the statutory cap on liability for losses and subject to the nuclear hazard exclusion and all other underlying policy exclusions. Coverage for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program) is not subject to the statutory cap.
- b. When coverage for certified acts of terrorism is not provided (or is provided with a specific limitation), the following options are available:
 - (1) Exclude coverage for certified acts of terrorism by using endorsement IL 09 53, Exclusion Of Certified Acts Of Terrorism. The exclusion does not extend to acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program).

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- (2) Exclude coverage for certified acts of terrorism only when such acts qualify as a nuclear, biological, chemical, or radiological terrorist event; and cover other acts of terrorism subject to underlying policy provisions. Use Exclusion Of Certified Acts Of Terrorism Involving Nuclear, Biological, Chemical Or Radiological Terrorism; Cap On Covered Certified Acts Losses endorsement IL 09 86. Coverage for certified acts of terrorism under this endorsement is subject to the statutory cap on liability for losses provided by the Act.

This option may be offered to the insured, at the insurer's option, only when the insured initially rejects coverage for certified acts terrorism.

- (3) Limit coverage for certified acts of terrorism by writing coverage at a sub-limit (lower limit than the limit that applies to other perils). The sub-limit applies on an annual aggregate basis. Coverage for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program) remains subject to full underlying limits. Use Limitation Of Coverage For Certified Acts Of Terrorism (Sub-Limit On Annual Aggregate Basis) endorsement IL 09 87.

This option may be offered to the insured, at the insurer's option, only when the insured initially rejects coverage for certified acts terrorism.

- c. The exclusions and sub-limit options addressed in paragraph b. (above) do not extend to fire following an act of terrorism, with respect to states which have a Standard Fire Policy (SFP) statute or similar statute prohibiting such exclusion or limitation for certain property lines of business. Use the Schedule in endorsements IL 09 53, IL 09 86 and IL 09 87 to indicate applicability of the Exception Covering Certain Fire Losses. That Exception is contained in the aforementioned endorsements.

Use the Terrorism Supplements to the ISO Commercial Lines Manual for guidance on applicability of the Exception Covering Certain Fire Losses.

- d. The federal program in general encompasses losses that occur within the United States, with State defined in the Act to include U.S. territories and possessions and the commonwealth of Puerto Rico. For insurance provided under the Commercial Inland Marine Coverage Part, the coverage territory as addressed in Commercial Inland Marine Coverage Forms extends to places, such as Canada, that are not included in the federal program, and therefore endorsements relating to certified acts of terrorism are not relevant to acts of terrorism occurring in such places. The foregoing is for information only; this Terrorism Supplement does not address policywriting outside the aforementioned coverage territory.

2. THE FOLLOWING RULES IN THIS SECTION (B.2.) INSTRUCT ON THE USAGE OF CONDITIONAL TERRORISM ENDORSEMENT OPTIONS FOR:

- POLICIES THAT BECOME EFFECTIVE DURING THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THAT PROGRAM;
- POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.

THESE CONDITIONAL ENDORSEMENTS ARE DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN ALSO BE USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO SECTION B.3. FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

The following information is based on a scheduled termination date of December 31, 2014. However, if there is an extension of the federal Program beyond 2014 and this line of business remains subject to TRIA under such extension, then the following information would apply instead to the last Program Year

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enacted via the extension, provided the federal Program will end on a specified date with respect to all policies for this line of business (a so-called hard ending).

Policies that become effective on or after January 1, 2014 may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement options provide insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.

- a. To exclude terrorism coverage, attach Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) endorsement IL 09 95.
- b. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Conditional Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) endorsement IL 09 96.
- c. To provide coverage for terrorism subject to an annual aggregate sub-limit (and subject to underlying policy provisions including exclusions such as the nuclear hazard exclusion and war and military action exclusion), attach Conditional Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis (Relating To Disposition Of Federal Terrorism Risk Insurance Act) endorsement IL 09 97.

If this conditional endorsement is used along with a sub-limit endorsement described in Coverage Options rule **B.1.**, do not enter a sub-limit amount for the conditional endorsement. A footnote in the Schedule of the conditional endorsement makes reference to relevant text within the endorsement, which in turn explains that the original sub-limit endorsement states the amount of the sub-limit.

3. THE FOLLOWING RULES IN THIS SECTION (**B.3.**) INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO:
 - POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;
 - POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES).
- a. To exclude terrorism coverage, attach Exclusion Of Terrorism endorsement IL 00 30.
- b. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism endorsement IL 00 31.
- c. To provide coverage for terrorism subject to an annual aggregate sub-limit (and subject to underlying policy provisions including exclusions such as the nuclear hazard exclusion and war and military action exclusion), attach Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis endorsement IL 00 32.

