

FROM: Director, Worldwide Markets, EXTN: 5998
DATE: 08 July 2005 REF: Y3590
SUBJECT: **US Terrorism Risk Insurance Act 2002 ("TRIA"): program cessation at 31st December 2005 and the requirements for 2005 year-end**
SUBJECT AREA(S): 1. Risk coding TRIA business
2. Ensuring clarity of TRIA policy wordings
ATTACHMENTS: Annexe 1: Copy of NMA2969a

ACTION POINTS: **Underwriters, Brokers and Managing Agents to note and apply guidance**

DEADLINE(S): **Immediate**

1 Purpose

- 1.1 The purpose of this bulletin is to provide details of Lloyd's requirements regarding:
- a) the allocation of premium to those risk codes provided for allocation of premium for terrorism coverage provided as a result of overseas legislation ("the OLT" codes). The codes in question are 1T to 8T and 1E to 4E; and
 - b) clarity of policy wordings on risks which fall within the scope of TRIA.

This is in anticipation of the cessation of the TRIA program at 31st December 2005. Further guidance will be issued when a decision has been made as to whether TRIA is to be extended, replaced by a different scheme or allowed to expire.

2 Requirements

Risk Coding

- 2.1 The market will be aware that the US government has not yet decided whether or not to extend the TRIA legislation and as currently enacted TRIA will expire at 31st December 2005.
- 2.2 For the 2005 year of account, and for subsequent years should TRIA be extended, TRIA related syndicate reporting will continue to be required, and syndicates should continue to ensure that their internal systems operate such that they can provide an accurate return. In support of this, Underwriters should continue to use the OLT codes as per current practices (i.e. in compliance with Lloyd's advice issued thus far) for all policies incepting on or before 31st December 2005.
- 2.3 Please note, however, that if TRIA is not extended, the OLT codes will not be available for use with any US policy which incepts after 31st December 2005, nor for any renewals of previous TRIA policies where such renewal takes place after 31st December 2005.
- 2.4 If TRIA is extended, then the OLT codes will remain available for US business until such time that TRIA ceases.

- 2.5 Irrespective of the duration of TRIA, the OLT codes will continue to be available for business which falls within the scope of applicable terrorism legislation in other overseas territories (at present France and Australia) until such legislation ceases.

Policy Wordings

- 2.6 Please note that policy wordings should clearly state the impact of any cessation of TRIA on the terrorism coverage provided thereunder. The clause NMA2969a (copy attached at Annexe 1) is an example of a clear statement on this point, and is not restricted to use on non-marine risks. Slips and policy wordings must clearly state what TRIA premium is due where terrorism coverage expires at 31st December 2005, indicating the premium required for the period from inception to 31st December 2005.
- 2.7 As it stands, NMA2969a operates such that any terrorism exclusion shall apply in full force and effect after 31st December 2005. NMA 2969a may, however, be amended for use on policies where terrorism coverage is made available after 31st December 2005: in such cases, the amendments should ensure that the scope/breadth of the terrorism coverage (and any associated terms) are clearly stated. Underwriters are, of course, at liberty to use an alternative clause(s), providing that sufficient clarity is achieved.
- 2.8 XIS will continue to reject submissions where statements concerning the duration of terrorism coverage contained therein are inconsistent, and/or do not reflect information contained on the slip.

Guidance on TRIA issues has previously been provided in a number of market bulletins. Of particular relevance to the subject matter of this bulletin is Y3014, accessible via the Lloyd's website or via the following link:

[http://www.bulletins.lloydsfondon.com/bulletins/mktcirc.nsf/mktBulletins/Y3014/\\$file/Y3014.pdf](http://www.bulletins.lloydsfondon.com/bulletins/mktcirc.nsf/mktBulletins/Y3014/$file/Y3014.pdf)

For further information contact Lloyd's Worldwide Market Services, on extension 6677 (email at market.services@lloyds.com).

The LMA has also provided extensive information to the market. Contact Martin Roberts on Lloyd's extension 8370 (by email at martin.roberts@lloyds.com).

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

Julian James
Director, Worldwide Markets

**U.S. TERRORISM RISK INSURANCE ACT OF 2002 NEW & RENEWAL BUSINESS
ENDORSEMENT**

This Endorsement is issued in accordance with the terms and conditions of the "U.S. Terrorism Risk Insurance Act of 2002" as summarized in the disclosure notice.

In consideration of an additional premium of {Response} paid, being for the period up to December 31, 2005, it is hereby noted and agreed with effect from inception that the Terrorism exclusion to which this Insurance is subject, shall not apply to any "insured loss" directly resulting from any "act of terrorism" as defined in the "U.S. Terrorism Risk Insurance Act of 2002" ("TRIA").

The coverage afforded by this Endorsement is only in respect of any "insured loss" of the type insured by this Insurance directly resulting from an "act of terrorism" as defined in the "U.S. Terrorism Risk Insurance Act of 2002". The coverage provided by this Endorsement shall expire at 12:00 midnight December 31, 2005, the date on which the TRIA Program is scheduled to terminate, and shall not cover any losses or events which arise after that date. The Terrorism exclusion, to which this Insurance is subject, applies in full force and effect to any other losses and any act or events that are not included in said definition of "act of terrorism".

This Endorsement only affects the Terrorism exclusion to which this Insurance is subject. All other terms, conditions, insured coverage and exclusions of this Insurance including applicable limits and deductibles remain unchanged and apply in full force and effect to the coverage provided by this Insurance.

Furthermore the Underwriter(s) will not be liable for any amounts for which they are not responsible under the terms of the U.S. Terrorism Risk Insurance Act of 2002 (including subsequent action of Congress pursuant to the Act) due to the application of any clause which results in a cap on the Underwriter's liability for payment for terrorism losses.

**NMA2969A
25/11/04**