

MASSACHUSETTS PROPERTY INSURANCE UNDERWRITING ASSOCIATION

Underwriting Division
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February 24, 2003

To: All Massachusetts Producers

Re: Terrorism Risk Insurance Act of 2002 - Commercial Property Insurance

On November 26, President Bush signed the Terrorism Risk Insurance Act of 2002. The act provides a federal government insurance backstop in the event of acts of international terrorism.

In order to meet the requirements of the act, the Massachusetts Property Insurance Underwriting Association (MPIUA) recently issued a Disclosure Notice "TRIA 1 11/02 Terrorism Coverage Disclosure Notice 1 (MUA)" to all inforce Commercial Lines policyholders. The notice explained that the policyholder's inforce policy covers certain losses caused by terrorism and that the premium attributable to coverage for terrorist acts certified under the act is \$0. In addition, the notice indicated that there may be a premium charge at renewal for terrorism coverage.

Additionally, in order to meet the requirements of the act, certain revisions have been made to MPIUA's procedures relating to new and renewal business. These revisions, effective immediately, are as follows:

Renewal Business:

Renewal Offer/ Premium Invoices for Commercial Property policies issued by MPIUA will offer the insured coverage for losses resulting from certified acts of terrorism. There will be an additional premium for this coverage. The insured may accept or reject this offer by checking the appropriate box on the invoice and returning the signed invoice and corresponding premium to MPIUA as per instructions given in the Renewal Offer/Premium Invoice.

If the insured rejects the offer of terrorism coverage, the insured's policy will be written to exclude coverage resulting from certified acts of terrorism. In Massachusetts, notwithstanding the rejection of the terrorism coverage, as offered, the exclusion for terrorism does not exclude coverage for fire losses resulting from an act of terrorism. Therefore, if the insured rejects the offer of terrorism coverage, coverage for fire losses resulting from an act of terrorism will still be provided in the policy. There will be a smaller additional premium for this coverage for fire losses even when the insured has rejected the offer for coverage for losses resulting from certified acts of terrorism.

To meet the disclosure requirements of the act, MPIUA has developed Disclosure Notice "TRIA 2 02/03 Terrorism Coverage Disclosure Notice 2 (MUA)" which will be mailed to both the producer and the insured with the Expiration Notification. A copy of this Notice is enclosed for your review.

New Business:

For new business, in order to meet the disclosure requirements of the act and to continue to provide the Immediate Coverage facility to producers and the insurance buying public it will be necessary that a signed Disclosure Notice "TRIA 3 0203 Terrorism Coverage Disclosure Notice 3 IC (MUA)" indicating an applicant's acceptance or rejection of MPIUA's offer to provide coverage for losses resulting from certified acts of terrorism be faxed/mailed to MPIUA with the application for Immediate Coverage.

As explained in the Renewal Processing section, if an applicant accepts MPIUA's offer for terrorism coverage there is an additional premium for this coverage and if the applicant rejects MPIUA's offer of terrorism coverage, coverage for fire losses resulting from certified acts of terrorism will still be provided in the policy for a smaller additional premium charge.

A copy of the Disclosure Notice "TRIA 3 0203 Terrorism Coverage Disclosure Notice 3 IC (MUA)" is attached for your perusal. In order to provide proper disclosure to the applicant and to properly complete the Disclosure Notice, it will be required that before submitting an application, by fax or by mail, the Producer contact our Consumer Service Department to obtain amounts of the additional premium for terrorism coverage and for coverage for fire losses resulting from an act of terrorism. The Producer must then complete the Disclosure Notice with this additional premium information and review the information in the Disclosure Notice with the applicant. The applicant must check the appropriate box on the Disclosure Notice to indicate the applicant's acceptance or rejection of MPIUA's offer to provide coverage for losses resulting from certified acts of terrorism.

You may reproduce copies of the Disclosure Notice "TRIA 3 0203 Terrorism Coverage Disclosure Notice 3 IC (MUA)", or request a supply of the Notice by using the enclosed Form Order Request. The Notice can also be downloaded from our website www.mpiua.com.

A completed and signed Disclosure Notice "TRIA 3 0203 Terrorism Coverage Disclosure Notice 3 IC (MUA)" should also be submitted with any application submitted under the non - immediate coverage procedures.

Following your review of this letter, should you have any questions, please contact our Consumer Services Department.

Very truly yours,

James H. Pappas
Vice President/Underwriting

JHP:ed

Enclosures