

February 14, 2003

NON-CERTIFIED TERRORISM LOSS EXCLUSIONS ANNOUNCED

BACKGROUND We informed you in a bulletin dated January 22, 2003 that we were filing forms to exclude “non-certified terrorism losses” for prior approval in all states. These forms have been filed in Delaware, Indiana, Maryland, New Jersey, Ohio and Pennsylvania.

APPROVALS These forms have been approved in New Jersey and Pennsylvania.

EFFECTIVE DATE New Jersey - March 1, 2003
Pennsylvania - February 10, 2003

ENDORSEMENTS We developed these endorsements to limit coverage for non-certified terrorism losses using the definition and limitations contained in the NAIC Model Bulletin which has been adopted by state bulletin in Delaware, Indiana, New Jersey, Ohio and Pennsylvania. Essentially, these endorsements apply the same coverage exclusion thresholds to non-certified losses as previously existed for terrorism prior to November 26, 2002.

There are two forms available to exclude non-certified acts of terrorism. One version combines the certified exclusion and the non-certified exclusion in one form. Another version applies only the non-certified exclusion.

The following forms exclude both Certified and Non-certified Terrorism Losses on new and renewal business:

MCM 416 - All Property, Liability and Package - NJ and PA (standard fire policy states)
MCM 417 - All Property, Liability and Package - DE, IN and MD
MCA 417 - Commercial Auto - DE, MD, NJ, OH, PA
MCL 762 - Commercial Umbrella Liability - DE, IN, MD, NJ, PA
MIM 142 - Commercial Inland Marine - DE, IN, MD, NJ, PA

The following forms exclude Non-certified Terrorism Loss Coverage on new and renewal policies:

MCM 418 - All Property, Liability and Package - NJ and PA (standard fire policy states)
MCM 419 - All Property, Liability and Package - DE, IN, and MD
MCA 418 - Commercial Auto - DE, MD, NJ, OH, PA
MCL 763 - Commercial Umbrella Liability - DE, IN, MD, NJ, PA
MIM 143 - Commercial Inland Marine - DE, IN, MD, NJ, PA

POLICYHOLDER NOTICE We are also enclosing separate policyholder notices for each of the endorsements. You may use these with renewal policies to meet the individual state policy change notice requirements.

FUTURE ACTION We will advise you as we receive acknowledgment of these filings in the other jurisdictions.

PUNITIVE DAMAGES The Terrorism Risk Insurance Act of 2002 allows for an exclusion of punitive damages as an insured loss. We have not included any specific exclusion under any terrorism form for punitive damages as all of the MSO[®] commercial lines policies include a punitive damages exclusion as part of the common exclusion for Governmental/Legal/War.

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QUESTIONS

Contact Jan Kozlowski or Jim Townley at (800) 935-6900