



October 7, 2004

POST-TRIA TERRORISM ENDORSEMENTS INTRODUCED

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 have developed post-TRIA terrorism endorsements that can be attached to policies effective after January 1, 2005. These are conditional exclusions of terrorism losses that will apply if TRIA is not extended. The exclusions are similar to those that applied prior to the enactment of TRIA.

We have filed these endorsements and received approval in Delaware, New Jersey and Pennsylvania. The filing is pending in Maryland.

EFFECTIVE DATE

Immediately

ENDORSEMENTS

The post-TRIA endorsements use the same endorsement numbers as the TRIA endorsements, but with an 01 05 edition date. This way companies do not need to program for new forms.

The only exception is in Delaware and Maryland where a new endorsement MCM 420 replaces MCM 411.

POLICYHOLDER NOTICES

We have also developed policyholder notices for the endorsements. You may use these with renewal policies to meet the individual state policy change notice requirements.

FUTURE**CHANGES**

Congress is considering H.R. 4631, the Terrorism Insurance Backstop Extension Act, which will extend TRIA to December 31, 2007. If TRIA is extended or modified, we will amend our program accordingly.

DISTRIBUTION

The new endorsements and policyholder notices will be added to the CD-ROM. Affiliated companies will be able to access these through our website: <http://www.msonet.com>.

QUESTIONS

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