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C. Pricing

1. General

The federal Program will expire on 12/31/2014 unless extended by future act of Congress. When the federal Program expires, whether on 12/31/2014 or subsequently if extended, premium charges for Certified Acts of Terrorism will be replaced by post-TRIA premium charges for acts of terrorism. Charges applicable to the time period following termination of the federal Program would be designated as Full charges to reflect the absence of federal participation in losses. The Premium Determination rule shown below will continue to apply if the federal program is extended beyond 12/31/2014 and to the post-TRIA premium in the period after the federal Program has expired. If Full charges, or charges for the period after the federal Program is extended, are not provided, use the current charges shown instead. Refer to paragraph **C.3.** for information on prorating.

2. Premium Determination

- a.** To develop the "Certified Acts of Terrorism" premium, multiply the final policy premium by a percentage factor as shown below. (The final policy premium is the premium after all modifications, but not including any premium taxes or surcharges.) Apply no further pricing modifications to the "Certified Acts of Terrorism" premium.
- b.** For inland marine coverages:
 - (1)** Charge 3 percent surcharge rate for all locations and occupancies other than those identified in **(2)** and **(3)** below.
 - (2)** Charge 5 percent if the risk is located in a city specified in the Terrorism Target Cities List or is an occupancy specified in the Terrorism Target Occupancies List , except as identified in **(3)** below.
 - (3)** Refer to company for pricing when any of the following conditions apply:
 - (a)** The risk is an occupancy specified in the Terrorism Target Occupancies List and the risk is located in a city specified in the Terrorism Target Cities List (if any);
 - (b)** Risks values of \$20,000,000 or greater; or
 - (c)** Exposed headcount of 100 or greater.
- c.** If the insured rejects coverage for certified acts of terrorism, that rejection does not apply, due to a statutory requirement in some states, to direct loss or damage from fire following a certified act of terrorism. These statutes may affect locations on single state or multistate policies. For locations in states with such statutory requirements, to develop a premium only for direct loss or damage from fire following a certified act of terrorism, apply a factor of .60 to that portion of the premium for certified acts of terrorism coverage that would be developed in **C.2.** to apply to direct property damage coverage for locations in such states. This rule will also apply to the post-TRIA premium in the period after the federal Program has expired.

Use the Terrorism Supplements to the ISO Commercial Lines Manual for guidance on states that require coverage for fire following an act of terrorism.

3. Disclosure Of Premium

a. For Policies That Begin Prior To The Last Program Year Of The Federal Program

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and the existence of the \$100 billion cap, is a condition for reimbursement under the federal program.

Form IL 09 85, Disclosure Pursuant To Terrorism Risk Insurance Act, which responds to the Treasury Guidance on line item disclosure, may be used to provide the required information.

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b. For Policies That Begin In The Last Program Year Of The Federal Program

Use IL 09 99, Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act), for policies that begin in the last Program Year of the federal Program and extend into the following year, to disclose premium for the period during which the federal Program is in effect and to disclose estimated premium for the remainder of the policy term.

4. Prorating

a. When Certified Exclusion and Conditional Exclusion Are Not Used

The federal Program is scheduled to terminate at the end of 12/31/2014 unless extended by the federal government. For annual policies with a term that begins in the last Program Year of the federal Program and extends into the following year, prorate the rate using applicable Program Year and Full charges, if available, based on the proportion of time the policy will be in effect before and after the Program's termination. If such a policy is rated prior to a Congressional decision on extension of the federal Program, the company may:

- (1) Prorate based on the federal Program's anticipated termination date. If the federal Program is extended, recalculate the premium and refund the excess premium, unless such amount falls within the waiver of return premium, if any, on file for the company in this state; or
- (2) Use the applicable Program Year rates for the entire annual policy period, instead of prorating. If the federal Program terminates, recalculate the premium and charge additional premium. If the federal Program is extended with changes in the backstop, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the company in this state.

b. When Terrorism Coverage Applies Subject To Conditional Exclusion

When a conditional exclusion is attached, the duration of coverage and the commensurate premium are not fully determined until the disposition of the federal Program is decided. When a conditional exclusion is used, prorate the applicable Program Year charge based on the proportion of time that coverage will apply. Make no charge (charge for fire only in Standard Fire Policy states - see Paragraph **B.2.c.** in such states) for the portion of time that coverage will be excluded. Example: Annual policy begins on 6/01/14; exclusion is anticipated to become effective on 1/01/15. The rate would be 59% (214/365 days) of the rate applicable to the 2014 Program Year..

