



May 7, 2004

TERRORISM PROGRAM UPDATE

BACKGROUND

The Terrorism Risk Insurance Act of 2002 (TRIA) is set to expire on December 31, 2005. Any loss occurring after that date would not be covered by the federal terrorism reinsurance program.

Policies issued between January 2, 2005 and December 31, 2005 will fall partly under the provisions of TRIA. After December 31, 2005, the terrorism endorsements on these policies will not apply as they are contingent on TRIA being in place.

MSO[®] ACTION

We are developing post-TRIA terrorism endorsements that can be attached to policies issued after January 1, 2005. These will be conditional exclusions of terrorism losses that will apply if TRIA is not extended. These exclusions will be similar to those that were in place prior to the enactment of TRIA.

These endorsements will be filed shortly with a proposed September 1, 2004 introduction date. This is to enable companies to be able to have sufficient lead time to build these into their renewal cycle.

FUTURE CHANGES

Various insurance and business trade organizations, as well as state regulators, are lobbying Congress and the Treasury to extend TRIA past its current December 31, 2005 sunset date. If TRIA is extended or modified, we will amend our program accordingly.

QUESTIONS

Call Jan Kozlowski at (800) 935-6900, or e-mail: jkozlowski@msonet.com.