

FROM: Director, Worldwide Markets
LOCATION: 86/G12
EXTENSION: 6677
DATE: 29 September 2004
REFERENCE: Y3398
SUBJECT: KENTUCKY OFFICE OF INSURANCE ADVISORY
OPINION 2004-02: UNCERTAINTY RELATED TO
TERRORISM RISK INSURANCE ACT OF 2002
(TRIA) EXPIRATION

SUBJECT AREA(S): The current position of the Kentucky Office of Insurance on the expiration of TRIA

ATTACHMENTS:

ACTION POINTS: All underwriters and managing agents to note the contents of the advisory opinion

DEADLINE: **Immediate**

1. Purpose of bulletin

To inform the market of the Kentucky Office of Insurance (Kentucky Office) Advisory Opinion 2004-02 issued on September 3, 2004. This opinion addresses the issue of the uncertainty created by the expiration of the Terrorism Risk Insurance Act of 2002 (TRIA)

2. Background

TRIA was adopted by Congress to provide a temporary federal shared loss program for losses resulting from certain acts of terrorism. The program is due to expire on December 31, 2005. This expiration date means that insurers are already effecting insurance coverage where they must consider the possibility of no federal shared loss program in 2006.

3. Kentucky Office of Insurance Advisory Opinion 2004-02

The advisory opinion recognises that insurance regulators must consider approval of certain coverage exclusions for losses due to acts of terrorism and the Kentucky Office concurs with the National Association of Insurance Commissioners (NAIC) that contingent exclusions are a reasonable means to address TRIA's expiration should Congress fail to enact its extension.

The Kentucky Office will therefore grant approval to contingent exclusions substantially similar to those described in the advisory opinion (see link below):

[Kentucky Office of Insurance Advisory Opinion 2004-02](#)

Agents are reminded that the inclusion of contingent exclusions is subject to the normal disclosure and review requirements of the Kentucky Office. A voluntary procedure is outlined in the advisory opinion which should enable insurers to expedite the filing and timely review of these contingent exclusions. Lloyd's wordings for use in Kentucky are filed via Lloyd's Kentucky AIF who should be contacted for further information (see 4. Further information, below).

4. Further information

Please direct any queries on the contents of this market bulletin to:

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Lloyd's Kentucky Attorney in Fact, Jim Lamb, can be contacted at:

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This bulletin has been sent to active underwriters and the compliance officers of managing agents and to Lloyd's brokers.

The information contained in this market bulletin is provided in order to support managing agents in meeting their commitment *'to protect Lloyd's licences and authorisations to conduct insurance business in the UK and overseas'*. The information will also help underwriters decide, prior to binding, how a risk can be underwritten in compliance with Lloyd's trading rights in the country concerned.

More detailed information on Lloyd's trading rights may be found on <http://www.lloyds.com> under the section headed "Lloyd's trading status". Just select the appropriate country and this will take you to the Quick Reference Guide for the country selected. More detailed information may then be obtained by selecting 'Manual' from the menu on the left hand side of the screen (a Manual may not, however, be available for all territories). You will be asked to input a user name and password, please contact the Market Services Desk (see above contact details) for this information.

Julian James
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