If such a policy is rated prior to a Congressional decision on extension of the federal Program, the company may:

- (1) Prorate as indicated above based on the federal Program's anticipated termination date. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium unless such amount falls within the waiver of additional premium, if any, on file for the company in this state; or
- (2) Calculate the premium using the applicable Program Year charges for the entire policy term. If the federal Program terminates, recalculate the premium by prorating that applicable Program Year charges and refund the excess premium. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the company in this state.

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5. Individual Risk Situations

Rule 2. Referrals to Company may be used for rating any risk or exposure for which the premium that would be developed in paragraph C.2. would be inappropriate because of the nature of the exposure to terrorist acts, whether higher or lower, relative to other risks within the same territory.

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D. Terrorism Target Occupancies List

Services / Utilities, including:

- Colleges / Universities
- Hospitals / Health Care Facilities
- Medical Research Facilities
- Mailing Firms
- Major Media / Broadcasting / Communication Companies
- Oil / Gas Pipelines
- Public Utilities – including Electric, Water, Telephone and Gas
- Internet Companies and Telecommunications Companies

Financial Institutions – Large Risks

Government / Landmark Buildings and Structures, including:

- Risks Located Near Government / Landmark Buildings
- Risks Located Within 15 Miles of Nuclear Power Facilities

Public Assembly, including:

- Amusement Parks
- Arenas
- Casinos
- Concert Halls
- Convention / Exhibition Centers
- Shopping Malls and Department Stores – Large or Multi-Story
- Special Events
- Stadiums

Manufacturing

- Chemical / Fertilizer / Pharmaceutical Manufacturing or Distributing
- Defense / Aerospace / Military Goods – Manufacturing / Assembly
- Food Manufacturers
- High Tech Manufacturing Companies
- Oil and Gas Manufacturing or Distributing Companies

Infrastructure Risks, including:

- Bridges / Tunnels / Dams
- Public Transit Risks / Port or Transit Authorities / Railroads
- All Airports (or Risks Within a 1 Mile Radius)
- Military Facilities (or Risks Within a 1 Mile Radius)

E. Terrorism Target Cities List

None, except as provided in state exception pages.

SERFF Tracking Number: BEAC-125550733 State: Arkansas
First Filing Company: The Employers' Fire Insurance Company, ... State Tracking Number: EFT \$100
Company Tracking Number: 2008-ML-AR-RU-526
TOI: 05.0 Commercial Multi-Peril - Liability & Non- Sub-TOI: 05.0000 CMP Sub-TOI Combinations
Liability
Product Name: Terrorism Risk Insurance Program Reauthorization Act of 2007
Project Name/Number: Terrorism Risk Insurance Program Reauthorization Act of 2007/2008-ML-AR-RU-526

Supporting Document Schedules

Satisfied -Name: Explanatory Memos for Property, GL, Inland Marine Terrorism Rules
Review Status: Accepted for Informational Purposes 04/01/2008

Comments:

Attachments:

2008 EM Rules - TRIPRA _CP_AR.pdf
2008 EM Rules - TRIPRA (GL)_AR.pdf
2008 EM Rules - TRIPRA (IM)_AR.pdf

Satisfied -Name: Expedited Transmittal Document
Review Status: Accepted for Informational Purposes 04/01/2008

Comments:

Attachment:

T Doc - TRIPRA_All Lines _Rules.pdf

Explanatory Memorandum

Terrorism

Commercial Property Rules Revisions 200801

MULTISTATE

The OneBeacon companies will utilize ISO forms to provide or exclude terrorism coverage instead of using its own independent forms (which duplicated ISO). Due to this change, we are revising or withdrawing independent company rules that reference the company forms. Therefore, pertinent parts of RULE 38f. TERRORISM (in both multistate and state exception pages) have been added, deleted or revised to reflect ISO form usage.

This filing also revises certain parts of the terrorism rule in response to enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2007. The rules include the following revisions as well as those mentioned in the state supplement:

- Revise reference to the criteria for certification of an act of terrorism, by deleting the text relating to actions committed on behalf of any foreign interest, in line with the revision to Section 102(1)(A)(iv) of the Act.
- Revise the language expressing the existence and effect of the cap. As revised, the language explicitly refers to the amount of the cap and addresses allocation of insured losses, pursuant to Sections 103(e)(2)(A) and 103(e)(2)(B) of the Act.
- Recognize the scheduled termination date of the federal program (December 31, 2014).
- Includes reference to making coverage available to the insured, which comports more closely to the language of the Act.

Explanatory Memorandum
Terrorism
Commercial Property Rules Revisions 200801

ARKANSAS

Withdrawing state exception pages for RULE 38f. TERRORISM PRICING - FEDERAL BACKSTOP.

No state exceptions to revised multistate RULE 38f. TERRORISM.

