

SERFF Tracking Number: AGNY-125764125 State: Arkansas
First Filing Company: AIU Insurance Company, ... State Tracking Number: EFT \$25
Company Tracking Number: AIC-08-TRGL-01
TOI: 17.0 Other Liability - Claims Made/Occurrence Sub-TOI: 17.0001 Commercial General Liability
Product Name: Commercial General Liability Terrorism Exposures -102000810
Project Name/Number: Commercial General Liability - Terrorism Exposures/AIC-08-TRGL-01

Filing at a Glance

Companies: AIU Insurance Company, American International South Insurance Company, AIG Casualty Company, Commerce and Industry Insurance Company, Granite State Insurance Company, National Union Fire Insurance Company of Pittsburgh, Pa., New Hampshire Insurance Company, The Insurance Company of the State of Pennsylvania

Product Name: Commercial General Liability SERFF Tr Num: AGNY-125764125 State: Arkansas
Terrorism Exposures -102000810

TOI: 17.0 Other Liability - Claims SERFF Status: Closed State Tr Num: EFT \$25
Made/Occurrence

Sub-TOI: 17.0001 Commercial General Liability Co Tr Num: AIC-08-TRGL-01 State Status: Fees verified and received

Filing Type: Rule Co Status: Reviewer(s): Betty Montesi, Edith Roberts

Author: Myron Harry Disposition Date: 09/02/2008

Date Submitted: 08/11/2008 Disposition Status: Filed

Effective Date Requested (New): 09/15/2008 Effective Date (New):

Effective Date Requested (Renewal): 09/15/2008 Effective Date (Renewal):

State Filing Description:

General Information

Project Name: Commercial General Liability - Terrorism Exposures Status of Filing in Domicile: Not Filed

Project Number: AIC-08-TRGL-01 Domicile Status Comments:

Reference Organization: Reference Number:

Reference Title: Advisory Org. Circular:

Filing Status Changed: 09/02/2008

State Status Changed: 09/02/2008 Deemer Date:

Corresponding Filing Tracking Number:

Filing Description:

The referenced companies submit for your review and approval their revised Exhibits for use with their rating methodology for Commercial General Liability terrorism exposures.

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The revised Exhibits include the following reduced ranges for terrorism exposures:

- For a low exposure, the 1 to 5% range has been reduced to 0.5% to 1.0%;
- For a medium exposure, the 6 to 12% range has been reduced to 2.0% to 3.0%;
- For a high exposure, the 13 to 20% range has been reduced to 4.0%; and
- For a severe exposure, the 21 to 30% range has been reduced to 5.0%.

Please refer to the attached blackline to see revisions made to the previous Exhibits (our filing no. AIC-03-GL-01).

Company and Contact

Filing Contact Information

Myron Harry, myron.harry@aig.com
 175 Water Street - 17th Floor (212) 458-7057 [Phone]
 New York, NY 10038 (212) 458-7077[FAX]

Filing Company Information

AIU Insurance Company	CoCode: 19399	State of Domicile: New York
70 Pine Street	Group Code:	Company Type:
New York, NY 10270	Group Name:	State ID Number:
(212) 770-7000 ext. [Phone]	FEIN Number: 13-5303710	

American International South Insurance Company	CoCode: 40258	State of Domicile: Pennsylvania
70 Pine Street	Group Code:	Company Type:
New York, NY 10270	Group Name:	State ID Number:
(212) 770-7000 ext. [Phone]	FEIN Number: 02-6008643	

AIG Casualty Company	CoCode: 19402	State of Domicile: Pennsylvania
70 Pine Street	Group Code:	Company Type:
New York, NY 10270	Group Name:	State ID Number:
(212) 770-7000 ext. [Phone]	FEIN Number: 25-1118791	

Commerce and Industry Insurance Company	CoCode: 19410	State of Domicile: New York
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Filing Fees

Fee Required? Yes
 Fee Amount: \$25.00
 Retaliatory? No
 Fee Explanation: One Rule filing - \$25.00
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
AIU Insurance Company	\$25.00	08/11/2008	21878654
American International South Insurance Company	\$0.00	08/11/2008	
AIG Casualty Company	\$0.00	08/11/2008	
Commerce and Industry Insurance Company	\$0.00	08/11/2008	
Granite State Insurance Company	\$0.00	08/11/2008	
National Union Fire Insurance Company of Pittsburgh, Pa.	\$0.00	08/11/2008	
New Hampshire Insurance Company	\$0.00	08/11/2008	
The Insurance Company of the State of Pennsylvania	\$0.00	08/11/2008	

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Edith Roberts	09/02/2008	09/02/2008

Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
Commercial General Liability Terrorism Exposures - AIC-08-TRGL-01	Note To Reviewer	Myron Harry	08/11/2008	08/11/2008

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Disposition

Disposition Date: 09/02/2008

Effective Date (New):

Effective Date (Renewal):

Status: Filed

Comment:

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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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	Exhibit I - Terrorism Exposure Pricing	Pages 1-8	Replacement	GL Terrorism Exposure Pricing - 8-08.pdf

Exhibit I

Liability Underwriting and Pricing Assessment Steps For Potential Terrorism Exposure

1. Assess individual risk characteristics pertinent to terrorism and establish a prudent charge commensurate with exposure, keeping in mind:
 - Terrorism risk exposure level is driven by a combination of factors, generally not just one;
 - Not all risks located in New York City, Washington, D.C., Chicago, or any other city perceived as high hazard, are targets for terrorism;
 - Not all risks located in suburban or rural areas are exempt from terrorist action of some kind; and
 - Not all risks rated from certain class codes are targets for terrorism.
2. Refer to **Exhibit III, Terrorist Activity Exposure Charts**, as a guide concerning specific risks. This is the first assessment step that helps provoke thought with respect to potential terrorist activities.
3. Refer to **Exhibit IV, Assessing Terrorist Exposure**, and consider the characteristics relative to potential terrorism action indicated in **Exhibit III**. Decide whether the risk has low, medium, high or severe exposure to terrorism. This will help select a viable percentage to charge for exposure to terrorism.
4. To the extent necessary, understand and assess the risk's plan to address terrorism. Determine if the risk has taken prudent action to guard against terrorist activity and protect the public and customers. Refer to **Exhibit V, Components of a Viable Terrorist Protection Plan**, for this assessment and pay particular attention to the precautionary note at the beginning of the material. Consider to what extent the risk's planning reduces terrorism risk exposure.
5. Consider pricing implications relative to the potential for terrorist action versus the steps taken by the risk to ensure safety for the public and their employees. Price the terrorism exposure using the range of percentages filed and approved by each State Department of Insurance. Refer to **Exhibit II, Terrorism Exposure Pricing**. Charge at the lower end of the indicated range of percentages for risks assessed as low hazard. Charge at the higher end of the indicated range of percentages for risks assessed as severe hazard. If operational recommendations are provided to insureds or prospects by AIG Loss Control, consider the extent to which compliance with the recommendations should affect pricing for terrorism risk exposure.
6. Document the pricing decision, and rationale, and retain the material in a permanent section of the underwriting file.

Exhibit II

Terrorism Exposure Pricing Liability Pricing Range

General Liability means:

- Comprehensive General Liability
- Professional Liability*
- Errors and Omissions Liability*
- Pollution/Environmental Liability
- Owners and Contractors Protective Liability (including NY Special Protective)
- Railroad Protective Liability
- Management Liability:
 - Directors and Officers Liability
 - Employers Protective Liability
 - Employee Benefits Liability

(*Note – these lines are not included in the Terrorism Risk Insurance Act.)

Susceptibility to terrorism, and the probable injury to the public, varies considerably among insureds based on location, type/kind/quantity of stored materials, number of potential victims, etc. Also, the amount of time businesses spend assessing exposures, developing plans, and the effort expended to prepare for potential attacks or action may vary considerably.

Underwriters must assess the terrorism risk exposure for individual insureds. Refer to **Exhibit I, Liability Underwriting Assessment Steps** that requires underwriters to classify risks as “low,” “medium,” “high” or “severe.” While a range is provided for underwriter’s use, *generally*, terrorism risk charges should be made as follows:

Exposure Guide:

Low exposure:	0.5% to 1.0%
Medium exposure:	2.0% to 3.0%
High exposure:	4.0%
Severe exposure:	5.0%

Refer to the table below for pricing guidance:

	Situation	Pricing
1	No terrorism exclusion attached to policy. This is the underwriter’s initial terrorism exposure quote subject to acceptance by prospects or insureds.	Charge 0.5 to 5.0% of at-limits coverage premium based on underwriter’s assessment using the General Liability terrorism assessment tools. Note: Charge \$50 minimum premium for terrorism coverage under OCP, including NY Special Protective.
2	Terrorism Exclusion is attached to the policy. Insured signs rejection letter.	Do not apply terrorism surcharge from “1” above.

Note: Terrorism risk exposure and pricing decisions must be documented and kept in a permanent section of the underwriting file. Specifically document all charges that depart from the suggested ranges in the **Exposure Guide** on this page.

Exhibit III

Terrorist Activity Exposure Charts

Note: “Low,” “Medium,” “High” and “Severe” was assigned to risks that appear *susceptible* to terrorist action. An assignment of “low” does not necessarily mean the potential for terrorist action does not exist. It means that chances for action are low relative to other SIC Codes listed on the chart, but the “low” assessment may not hold up after an underwriting analysis. Additionally, an assignment of “high” or “severe” should prompt a more intense underwriting analysis, but does not necessarily mean assessments for specific risks will remain “high” or “severe” ---- they may change to something in a lower category.

CHART No. 1 - The following chart applies to all liability lines except as noted under Charts 2 and 3:

U.S. Government-SIC Classes Potentially Susceptible	Likelihood of Terrorism	Examples of Potential Activity/Attacks
Agriculture, Forestry & Fishing – Agricultural Production-Livestock – Fishing, hunting & Trapping	G.L.- Low	<ul style="list-style-type: none"> ▪ Potential poisoning/viral attacks on U.S. livestock ▪ Poisoning of lakes and streams ▪ Rendering soil unusable ▪ Contaminating/poisoning populations using crop dusting equipment
Mining – Oil & Gas Extraction	G.L.- Medium	<ul style="list-style-type: none"> ▪ Potential detonation of oil or gas drilling rigs ▪ Destruction of feeder lines to distribution or collection facilities
Construction – General Building Contractors – Heavy construction	G.L.-Medium	<ul style="list-style-type: none"> ▪ Potential destruction of work in progress, most likely for projects of great magnitude covered under Wrap-ups. Special considerations: <ul style="list-style-type: none"> – Type of construction (transportation as an example). – On-site security
Manufacturing – Food & Kindred Products – Chemicals & Allied Products – Petroleum & Coal Products – Rubber & Misc. Plastic Products	G.L.- High	<ul style="list-style-type: none"> ▪ Poisoning or introducing bacteria into food products ▪ Detonating chemical storage facilities, manufacturing plants or production facilities to send toxic clouds of smoke and fumes over highly populated areas ▪ Burning plastic manufacturers or storage warehouses containing large quantities of plastics to send toxic clouds of smoke and fumes over highly populated areas ▪ Setting fires, or bombing pesticide, herbicide or rodenticide manufacturers to produce huge quantities of toxic fumes and smoke. ▪ Theft of auto tank trucks and the chemicals contained within the tanks and detonating or contaminating areas through release of the contents
Transportation & Public Utilities – Railroad Transportation – Local & Interurban Passenger Transit – Water Transportation – Transportation by Air – Pipelines – Transportation Services – Communication – Electric, Gas & Sanitary Services	G.L.- Severe	<ul style="list-style-type: none"> ▪ Coordinated destruction of railroad tracks, bridges, tunnels and major roadways ▪ Hijacking or derailling trains possibly in specific areas where most injury or property damage is likely to occur ▪ Hijacking or sinking of cruise ships or setting massive fires, poisoning water or food supplies ▪ Running ships into industrial or tourist sites that are on the edge of land or are on piers ▪ Hijacking or commandeering aircraft, poisoning onboard food or drinks ▪ Launch handheld missiles at all forms of transportation ▪ Blow up pipelines or releasing the contents polluting large quantities of land ▪ Coordinated destruction of communications

		<p>network – processing centers, relay stations, antenna, servers, etc.</p> <ul style="list-style-type: none"> ▪ Detonation and destruction of electrical and gas power plants especially during intensive summer heat or winter cold
Wholesale Trade	G.L.- High	<ul style="list-style-type: none"> ▪ Coordinated effort to destroy major food distribution centers ▪ Detonation of chemical storage and distribution centers (all chemicals including pesticides and fertilizers); theft of bulk tank trucks and the contents ▪ Theft of propane gas trucks/trailers and detonation or driving into buildings or other facilities ▪ Robbery/burglary of gun and ammunition distributors ▪ Robbery/burglary of explosives distributors
Retail Trade – Food Stores – Automobile Dealers and Service Stations – Eating & Drinking Places – Miscellaneous Retail	G.L.- Low	<ul style="list-style-type: none"> ▪ Release of virus, bacteria, chemicals and gasses at large shopping malls or large, well known department stores ▪ Detonation of underground storage tanks at gasoline service stations ▪ Theft of propane gas trucks /trailers and detonation or driving into buildings or other facilities
Finance, Insurance & Real Estate – Security & Commodity Brokers – Holding & Other Investment Offices	G.L.- High	<ul style="list-style-type: none"> ▪ Destruction of information storage systems or ability to transfer sales ▪ Destruction of internet/intranet management of sales/transfers ▪ Destruction/elimination of all records of ownership/sales and acquisitions
Services – Hotels & Other Lodging Places – Motion Pictures – Amusement & Recreation Services – Health Services – Educational Services – Services, NEC	G.L.- High	<ul style="list-style-type: none"> ▪ Attacks on large, high-rise hotels and resorts ▪ Detonation of bombs or release of agents at movie theaters ▪ Detonation of bombs or release of agents at popular amusement parks ▪ Destruction of various health care facilities including hospitals, clinics, etc. ▪ Detonation of bombs or release of agents at schools, injuring our children
Public Administration	G.L.- High	<ul style="list-style-type: none"> ▪ Destruction of public water systems-drinking water, park lakes & ponds, reservoirs, streams, aquifers, etc. <ul style="list-style-type: none"> – Introduction of poisons – Polluting with/dumping chemicals – Destruction by dumping nuclear waste materials – Introducing virus and bacteria cultures ▪ Attacks on festivals, fairs, celebrations, etc.
Non-classifiable Establishments	Unknown	Unknown exposures.

CHART No. 2 - The following exposure chart applies to Management Liability:

