



**STATE OF NEW YORK
INSURANCE DEPARTMENT**
25 BEAVER STREET
NEW YORK, NEW YORK 10004

George E. Pataki
Governor

Gregory V. Serio
Superintendent

**Supplement No. 1 to
Circular Letter No. 25 (2002)
February 19, 2003**

TO: ALL PROPERTY/CASUALTY INSURERS AND RATE SERVICE ORGANIZATIONS DOING BUSINESS IN NEW YORK STATE, NEW YORK PROPERTY INSURANCE UNDERWRITING ASSOCIATION, STATE INSURANCE FUND, NEW YORK AUTOMOBILE INSURANCE PLAN, AND EXCESS LINE ASSOCIATION OF NEW YORK

RE: ADDITIONAL GUIDELINES FOR THE IMPLEMENTATION OF THE PROVISIONS OF THE TERRORISM RISK INSURANCE ACT OF 2002

STATUTORY REFERENCE: ARTICLES 21, 23, 34, 54 AND 63 OF THE INSURANCE LAW; TERRORISM RISK INSURANCE ACT OF 2002

Circular Letter No. 25, issued December 23, 2002, provided an explanation of the Terrorism Risk Insurance Act of 2002 (the Act), along with instructions to insurers to assist them in meeting their dual responsibilities under both Federal and New York Law. The purpose of this Supplement is to provide additional guidance regarding filings made with the Department and the issuance of policy forms necessary to implement the provisions of the Act.

Disclosure Notices

In addressing the policyholder disclosure requirements contained in section 103(b)(3) of the Act, the Circular Letter states that the portion of the premium attributable to the terrorism coverage must be provided. Where there is no separately identifiable charge applicable to terrorism coverage, the insurer should indicate that the premium is "0".

Consistent with the provisions of Section 3426 of the Insurance Law, for in-force policies written by authorized insurers where terrorism coverage is already provided, notices issued to comply with the mandatory availability provisions of section 103(c) of the Act may not include the imposition of an additional premium charge for such coverage.

In accordance with the Interim Guidance issued by the Department of the Treasury on January 22, 2003, insurers will be deemed in compliance with the "separate line item" requirement of section 103(b)(2)(C) of the Act if they make clear and conspicuous disclosure on the declarations page, elsewhere within the policy itself or in any rider or endorsement that is made a part of the policy. Policy form changes necessary to satisfy the "separate line item" requirement in accordance with the Interim Guidance, must be filed with the Insurance Department and may be implemented pursuant to section 106(2)(B) of the Act, subject to subsequent review of such forms by the Insurance Department.

Policy Renewals

Insurers are reminded that all provisions of Section 3426 of the Insurance Law remain applicable to both policies in force as well as new and renewal business written in the admitted market. As previously stated, mid-term premium increases for terrorism coverage provided under the Act are not permitted for policies issued by authorized insurers that already provide for terrorism coverage.

Conditional renewal notice requirements, as provided for in Section 3426 of the Insurance Law, apply to the renewal of policies providing terrorism coverage. Accordingly, where the policy premium for the renewal will exceed the previous policy's premium by 10% or more, insurers must provide appropriate notice between 60 and 120 days prior to policy expiration, as required by the statute. Please note that such standards must be met even if the premium involved is attributable to terrorism coverage provided under the Act and the related rates and rating schedules are implemented pursuant to section 106(2)(B) of the Act.

The Department will continue to monitor the implementation of the Act, and will provide further guidance and clarification as the need arises.

Very truly yours,

Mark Presser
Assistant Deputy Superintendent and
Chief Property Bureau