



March 10, 2006

SAMPLE NOTICE FOR ELIMINATION OF COVERAGE UNDER TRIEA PROVIDED

BACKGROUND

In our previous Bulletin regarding terrorism, we reported that the New Jersey Bulletin 06-04 required that companies should cease providing terrorism coverage with respect to the now non-covered lines of insurance (commercial auto, burglary/theft, farmowners, professional liability and surety). Also, Bulletin 06-04 required companies to notify insureds of this change and to return any premium collected for the terrorism coverage.

MSO[®] ACTION

We have drafted a sample generic notice to insureds that explains the changes in the federal law, and provides for the return of premium back to January 1, 2006. This notice, which we have designated as NP - TRIEA, applies to all of the non-covered lines of insurance.

We encourage companies to modify this notice to meet their specific policy issuance circumstances. We are available to assist you in designing individualized notices.

While we are not aware of any of the other MSO affiliated states requiring such notice, companies may decide to use this or a similar notice in those other states.

CURRENT ENDORSEMENTS

The 01 05 editions of the various terrorism endorsements were designed to take into account the expiration of TRIA. As of January 1, 2006, the TRIA provisions (see Section A of the endorsements) became ineffective and the pre-TRIA terrorism exclusion provisions (see Section B) went into effect for those risks that no longer fall under TRIA.

OTHER ISSUES

In our previous Bulletin, we mentioned that crime insurance and auto coverages (such as hired and nonowned auto) written on a package policy and if reported as multi-peril would not be excluded. We have been asked to clarify this.

The NAIC and the Treasury Department held a teleconference in January to discuss the new federal law. The information regarding how to treat the excluded lines when written as part of a package policy came out of this meeting. When excluded coverages are part of a package policy (such as a BOP or House of Worship policy), and the premium is reported solely as package premium, then these coverages under that package policy would not be considered as excluded.

**OTHER ISSUES
(cont'd.)**

But if premiums are reported by subline as Auto or Burglary/Theft, then the coverages would be considered as excluded from TRIEA.

DISTRIBUTION

The sample notice will be added to the CD-ROM. Affiliated companies will be able to access them through our website: <http://www.msonet.com>.

QUESTIONS

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