U.S. Government-SIC Classes Potentially Susceptible	Likelihood of Terrorism	Examples of Potential Activity/Attacks
Agriculture, Forestry & Fishing – Agricultural Production-Livestock – Fishing, hunting & Trapping	Management Liability - Low	<ul style="list-style-type: none"> ▪ Failure to obtain adequate insurance ▪ D&O mismanagement of a terrorist event, including failure to establish proper evacuation plans and failure to mitigate total losses from a terrorist event ▪ Failure to take proper security measures to prevent/minimize injury or damage from a terrorist attack.
Mining – Oil & Gas Extraction	Management Liability - Medium	
Construction – General Building Contractors – Heavy construction	Management Liability – Low to Medium	
Manufacturing – Food & Kindred Products – Chemicals & Allied Products – Petroleum & Coal Products – Rubber & Misc. Plastic Products	Management Liability - High	
Transportation & Public Utilities – Railroad Transportation – Local & Interurban Passenger Transit – Water Transportation – Transportation by Air – Pipelines – Transportation Services – Communication – Electric, Gas & Sanitary Services	Management Liability – High to Severe	
Wholesale Trade	Management Liability - High	
Retail Trade – Food Stores – Automobile Dealers and Service Stations – Eating & Drinking Places – Miscellaneous Retail	Management Liability – Low to Medium	
Finance, Insurance & Real Estate – Security & Commodity Brokers – Holding & Other Investment Offices	Management Liability – High to Severe	
Services – Hotels & Other Lodging Places – Motion Pictures – Amusement & Recreation Services – Health Services – Educational Services – Services, NEC	Management Liability – Medium to High	
Public Administration	Management Liability – High to Severe	
Non-classifiable Establishments	Unknown	Unknown Exposures

CHART No. 3 - The following exposure chart applies to Professional Liability and E&O as an exception to CHART No. 1:

Miscellaneous Professional Liability - Low Hazard Classes	E&O/PL - Low	▪ Errors in professional judgment before/during a terrorist event
Management Liability - Employed Lawyers Prof. Liability - Association Professional Liability	E&O/PL – Low to Medium	▪ Errors in professional judgment before/during a terrorist event
Technology Liability - Prepackaged Software - Data Processing - Software Developers	E&O/PL – Low to Medium	▪ Cyber Terrorism issues
Miscellaneous Professional Liability - High Hazard Classes except those denoted as Severe	E&O/PL – High	▪ Errors in professional judgment before/during a terrorist event
Technology Liability - Consulting, systems integration and manufacturers	E&O/PL – High	▪ Cyber Terrorism issues
Management Liability - School Liability (not including Colleges)	E&O/PL – High	▪ School Leader mismanagement of a terrorist event
Media Liability - All	E&O/PL – High	▪ Providing erroneous information during a terrorist event resulting in mass injuries
Miscellaneous Professional Liability - Third Party Administrators - Claims Adjusters - Property Managers - Real Estate - Franchisers - Security Related Risks - Insurance Related Risks	E&O/PL – High to Severe	▪ Security judgment errors during pre-planning or during actual emergencies ▪ Property managers failure to properly manage evacuation of buildings or failure to advise on proper procedures
Technology Liability - Communication risks, including all telecommunications, those engaged in Government contracts, aviation related, CAD-CAM software	E&O/PL – High to Severe	▪ Cyber Terrorism issues
Management Liability - Colleges, Public Officials	E&O/PL – High to Severe	▪ Destruction of public water systems-drinking water, park lakes & ponds, reservoirs, streams, aquifers, etc. ▪ School Leader mismanagement of a terrorist event
E&O/Professional Liability Risks with Contingent BI/PD Coverage	E&O/PL – High to Severe	▪ Errors in professional judgment before/during a terrorist event
Financial Institutions Liability	E&O/PL – High to Severe	▪ Failure to perform professional services due to destruction of information systems, inability to transfer sales, destruction of records of ownership, destruction of internet management of sales/transfers.

Exhibit IV

Assessing Terrorist Exposure

The following are generally accepted characteristics or conditions that appear to increase a risk's susceptibility to terrorism. Underwriters should specifically address the characteristics relative to coverage quoted or written and decide how specific risks are affected and the impact on pricing.

- Locations where large numbers of multi-national companies accumulate;
- Places of assembly of large numbers of people;
- Location – urban, heavily populated areas versus suburban or rural;
- Large chemical storage facilities, i.e., tank farms containing millions of gallons of chemicals;
- Commercial aircraft, trains, busses, etc.; transportation of goods, merchandise and people;
- Bridges, tunnels, major highways, etc.;
- Schools;
- Entertainment such as plays, movie theaters, amusement parks;
- Outdoor sporting events such as professional or nationally televised college football, soccer, horse racing, auto races, etc.; Super Bowl or most college bowl games, Olympics, horse derby's would be prime targets because of media coverage;
- Indoor sporting events such as basketball and ice hockey (and possibly football or soccer in domed stadiums);
- Military installations;
- Large/Tall office or apartment buildings especially holding multinational individuals;
- National, state and local icons such as the Statue of Liberty, Empire State Building, Times Square, Seattle Space Needle, Chicago's Sears Tower, Independence Square and the Liberty Bell, etc.;
- Manufacturers of volatile products such as chemicals;
- Manufacturers of weapons;
- Chemical and gas distributors, especially located in urban areas;
- Natural gas pipelines;
- Power companies (especially nuclear) and independent distribution systems;
- Research laboratories especially when working with virus and bacteria mutations, storage or eradication;
- Auto rental, especially trucks (used as transportation for bomb);
- Municipality reservoirs;
- Crop dusting.

In addition, the following communication and information systems are at risk:

- All computer and records/information storage systems;
- Internet and intranet communication especially when accessed externally;
- Mail and package delivery;
- Stock/securities exchange, banking & money transfers.

Susceptibility to the following should also be considered for each risk perceived as a terrorist target:

- Massive fire;
- Bombing;
- Chemical attack or release of chemicals stored on the insured premises;
- Germ, bacteria or virus release (using materials stored at the insured premises, such as research laboratories, versus terrorist-owned or purchased materials);
- Burglary/robbery of weapons, explosives, stored bacterial/viral substances, volatile chemicals, etc., for use in terrorist activities;
- Internet attack on information systems;
- Internal employees planting “viruses” in computer systems that kick in at specific, coordinated dates;
- Internal employees working with terrorist organizations to carry out a mission at the premises;
- Proximity and type/kind of adjacent exposures.

Exhibit V

Components of a Viable Terrorist Protection Plan

A note concerning viable, realistic or prudent terrorist plans:

A "realistic terrorist plan" is a relative term whose definition may change considerably based on the risk's location, type/kind/quantity of stored materials, and the number of potential victims. All of the components discussed below are not always necessary for all emergency plans. In addition, the amount of time businesses spend assessing exposures, developing plans, and the effort expended to prepare for potential attacks or action may vary considerably, yet be completely acceptable. Underwriters must not overreact to the need for emergency planning by requiring unrealistic action on the part of insureds, but, on the other hand, should require prudent action based on the likelihood of something happening (whatever that might be).

Insureds should:

- Have an attitude conducive to protecting the public, employees and property against terrorist attacks;
- Assess their own/be cognizant of opportunities for terrorist action;
- Create a reasonable plan for their exposure and likelihood of terrorist action;
- Implement prudent security measures;
- Initiate/institute and monitor the plan.

Businesses should take action that protects the public, employees and property. A viable plan:

- Separately addresses readily foreseeable or anticipated potential attacks (there is no viable way to guard against certain types of attacks);
- Is in writing and was produced in conjunction with local, state and federal agencies including fire/rescue and law enforcement agencies (there is a practical point at which the potential for loss is so great that professionals must be hired to assess and construct a viable plan);
- Includes employee screening, i.e., hiring employees who are not threats and employee activity monitoring which may, for example, require:
 - Reviewing internet and e-mail usage;
 - Attaching GPS Systems on tractor trailer trucks that allow tracking of the truck, knowledge of speed, etc.;
- Includes an appropriate number of trained security individuals (either private or independent contractor, and then, trust of that independent contractor), surveillance equipment, metal detectors, monitoring devices, alarms, weapons, etc.;
- Includes building alterations/changes including, for example, window bars, razor and barbed wire, special bullet-proof building features such as walls and windows, bomb-proof rooms or deflectors, etc.;
- Includes special alarms or verbal codes to initiate action and put the plan in motion;
- Requires employees to learn the plan as well as the actions they must take with respect to security and during any emergency;
- Requires drills and practice sessions by employees so that reactions are second nature; drills include local governmental, police and fire fighting/emergency individuals;
- Includes employee training that is necessary for efficient operation of fire fighting and other special equipment;
- Provides for allocation of costs associated with the endeavor;

- Ensures all of the materials and properly maintained equipment are readily available when action becomes necessary; and
- Is reviewed by the insured at reasonable intervals for updates and revisions in order to incorporate the latest knowledge and technology, and to respond to evolving strategies practiced by terrorist groups.

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Supporting Document Schedules

Satisfied -Name: Terrorism Exposure Pricing - Blackline copy
Review Status: Filed 09/02/2008

Comments:

Attached please find a Blackline copy of our Terrorism Exposure Pricing.

Attachment:

GL Terrorism Exposure Pricing - 1-03 Blackline copy.pdf

Exhibit I

Liability Underwriting and Pricing Assessment Steps For Potential Terrorism Exposure

1. ~~Underwriters must offer coverage for certified acts of terrorism defined by the Terrorism Risk Insurance Act of 2002.~~ Assess individual risk characteristics pertinent to terrorism and establish ~~make~~ a prudent charge commensurate with exposure, keeping in mind:
 - Terrorism risk exposure level is driven by a combination of factors, generally not just one;
 - Not all risks located in New York City, Washington, D.C., Chicago, or any other city perceived as high hazard, are targets for terrorism;
 - Not all risks located in suburban or rural areas are exempt from terrorist action of some kind; and
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2. Refer to **Exhibit III, Terrorist Activity Exposure Charts**, as a guide concerning specific risks. This is the first assessment step that helps provoke thought with respect to potential terrorist activities.
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6. Document the pricing decision, and rationale, and retain the material in a permanent section of the underwriting file.

Exhibit II Terrorism Exposure Pricing Liability Pricing Range

General Liability means:

- Comprehensive General Liability
- Professional Liability*
- Errors and Omissions Liability*
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- Railroad Protective Liability
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 - Employers Protective Liability
 - Employee Benefits Liability

(*Note – these lines are not included in the Terrorism Risk Insurance Act.)

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Underwriters must assess the terrorism risk exposure for individual insureds. Refer to **Exhibit I, Liability Underwriting Assessment Steps** that requires underwriters to classify risks as “low,” “medium,” “high” or “severe.” While a range is provided for underwriter’s use, *generally*, terrorism risk charges should be made as follows:

Exposure Guide:

Low exposure:	<u>0.5% to 1.0%</u>	1 to 5%
Medium exposure:	<u>2.0% to 3.0%</u>	6 to 12%
High exposure:	<u>4.0%</u>	13 to 20%
Severe exposure:	<u>5.0%</u>	21 to 30%

Refer to the table below for pricing guidance:

	Situation	Pricing
1	No terrorism exclusion attached to policy. This is the underwriter’s initial terrorism exposure quote subject to acceptance by prospects or insureds.	Charge <u>0.5 to 5.0%</u> 1 to 30% of at-limits coverage premium based on underwriter’s assessment using the General Liability terrorism assessment tools. Note: Charge \$50 minimum premium for terrorism coverage under OCP, including NY Special Protective.
2	TRIA-Terrorism Exclusion is attached to the policy. Insured signs rejection letter.	Do not apply terrorism surcharge from “1” above.

Note: Terrorism risk exposure and pricing decisions must be documented and kept in a permanent section of the underwriting file. Specifically document all charges that depart from the suggested ranges in the **Exposure Guide** on this page.

Exhibit III

Terrorist Activity Exposure Charts

Note: “Low,” “Medium,” “High” and “Severe” was assigned to risks that appear *susceptible* to terrorist action. An assignment of “low” does not necessarily mean the potential for terrorist action does not exist. It means that chances for action are low relative to other SIC Codes listed on the chart, but the “low” assessment may not hold up after an underwriting analysis. Additionally, an assignment of “high” or “severe” should prompt a more intense underwriting analysis, but does not necessarily mean assessments for specific risks will remain “high” or “severe” ---- they may change to something in a lower category.

CHART No. 1 - The following chart applies to all liability lines except as noted under Charts 2 and 3:

U.S. Government-SIC Classes Potentially Susceptible	Likelihood of Terrorism	Examples of Potential Activity/Attacks
Agriculture, Forestry & Fishing – Agricultural Production-Livestock – Fishing, hunting & Trapping	G.L.- Low	<ul style="list-style-type: none"> ▪ Potential poisoning/viral attacks on U.S. livestock ▪ Poisoning of lakes and streams ▪ Rendering soil unusable ▪ Contaminating/poisoning populations using crop dusting equipment
Mining – Oil & Gas Extraction	G.L.- Medium	<ul style="list-style-type: none"> ▪ Potential detonation of oil or gas drilling rigs ▪ Destruction of feeder lines to distribution or collection facilities
Construction – General Building Contractors – Heavy construction	G.L.-Medium	<ul style="list-style-type: none"> ▪ Potential destruction of work in progress, most likely for projects of great magnitude covered under Wrap-ups. Special considerations: <ul style="list-style-type: none"> – Type of construction (transportation as an example). – On-site security
Manufacturing – Food & Kindred Products – Chemicals & Allied Products – Petroleum & Coal Products – Rubber & Misc. Plastic Products	G.L.- High	<ul style="list-style-type: none"> ▪ Poisoning or introducing bacteria into food products ▪ Detonating chemical storage facilities, manufacturing plants or production facilities to send toxic clouds of smoke and fumes over highly populated areas ▪ Burning plastic manufacturers or storage warehouses containing large quantities of plastics to send toxic clouds of smoke and fumes over highly populated areas ▪ Setting fires, or bombing pesticide, herbicide or rodenticide manufacturers to produce huge quantities of toxic fumes and smoke. ▪ Theft of auto tank trucks and the chemicals contained within the tanks and detonating or contaminating areas through release of the contents
Transportation & Public Utilities – Railroad Transportation – Local & Interurban Passenger Transit – Water Transportation – Transportation by Air – Pipelines – Transportation Services – Communication – Electric, Gas & Sanitary Services	G.L.- Severe	<ul style="list-style-type: none"> ▪ Coordinated destruction of railroad tracks, bridges, tunnels and major roadways ▪ Hijacking or derailing trains possibly in specific areas where most injury or property damage is likely to occur ▪ Hijacking or sinking of cruise ships or setting massive fires, poisoning water or food supplies ▪ Running ships into industrial or tourist sites that are on the edge of land or are on piers ▪ Hijacking or commandeering aircraft, poisoning onboard food or drinks ▪ Launch handheld missiles at all forms of transportation ▪ Blow up pipelines or releasing the contents polluting large quantities of land ▪ Coordinated destruction of communications

		<p>network – processing centers, relay stations, antenna, servers, etc.</p> <ul style="list-style-type: none"> ▪ Detonation and destruction of electrical and gas power plants especially during intensive summer heat or winter cold
Wholesale Trade	G.L.- High	<ul style="list-style-type: none"> ▪ Coordinated effort to destroy major food distribution centers ▪ Detonation of chemical storage and distribution centers (all chemicals including pesticides and fertilizers); theft of bulk tank trucks and the contents ▪ Theft of propane gas trucks/trailers and detonation or driving into buildings or other facilities ▪ Robbery/burglary of gun and ammunition distributors ▪ Robbery/burglary of explosives distributors
Retail Trade <ul style="list-style-type: none"> – Food Stores – Automobile Dealers and Service Stations – Eating & Drinking Places – Miscellaneous Retail 	G.L.- Low	<ul style="list-style-type: none"> ▪ Release of virus, bacteria, chemicals and gasses at large shopping malls or large, well known department stores ▪ Detonation of underground storage tanks at gasoline service stations ▪ Theft of propane gas trucks /trailers and detonation or driving into buildings or other facilities
Finance, Insurance & Real Estate <ul style="list-style-type: none"> – Security & Commodity Brokers – Holding & Other Investment Offices 	G.L.- High	<ul style="list-style-type: none"> ▪ Destruction of information storage systems or ability to transfer sales ▪ Destruction of internet/intranet management of sales/transfers ▪ Destruction/elimination of all records of ownership/sales and acquisitions
Services <ul style="list-style-type: none"> – Hotels & Other Lodging Places – Motion Pictures – Amusement & Recreation Services – Health Services – Educational Services – Services, NEC 	G.L.- High	<ul style="list-style-type: none"> ▪ Attacks on large, high-rise hotels and resorts ▪ Detonation of bombs or release of agents at movie theaters ▪ Detonation of bombs or release of agents at popular amusement parks ▪ Destruction of various health care facilities including hospitals, clinics, etc. ▪ Detonation of bombs or release of agents at schools, injuring our children
Public Administration	G.L.- High	<ul style="list-style-type: none"> ▪ Destruction of public water systems-drinking water, park lakes & ponds, reservoirs, streams, aquifers, etc. <ul style="list-style-type: none"> – Introduction of poisons – Polluting with/dumping chemicals – Destruction by dumping nuclear waste materials – Introducing virus and bacteria cultures ▪ Attacks on festivals, fairs, celebrations, etc.
Non-classifiable Establishments	Unknown	Unknown exposures.

CHART No. 2 - The following exposure chart applies to Management Liability:

U.S. Government-SIC Classes Potentially Susceptible	Likelihood of Terrorism	Examples of Potential Activity/Attacks
Agriculture, Forestry & Fishing – Agricultural Production-Livestock – Fishing, hunting & Trapping	Management Liability - Low	<ul style="list-style-type: none"> ▪ Failure to obtain adequate insurance ▪ D&O mismanagement of a terrorist event, including failure to establish proper evacuation plans and failure to mitigate total losses from a terrorist event ▪ Failure to take proper security measures to prevent/minimize injury or damage from a terrorist attack.
Mining – Oil & Gas Extraction	Management Liability - Medium	
Construction – General Building Contractors – Heavy construction	Management Liability – Low to Medium	
Manufacturing – Food & Kindred Products – Chemicals & Allied Products – Petroleum & Coal Products – Rubber & Misc. Plastic Products	Management Liability - High	
Transportation & Public Utilities – Railroad Transportation – Local & Interurban Passenger Transit – Water Transportation – Transportation by Air – Pipelines – Transportation Services – Communication – Electric, Gas & Sanitary Services	Management Liability – High to Severe	
Wholesale Trade	Management Liability - High	
Retail Trade – Food Stores – Automobile Dealers and Service Stations – Eating & Drinking Places – Miscellaneous Retail	Management Liability – Low to Medium	
Finance, Insurance & Real Estate – Security & Commodity Brokers – Holding & Other Investment Offices	Management Liability – High to Severe	
Services – Hotels & Other Lodging Places – Motion Pictures – Amusement & Recreation Services – Health Services – Educational Services – Services, NEC	Management Liability – Medium to High	
Public Administration	Management Liability – High to Severe	
Non-classifiable Establishments	Unknown	Unknown Exposures

CHART No. 3 - The following exposure chart applies to Professional Liability and E&O as an exception to CHART No. 1:

Miscellaneous Professional Liability - Low Hazard Classes	E&O/PL - Low	▪ Errors in professional judgment before/during a terrorist event
Management Liability - Employed Lawyers Prof. Liability - Association Professional Liability	E&O/PL – Low to Medium	▪ Errors in professional judgment before/during a terrorist event
Technology Liability - Prepackaged Software - Data Processing - Software Developers	E&O/PL – Low to Medium	▪ Cyber Terrorism issues
Miscellaneous Professional Liability - High Hazard Classes except those denoted as Severe	E&O/PL – High	▪ Errors in professional judgment before/during a terrorist event
Technology Liability - Consulting, systems integration and manufacturers	E&O/PL – High	▪ Cyber Terrorism issues
Management Liability - School Liability (not including Colleges)	E&O/PL – High	▪ School Leader mismanagement of a terrorist event
Media Liability - All	E&O/PL – High	▪ Providing erroneous information during a terrorist event resulting in mass injuries
Miscellaneous Professional Liability - Third Party Administrators - Claims Adjusters - Property Managers - Real Estate - Franchisers - Security Related Risks - Insurance Related Risks	E&O/PL – High to Severe	▪ Security judgment errors during pre-planning or during actual emergencies ▪ Property managers failure to properly manage evacuation of buildings or failure to advise on proper procedures
Technology Liability - Communication risks, including all telecommunications, those engaged in Government contracts, aviation related, CAD-CAM software	E&O/PL – High to Severe	▪ Cyber Terrorism issues
Management Liability - Colleges, Public Officials	E&O/PL – High to Severe	▪ Destruction of public water systems-drinking water, park lakes & ponds, reservoirs, streams, aquifers, etc. ▪ School Leader mismanagement of a terrorist event
E&O/Professional Liability Risks with Contingent BI/PD Coverage	E&O/PL – High to Severe	▪ Errors in professional judgment before/during a terrorist event
Financial Institutions Liability	E&O/PL – High to Severe	▪ Failure to perform professional services due to destruction of information systems, inability to transfer sales, destruction of records of ownership, destruction of internet management of sales/transfers.

Exhibit IV

Assessing Terrorist Exposure

The following are generally accepted characteristics or conditions that appear to increase a risk's susceptibility to terrorism. Underwriters should specifically address the characteristics relative to coverage quoted or written and decide how specific risks are affected and the impact on pricing.

- Locations where large numbers of multi-national companies accumulate;
- Places of assembly of large numbers of people;
- Location – urban, heavily populated areas versus suburban or rural;
- Large chemical storage facilities, i.e., tank farms containing millions of gallons of chemicals;
- Commercial aircraft, trains, busses, etc.; transportation of goods, merchandise and people;
- Bridges, tunnels, major highways, etc.;
- Schools;
- Entertainment such as plays, movie theaters, amusement parks;
- Outdoor sporting events such as professional or nationally televised college football, soccer, horse racing, auto races, etc.; Super Bowl or most college bowl games, Olympics, horse derby's would be prime targets because of media coverage;
- Indoor sporting events such as basketball and ice hockey (and possibly football or soccer in domed stadiums);
- Military installations;
- Large/Tall office or apartment buildings especially holding multinational individuals;
- National, state and local icons such as the Statue of Liberty, Empire State Building, Times Square, Seattle Space Needle, Chicago's Sears Tower, Independence Square and the Liberty Bell, etc.;
- Manufacturers of volatile products such as chemicals;
- Manufacturers of weapons;
- Chemical and gas distributors, especially located in urban areas;
- Natural gas pipelines;
- Power companies (especially nuclear) and independent distribution systems;
- Research laboratories especially when working with virus and bacteria mutations, storage or eradication;
- Auto rental, especially trucks (used as transportation for bomb);
- Municipality reservoirs;
- Crop dusting.

In addition, the following communication and information systems are at risk:

- All computer and records/information storage systems;
- Internet and intranet communication especially when accessed externally;
- Mail and package delivery;
- Stock/securities exchange, banking & money transfers.

Susceptibility to the following should also be considered for each risk perceived as a terrorist target:

- Massive fire;
- Bombing;
- Chemical attack or release of chemicals stored on the insured premises;
- Germ, bacteria or virus release (using materials stored at the insured premises, such as research laboratories, versus terrorist-owned or purchased materials);
- Burglary/robbery of weapons, explosives, stored bacterial/viral substances, volatile chemicals, etc., for use in terrorist activities;
- Internet attack on information systems;
- Internal employees planting "viruses" in computer systems that kick in at specific, coordinated dates;
- Internal employees working with terrorist organizations to carry out a mission at the premises;
- Proximity and type/kind of adjacent exposures.

Exhibit V

Components of a Viable Terrorist Protection Plan

A note concerning viable, realistic or prudent terrorist plans:

A "realistic terrorist plan" is a relative term whose definition may change considerably based on the risk's location, type/kind/quantity of stored materials, and the number of potential victims. All of the components discussed below are not always necessary for all emergency plans. In addition, the amount of time businesses spend assessing exposures, developing plans, and the effort expended to prepare for potential attacks or action may vary considerably, yet be completely acceptable. Underwriters must not overreact to the need for emergency planning by requiring unrealistic action on the part of insureds, but, on the other hand, should require prudent action based on the likelihood of something happening (whatever that might be).

Insureds should:

- Have an attitude conducive to protecting the public, employees and property against terrorist attacks;
- Assess their own/be cognizant of opportunities for terrorist action;
- Create a reasonable plan for their exposure and likelihood of terrorist action;
- Implement prudent security measures;
- Initiate/institute and monitor the plan.

Businesses should take action that protects the public, employees and property. A viable plan:

- Separately addresses readily foreseeable or anticipated potential attacks (there is no viable way to guard against certain types of attacks);
- Is in writing and was produced in conjunction with local, state and federal agencies including fire/rescue and law enforcement agencies (there is a practical point at which the potential for loss is so great that professionals must be hired to assess and construct a viable plan);
- Includes employee screening, i.e., hiring employees who are not threats and employee activity monitoring which may, for example, require:
 - Reviewing internet and e-mail usage;
 - Attaching GPS Systems on tractor trailer trucks that allow tracking of the truck, knowledge of speed, etc.;
- Includes an appropriate number of trained security individuals (either private or independent contractor, and then, trust of that independent contractor), surveillance equipment, metal detectors, monitoring devices, alarms, weapons, etc.;
- Includes building alterations/changes including, for example, window bars, razor and barbed wire, special bullet-proof building features such as walls and windows, bomb-proof rooms or deflectors, etc.;
- Includes special alarms or verbal codes to initiate action and put the plan in motion;
- Requires employees to learn the plan as well as the actions they must take with respect to security and during any emergency;
- Requires drills and practice sessions by employees so that reactions are second nature; drills include local governmental, police and fire fighting/emergency individuals;
- Includes employee training that is necessary for efficient operation of fire fighting and other special equipment;
- Provides for allocation of costs associated with the endeavor;

- Ensures all of the materials and properly maintained equipment are readily available when action becomes necessary; and
- Is reviewed by the insured at reasonable intervals for updates and revisions in order to incorporate the latest knowledge and technology, and to respond to evolving strategies practiced by terrorist groups.