Explanatory Memorandum

Terrorism

Commercial General Liability Rules Revisions 200801

MULTISTATE

The OneBeacon companies will utilize ISO forms to provide or exclude terrorism coverage. Therefore, pertinent parts of Additional Rule 01 Terrorism have been added, deleted or revised to reflect ISO form usage. Additionally, independent company rules previously provided in separate supplements have also been consolidated (to reduce duplication) to the multistate rule and are noted in state supplements.

This filing also revises certain parts of the terrorism rule in response to enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2007. The rules include the following revisions as well as those mentioned in the state supplement:

- Revise reference to the criteria for certification of an act of terrorism, by deleting the text relating to actions committed on behalf of any foreign interest, in line with the revision to Section 102(1)(A)(iv) of the Act.
- Revise the language expressing the existence and effect of the cap. As revised, the language explicitly refers to the amount of the cap and addresses allocation of insured losses, pursuant to Sections 103(e)(2)(A) and 103(e)(2)(B) of the Act.
- Recognize the scheduled termination date of the federal program (December 31, 2014).
- Includes reference to making coverage available to the insured, which comports more closely to the language of the Act.

Explanatory Memorandum
Terrorism
Commercial General Liability Rules Revisions 200801

ARKANSAS

Introduced exceptions to multistate Additional Rule 01 Terrorism to follow ISO form usage rules for terrorism.

Withdrawing state exception to Additional Rule 01 Terrorism for Target Cities. The multistate Additional Rule 01 Terrorism now provides (see Part E) that there are no Target Cities except as provided in the state exception page.

Explanatory Memorandum

Terrorism

Inland Marine Rules Revisions 200801

MULTISTATE

The OneBeacon companies utilize ISO forms to provide or exclude terrorism coverage. Therefore, pertinent parts of Additional Rule 01 Terrorism have been added or revised to reflect ISO form usage. Additionally, independent company rules previously provided in separate supplements have also been consolidated (to reduce duplication) to the multistate rule and are noted in state supplements.

This filing also revises certain parts of the terrorism rule in response to enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2007. The rules include the following revisions as well as those mentioned in the state supplement:

- Revise reference to the criteria for certification of an act of terrorism, by deleting the text relating to actions committed on behalf of any foreign interest, in line with the revision to Section 102(1)(A)(iv) of the Act.
- Revise the language expressing the existence and effect of the cap. As revised, the language explicitly refers to the amount of the cap and addresses allocation of insured losses, pursuant to Sections 103(e)(2)(A) and 103(e)(2)(B) of the Act.
- Recognize the scheduled termination date of the federal program (December 31, 2014).
- Includes reference to making coverage available to the insured, which comports more closely to the language of the Act.

Explanatory Memorandum
Terrorism
Inland Marine Rules Revisions 200801

ARKANSAS

Withdrawing state exception to Additional Rule 01 Terrorism. The multistate Additional Rule 01 Terrorism now provides (see Part E) that there are no Target Cities except as provided in the state exception page.

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

This page applies to the following state(s) _____

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

Department Use only

Company Name(s)	Domicile	NAIC #	FEIN #
OneBeacon America Insurance Company	MA	1129-20621	04-2475442
The Employers' Fire Insurance Company	MA	1129-20648	04-1288420
Atlantic Specialty Insurance Company	NY	1129-27154	

Contact Info for Filer

Name and address of Filer(s)	Telephone #	FAX #	e-mail
Judith A. Carrasco OneBeacon Insurance Group One Beacon Lane Canton, MA 02021	781-332-8937	888-475-9817	jcarrasco@onebeacon.com

Filing information

Line of Insurance (see attachment)	1.0, 2.1, 5.1, 5.2, 9.0, 17.0, 17.2, 18.0
Company Program Title (Marketing title) (if applicable)	Terrorism Risk Insurance Program Reauthorization Act of 2007
Filing Type ** see note below	Rule
This application is used with:	Property, General Liability, Inland Marine and Umbrella coverages and endorsements
Effective Date Requested	4/1/08 New and Renewal
Filing date	3/24/08
Company Tracking Number	2008-ML-AR-RU-526
Date filing approved in domiciliary state, if applicable	Filing 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	Please refer to Rule Schedule tab on SERFF		<input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither		

To be complete, a filing must include the following:

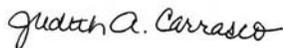
- A completed Expedited Filing Transmittal Document for each insurer or advisory organization.
- One copy of each endorsement, disclosure form or other policy language, unless the insurer has given an advisory organization authorization to file them on its behalf.
- A copy of the rates, rating systems 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.

Judith A. Carrasco

Senior Compliance Analyst



Signature

Print Name:

Title: