R.C. 2104

To the Members of the Board

RE: New York Workers Compensation
Terrorism Risk Insurance Extension Act of 2005

The Rates Committee has adopted, and the New York State Insurance Department has approved, the Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13), the Foreign Terrorism Premium Endorsement (WC 00 04 22) and the Domestic Terrorism, Earthquakes and Catastrophic Industrial Accidents Premium Endorsement (WC 00 04 21A) with an effective date of January 1, 2006 for new and renewal business.

The Terrorism Risk Insurance Act of 2002 expired on December 31, 2005. Congress, recognizing that the terrorism catastrophe exposure continues to be significant, passed the Terrorism Risk Insurance Extension Act of 2005. This Act extends the 2002 Act through 2007 with certain amendments, most notably related to the size of the event needed to trigger the Act ($50 million in 2006 and $100 million in 2007) and the addition of an insured deductible for 2006 and 2007 which is noted in the new endorsement.

In addition, to comply with the provisions of the Terrorism Risk Insurance Extension Act of 2005, it is mandatory that WC 00 01 13, WC 00 04 21A and WC 00 04 22 be attached to all policies effective January 1, 2006 and later.

The manual pages amendments and endorsements required by the 2005 Act are shown on the chart on the next page. Please note that WC 00 01 12, the Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Act of 2002, and WC 00 04 20, the Terrorism Risk Insurance Act Endorsement are withdrawn as they are no longer applicable.

Printed manual pages will be distributed as soon as they become available.

Very truly yours,

Monte Almer

President

CD:tg
Encl.
## New York Workers Compensation and Employers Liability Manual

<table>
<thead>
<tr>
<th>Page No.</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-1</td>
<td>WC 00 01 13 and WC 00 04 22 are being added to the list of mandatory endorsements and “A” is added to WC 00 04 21 to reflect the current version of the endorsement.</td>
</tr>
<tr>
<td>R33, R-59, R-59a</td>
<td>Rule VI.E.5 which references the Terrorism Risk Insurance Act of 2002 is being eliminated. This is being replaced by a Foreign Terrorism rule on Pages R-59 and R-59a. A new rule – Rule IX.N. Catastrophe Provisions distinguishes between foreign terrorism and domestic terrorism. The explanation for the premium calculation for foreign terrorism is the same as the existing TRIA rule. It was reworded to eliminate references to TRIA. A reference to policies written on an “If Any” basis was added for clarification and the endorsement number is also referenced. A similar entry is proposed to state the rules for calculating domestic terrorism premiums.</td>
</tr>
<tr>
<td>R38</td>
<td>The Standard Premium definition eliminates the reference to TRIA, adds some of the additional elements to be included in the standard premium and references Appendix D.</td>
</tr>
<tr>
<td>Rate Page 6</td>
<td>The reference to TRIA is eliminated and the page has been amended to reference the new Foreign and Domestic Premium rules.</td>
</tr>
<tr>
<td>Appendix AD-3</td>
<td>Eliminates the reference to TRIA</td>
</tr>
<tr>
<td>Appendix AD-6</td>
<td>Eliminates the reference to TRIA</td>
</tr>
<tr>
<td>WC 00 01 12</td>
<td>The Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Act of 2002 is withdrawn as it is no longer applicable.</td>
</tr>
<tr>
<td>WC 00 01 13</td>
<td>The Terrorism Risk Insurance Extension Act Endorsement has been adopted and applies in conjunction with WC 00 04 22.</td>
</tr>
<tr>
<td>WC 00 04 20</td>
<td>The Terrorism Risk Insurance Act Endorsement is withdrawn as it is no longer needed.</td>
</tr>
<tr>
<td>WC 00 04 21A</td>
<td>The Domestic Terrorism, Earthquakes and Catastrophic Industrial Accidents Premium Endorsement was amended to reflect the revised definition of Domestic Terrorism. “A” is added to the endorsement number to reflect the current version.</td>
</tr>
<tr>
<td>WC 00 04 22</td>
<td>The Foreign Terrorism Premium Endorsement has been adopted and applies in conjunction with WC 00 01 13.</td>
</tr>
</tbody>
</table>

## New York Retrospective Rating Plan Manual

<table>
<thead>
<tr>
<th>Page No.</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>The reference to the TRIA of 2002 and been eliminated and Rule F.5 now references both foreign and domestic terrorism.</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Page No.</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>Rules 10.c and 10.d the word “certified” is replaced with “foreign” Rule 10.d is added for foreign terrorism which replaces Rule 10.n on Page 20. The remaining entries are relabeled due to the addition of “d.”</td>
</tr>
<tr>
<td>20</td>
<td>Rule 10.n is removed and placed under Rule 10.d.</td>
</tr>
</tbody>
</table>
PART ONE—RULES

RULE I—GENERAL

A. WORKERS COMPENSATION

Workers Compensation as used in this manual means workmen's compensation, workers compensation or occupational disease.

B. STANDARD POLICY

Standard Policy means the standard provisions Workers Compensation and Employers Liability Insurance Policy and the Information Page approved by the New York State Insurance Department. Every policy affording coverage under the New York Workers' Compensation Law must have the following endorsements attached:

- WC 31 03 08 - the New York Limit of Liability Endorsement;
- WC 31 03 19C - the New York Construction Classification Premium Adjustment Program Explanatory Endorsement;
- WC 00 01 13 - Terrorism Risk Insurance Extension Act Endorsement
- WC 00 04 19 - the Premium Due Date Endorsement;
- WC 00 04 21A - Domestic Terrorism, Earthquake and Catastrophic Industrial Accidents Premium Endorsement
- WC 00 04 22 - Foreign Terrorism Premium Endorsement

Exception: The Standard Policy shall not be used to provide coverage for employees subject to the New York Volunteer Firefighters' Benefit Law or the New York Volunteer Ambulance Workers' Benefit Law. Such coverage can be afforded only by means of a Volunteer Firefighters' Benefit Law Policy or a Volunteer Ambulance Workers' Benefit Law Policy, respectively.

C. ENDORSEMENT FORMS

Endorsement forms means authorized endorsements listed in the Alphabetical List of Endorsements in Part Four of this manual. All endorsements must be used in the form prescribed in this manual.

D. POLICY AND ENDORSEMENT FORMS

Refer to the Policy Forms and Authorized Endorsement section of this manual for a complete description of coverages and instructions on use of policy and endorsement forms.

E. APPLICATION OF MANUAL RULES

Rules apply separately to each policy, except as allowed by Rule VII—Premium Discount.

F. EFFECTIVE DATE

1. Manual

This manual applies only from the anniversary rating date which occurs on or after the effective date of this manual.

2. Changes

The effective date of a change in any rule, classification or rate is 12:01 a.m. on the date specified on the manual page. Any change will be issued on a reprinted page and will be designated by a ★. Unless specified otherwise, each change applies only from the anniversary rating date which occurs on or after the effective date of the change.
4. Experience Rating and Merit Rating

The minimum premium is not subject to an experience rating modification or a merit rating factor.

5. Adjustment Upon Audit

The minimum premium is subject to final adjustment and shall be determined upon audit on the basis of those classifications developing premium. If the final earned premium is less than the minimum premium determined upon audit, that minimum premium shall be charged. If no classification develops premium, the premium charged shall be the minimum premium of the code with the highest minimum premium applicable to the business of the employer. For canceled policies, refer to Rule X. For procedures for interstate rated policies, refer to Section I.M. of the New York Digest of Rulings and Interpretations.

6. Special Minimum Premium Requirements

   a. For increased limits of employers liability on a Standard Policy, refer to Rule VIII.
   b. For admiralty or federal employments, refer to Rule XIII.
   c. For domestic workers, refer to Rule XIV.

7. Employers Liability Policies

For a policy which provides only employers liability insurance with increased limits, the minimum premium shall be increased by the factor which applies to the rate(s) for that policy. Refer to Rule VIII.

8. Multiple State Policies

If a policy provides workers compensation insurance in more than one state, the minimum premium to be charged for the policy shall be the single highest minimum premium of the individual state’s minimum premiums. Refer to Section I.M. of the New York Digest of Rulings and Interpretations for additional information.

F. DEPOSIT PREMIUM

Note: This rule does not apply to Paid Loss Collection Programs written in conjunction with Option V Retrospective Rating Plans. For details regarding the premium payment under these Programs, refer to Part Two, Section II.E. of the New York Retrospective Rating Plan Manual.

1. When Payable

A deposit premium is payable at the inception of the policy. The deposit premium shall not be less than the minimum premium stated in the policy.

2. Amount Payable—Annual Adjustment

For a policy which provides that the premium shall be adjusted upon audit following the termination of an annual period, the deposit premium shall be the total estimated annual premium for that policy.

3. Amount Payable—Interim Adjustment

An interim adjustment and payment of premium is permissible on a monthly, quarterly or semi-annual basis. If this method of premium adjustment is provided, the deposit premium shall be:
For retrospectively rated policies, premium is defined as the retrospective premium, as determined by the applicable parameters of the Retrospective Rating Plan, plus the implied premium discount determined on the basis of standard premium.

For policies written under all independently filed programs, e.g., large deductible programs, the use of a premium base, other than as described in this rule, must be approved by the New York State Insurance Department prior to use.

4. Assessment Charge

The assessment percentages to be applied to each policy can be found in the Miscellaneous Values page of the rates section of this manual.

*Note:* Legislation requires that the assessment amounts collected from policyholders be considered as premium for tax purposes. Assessment charges contemplate premium tax, but not commission.

M. WORKERS COMPENSATION SECURITY FUND SURCHARGE

1. Explanation

The Workers Compensation Security Fund Surcharge is a separate identifiable charge to policyholders for the funding of the Workers Compensation Security Fund which serves as the guaranty fund for fulfilling the obligations of insolvent private carriers writing workers compensation in the state of New York.

2. General Information

The Workers Compensation Security Fund Surcharge amount must be displayed as a separate identifiable charge on the policy information page. Code 9749 must be used in conjunction with this charge.

The Workers Compensation Security Fund Surcharge amount is subject to change at audit and at all subsequent retrospective rating adjustments.

The Workers Compensation Security Fund Surcharge amount is charged in conjunction with the effective date of the rates used on each policy. Therefore, where the Anniversary Rate Date Endorsement (WC 00 04 02) applies, e.g., when two sets of rates are used, two surcharge percentages will apply.

3. Premium Base for Calculating the Security Fund Surcharge

Total policy premium, including the New York State Assessment, is the premium base to which the surcharge percentage, shown in the Miscellaneous Values page in the rates section of this manual, is to be applied.

★ N. CATASTROPHE PROVISIONS

1. Foreign Terrorism

Premium for foreign terrorism is calculated on the basis of total payroll. A risk’s total payroll is divided by units of $100 and multiplied by the foreign terrorism rate as shown on the Miscellaneous Values Page. The calculation is expressed as (Payroll/100 x Foreign Terrorism Rate = Premium). For non-payroll classes the premium for foreign terrorism is calculated as a percentage, as shown on the Miscellaneous Values Page, multiplied by the non-payroll class premium. The foreign terrorism premium is not subject to any other modifications including, but not limited to, premium discount, experience rating or retrospective rating.
Unless an “If Any” policy develops premium during the policy term or at audit, policies issued on an “If Any” basis will not be charged this premium.

Attach the Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13) and the Foreign Terrorism Premium Endorsement (WC 00 04 22).

2. Domestic Terrorism, Natural Disaster and Catastrophic Industrial Accidents

Premium for Domestic Terrorism, Natural Disaster and Catastrophic Industrial Accidents is calculated on the basis of total payroll. A risk’s total payroll is divided by units of $100 and multiplied by the domestic terrorism rate as shown on the Miscellaneous Values Page. The calculation is expressed as (Payroll/100 x Domestic Terrorism Rate = Premium). For non-payroll classes the premium for domestic terrorism is calculated as a percentage, as shown on the Miscellaneous Values Page, multiplied by the non-payroll class premium. The domestic terrorism premium is not subject to any other modifications including, but not limited to, premium discount, experience rating or retrospective rating.

Unless an “If Any” policy develops premium during the policy term or at audit, policies issued on an “If Any” basis will not be charged this premium.

Attach the Domestic Terrorism Earthquake and Catastrophic Industrial Accident’s Premium Endorsement (WC 00 04 21A)
RULE VII—PREMIUM DISCOUNT
Item 4 of the Information Page—continued

A. EXPLANATION

Premium discount recognizes that the relative expense of issuing and servicing larger premium policies is less than for smaller premium policies. Premium discount is a per policy charge and is calculated based upon the policy standard premium regardless of any change in anniversary rating date or a mid-term change in the carrier’s expense provision.

B. DEFINITIONS

1. Standard Premium

Standard premium is the premium before the premium discount. For the purposes of this rule, the premium is determined on the basis of authorized rates, any experience rating or merit rating modification, credits under the New York Construction Classification Premium Adjustment Program, surcharges and credits under the Workplace Safety Programs and other programs as shown in Appendix D, non-ratable elements as defined in Rule VI.A.6, aircraft seat surcharges, premium for increased limits of liability and minimum premiums. The Expense Constant, the New York State Assessment, the Workers’ Compensation Security Fund Surcharge and the additional charges for the catastrophe provisions as shown in Rule IX.N shall be excluded from determination of the standard premium.

2. Total Standard Premium

Total standard premium means the total premium for all states covered by the policy.

3. Insured

Insured means a single entity or two or more legal entities eligible for combination under the New York Experience Rating Plan Manual.

C. RETROSPECTIVE RATING

Any standard premium under a retrospective rating plan is not subject to premium discount.

D. DETERMINATION OF PREMIUM DISCOUNT

If a policy develops total standard premium in excess of $5,000, the standard premium is subject to premium discount as follows:

1. Without Retrospective Rating

   a. Single State Policy

      If a policy provides coverage only in New York, the premium discount shall be determined by applying the discount percentages on the Premium Discount Table to the total standard premium.

   b. Multiple State Policy

      Premium discount applies on an interstate basis. It shall be determined by applying the discount percentages applicable in each state to each state’s portion of the first $5,000, the next $95,000, the next $400,000 and the amount over $500,000 of the total standard premium. Each state’s portion of the foregoing divisions of total standard premium shall be computed by multiplying the total standard premium in each of the above divisions by the ratio of the state standard premium to the total standard premium. Methods of computing premium discount are in the Appendix.
MISCELLANEOUS VALUES (continued)

New York State Assessment Charges

General Instructions and Information

Refer to Rule IX-L., Sections 1. and 2.

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Code 7370</th>
<th>Code 7711</th>
<th>All Other Classes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers' Compensation Board</td>
<td>3.7%</td>
<td>3.3%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Reopened Case Fund</td>
<td>2.9%</td>
<td>2.9%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Special Disability Fund</td>
<td>0.0%</td>
<td>0.0%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Interdepartmental Expenses</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Special Funds Conservation Committee</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Total</td>
<td>6.6%</td>
<td>6.2%</td>
<td>17.5%</td>
</tr>
</tbody>
</table>

Premium Base

Refer to Rule IX-L., Section 3.

For all policies not retrospectively rated, premium is defined as premium determined on the basis of Board or authorized (deviated) rates (or percentage premium deviation), plus any applicable territory differential premium, including any experience modification, merit rating factor, minimum premium, Construction Classification Premium Adjustment Program policy credit factor, surcharges and credits from Workplace Safety Programs, credits from independently filed carrier specialty programs (for example, alternative dispute resolution, drug-free workplace, managed care or preferred provider organization programs), the charge for foreign terrorism and the additional charge for domestic terrorism catastrophes and natural disasters. The expense constant, including the expense constant in the minimum premium, the premium discount, as defined in Rule VII, and premium credits for participation in any Deductible Program are excluded from the determination of the assessment charge.

For retrospectively rated policies, premium is defined as the retrospective premium as determined by the applicable parameters of the Retrospective Rating Plan plus the implied premium discount determined on the basis of standard premium.

Passenger Seat Surcharge - Applicable in conjunction with Code 7421 “Aircraft or Helicopter Operation: Transportation of Personnel in Conduct of Employer’s Business - Flying Crew” in accordance with the classification footnote instructions .............................................. $100 per passenger seat $1,000 maximum per aircraft

Terrorism and Catastrophe Charges

★ Foreign Terrorism
Applicable only in conjunction with Rule IX-N.1 of the Manual
Terrorism premium charge per $100 of total policy payroll ........................................ $0.34
For non-payroll based classes, charge is % of non-payroll class manual premium .................. 2.1%

★ Domestic Terrorism, Natural Disasters and Industrial Accidents
Applicable only in conjunction with Rule IX-N.2 of the Manual
Catastrophe Charge per $100 of total policy payroll .............................................. $0.01
For non-payroll classes, charge is % of non-payroll class manual premium .......................... 0.5%

Workers Compensation Security Fund Surcharge
Applicable only in accordance with Rule IX - M of the Manual
Charge is % of total policy premium, including the New York State Assessment .................. 2.0%

United States Longshore and Harbor Workers' Compensation Coverage Percentage
Applicable only in connection with Rule XII-D of the Manual ........................................ 111.2%
(Multiply a Non-F classification rate by a factor of 2.112 to adjust for differences in state and federal benefits and assessments)
<table>
<thead>
<tr>
<th>Sequence of Presentation &amp; / or Calculation *</th>
<th>Statistical Codes</th>
<th>Premium Element Name</th>
<th>Calculation Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>34 9034, 9036</td>
<td>Rate Deviation - Method 3 (After Experience Modification)</td>
<td>(Modified Premium plus statistical codes not subject to experience rating) x deviation factor</td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>TOTAL STANDARD PREMIUM</td>
<td>Total Modified Premium + all premium from classifications and statistical codes not subject to experience rating (items 18 thru 34).</td>
<td></td>
</tr>
<tr>
<td>35 0063, 0064</td>
<td>Premium Discount</td>
<td>Tabular or formula value as specified in the NY WC&amp;EL Manual; not applicable in conjunction with retrospective rating</td>
<td></td>
</tr>
<tr>
<td>36 0900</td>
<td>Expense Constant</td>
<td>A fixed dollar amount per policy as specified in NY WC&amp;EL Manual</td>
<td></td>
</tr>
<tr>
<td>★ 37 9740</td>
<td>Foreign Terrorism</td>
<td>Rate per $100 of total policy payroll; % of class premium for non-payroll classes.</td>
<td></td>
</tr>
<tr>
<td>38 9741</td>
<td>Domestic Terrorism and Natural Catastrophes</td>
<td>Rate per $100 of total policy payroll; % of class premium for non-payroll classes.</td>
<td></td>
</tr>
<tr>
<td>39 None</td>
<td>TOTAL ESTIMATED ANNUAL PREMIUM</td>
<td>Premium combining all applicable elements above</td>
<td></td>
</tr>
<tr>
<td>40 0932</td>
<td>New York State Assessment</td>
<td>Usually a percentage of Standard Premium as specified in the NY WC&amp;EL Manual</td>
<td></td>
</tr>
<tr>
<td>41 None</td>
<td>Total Estimated Premium and Assessment</td>
<td>Total Estimated Annual Premium + NY State Assessment Charge</td>
<td></td>
</tr>
<tr>
<td>42 9749</td>
<td>New York Workers Compensation Security Fund</td>
<td>A percentage of the Total Estimated Annual Premium and Assessments</td>
<td></td>
</tr>
<tr>
<td>43 None</td>
<td>TOTAL ESTIMATED POLICY COST</td>
<td>Total Estimated Annual Premium + NY State Assessment Charge + NY WC Security Fund Charge</td>
<td></td>
</tr>
</tbody>
</table>

* See Pages AD-4 through AD-6 for Premium Element Definitions
### PREMIUM ELEMENT DEFINITIONS

<table>
<thead>
<tr>
<th>Sequence of Presentation &amp; / or Calculation</th>
<th>Premium Element Name</th>
<th>Premium Element Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>Deductible Premium Credit (After Experience Modification)</td>
<td>Premium credit for employer election to reimburse carrier for losses below specified limit.</td>
</tr>
<tr>
<td></td>
<td>Short Rate Cancellation Penalty</td>
<td>Penalty charged employer for canceling policy before expiration date.</td>
</tr>
<tr>
<td>32</td>
<td>Minimum Premium</td>
<td>Additional premium to balance to minimum charge</td>
</tr>
<tr>
<td></td>
<td>Employers Liability Increased Limits Minimum Premium - Admiralty or FELA Coverage</td>
<td>Additional premium to balance to minimum charge for Part Two increased limits</td>
</tr>
<tr>
<td>34</td>
<td>Rate Deviation - Method 3 (After Experience Modification)</td>
<td>Specified percentage premium adjustment per carrier filing with Insurance Department.</td>
</tr>
</tbody>
</table>

#### TOTAL STANDARD PREMIUM

| 35 | Premium Discount | Premium adjustment to expense provisions based on size of standard premium |
| 36 | Expense Constant | Premium charge which covers expense such as policy issuing, recording and auditing. |
| 37 | Foreign Terrorism| Premium for losses subject to foreign terrorism.                          |
| 38 | Domestic Terrorism and Natural Catastrophes | Premium for losses subject to domestic terrorism and natural catastrophes |

#### TOTAL ESTIMATED ANNUAL PREMIUM

| 39 | Information Page Value | |
| 40 | New York State Assessment | A charge to fund the administration of the Workers’ Compensation Board and Special Funds. |
| 41 | Total Estimated Premium and Assessment | Total Estimated Annual Premium + NY State Assessment Charge. |

#### TOTAL ESTIMATED POLICY COST

| 43 | Information Page Value | |

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TERRORISM RISK INSURANCE EXTENSION ACT ENDORSEMENT

This endorsement addresses the requirements of the Terrorism Risk Insurance Act of 2002 as amended and extended by the Terrorism Risk Insurance Extension Act of 2005.

Definitions

The definitions provided in this endorsement are based on the definitions in the Act and are intended to have the same meaning. If words or phrases not defined in this endorsement are defined in the Act, the definitions in the Act will apply.


“Act of terrorism” means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States as meeting all of the following requirements:

a. The act is an act of terrorism.
b. The act is violent or dangerous to human life, property or infrastructure.
c. The act resulted in damage within the United States, or outside of the United States in the case of United States missions or certain air carriers or vessels.
d. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

“Insured terrorism or war loss” means any loss resulting from an act of terrorism (including an act or war, in the case of workers compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if the loss occurs in the United States or at United States missions or to certain air carriers or vessels.

“Insurer deductible” means:

a. For the period beginning on November 26, 2002 and ending on December 31, 2002, an amount equal to 1% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding November 26, 2002.
b. For the period beginning on January 1, 2003 and ending on December 31, 2003, an amount equal to 7% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2003.
c. For the period beginning on January 1, 2004 and ending on December 31, 2004, an amount equal to 10% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2004.
d. For the period beginning on January 1, 2005 and ending on December 31, 2005, an amount equal to 15% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2005.
e. For the period beginning on January 1, 2006 and ending on December 31, 2006, an amount equal to 17.5% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2006.
f. For the period beginning on January 1, 2007 and ending on December 31, 2007, an amount equal to 20% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2007.
Limitation of Liability

The Act may limit our liability to you under this policy. If annual aggregate insured terrorism or war losses of all insurers exceed $100,000,000,000 during the applicable period provided in the Act, and if we have met our insurer deductible, the amount we will pay for insured terrorism or war losses under this policy will be limited by the Act, as determined by the Secretary of the Treasury.

Policyholder Disclosure Notice

1. Insured terrorism or war losses would be partially reimbursed by the United States Government under a formula established by the Act. Under this formula, the United States Government would pay 90% for Program Year 4 and 85% for Program Year 5 of our insured terrorism or war losses exceeding our insurer deductible.

2. The premium charged for the coverage this policy provides for insured terrorism or war losses is included in the amount shown in Item 4 of the Information Page or in the Schedule in the Foreign Terrorism Premium Endorsement (WC 00 04 22), attached to this policy.
DOMESTIC TERRORISM, EARTHQUAKES, AND CATASTROPHIC INDUSTRIAL ACCIDENTS PREMIUM ENDORSEMENT

This endorsement is notification that your insurance carrier is charging premium to cover the losses that may occur in the event of domestic terrorism, earthquakes, and/or a catastrophic industrial accident.

The premium charge provides funding for the risk of earthquakes, catastrophic industrial accidents, and certain acts of domestic terrorism. It does not provide funding for acts of terrorism certified as such by the Terrorism Risk Insurance Act of 2002 and any amendments resulting from the Terrorism Risk Insurance Extension Act of 2005 (the Act), or acts of foreign terrorism as that term is defined in the Foreign Terrorism Premium Endorsement (WC 00 04 22), attached to this policy.

For purposes of this endorsement, the following definitions apply:

**Domestic Terrorism**: All acts of terrorism outside the scope of the Act or the Foreign Terrorism Premium Endorsement (WC 00 04 22), with aggregate workers compensation losses in excess of $50 million.

**Earthquake**: The shaking and vibration at the surface of the earth resulting from underground movement along a fault plane or from volcanic activity where aggregate workers compensation losses from the single event are in excess of $50 million.

**Catastrophic Industrial Accident**: Any single event resulting in aggregate workers compensation losses in excess of $50 million.

<table>
<thead>
<tr>
<th>Payroll</th>
<th>Rate</th>
<th>Premium</th>
</tr>
</thead>
</table>

**Note**: For non-payroll classes in New York, the charge is a % of the non-payroll class manual premium.
FOREIGN TERRORISM PREMIUM ENDORSEMENT

This endorsement is notification that your insurance carrier is charging premium for losses that may occur in the event of an act of foreign terrorism.

Your policy provides coverage for workers compensation losses caused by acts of foreign terrorism, including workers compensation benefit obligations dictated by state law. Coverage for such losses is still subject to all terms, definition, exclusions, and conditions in your policy, and any applicable federal and/or state laws, rules, or regulations.

For purposes of this endorsement, an "act of foreign terrorism" is defined as:

a. Any act that is violent or dangerous to human life, property or infrastructure; and

b. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

The premium charge for the coverage your policy provides for workers compensation losses caused by an act of foreign terrorism is shown in Item 4 of the Information Page or in the Schedule below.

<table>
<thead>
<tr>
<th>State</th>
<th>Rate per $100 of Payroll</th>
</tr>
</thead>
</table>

Note: For non-payroll classes in New York, the charge is a % of the non-payroll class manual premium.
B. INSURED

Insured means the employer designated in Item I of the Information Page in the policy or policies to which this Plan is applied by the carrier which issued such insurance. Insured may be two or more legal entities if the same person, or group of persons, owns the majority interest in such entities. The New York Experience Rating Plan Manual defines majority interest. It usually means:

1. Majority of voting stock; or
2. Majority of members or directors if there is no voting stock; or
3. Majority participation of general partners in profits of a partnership.

C. MANUAL


D. RISK

Risk means the insured to which this Plan is applied.

E. RATES

1. Authorized rate means either:
   a. The manual rate or any other rate that has been established by the New York Compensation Insurance Rating Board; or
   b. Where applicable, the rate filed by the carrier and approved in accordance with state regulatory requirements.


F. STANDARD PREMIUM

For the purpose of this Plan, standard premium means the premium for the risk determined on the basis of authorized rates, an experience rating modification, loss constants where applicable, and minimum premiums. Determination of standard premium shall exclude:

1. Premium Discount.
2. The Expense Constant.
4. Premium developed by the passenger seat surcharge under Code 7421—Aircraft Operation—flying crew.
★ 5. Premium developed by provisions for foreign terrorism, domestic terrorism, natural disasters and industrial accidents.

G. INCURRED LOSSES

Incurred losses used in the rating formula for determining premium under this Plan are those reported under the rules of the New York Statistical Plan Manual.

Generally, incurred losses are the actual losses paid and outstanding, interest or judgments, expenses incurred in obtaining third-party recoveries (not to exceed the amount of a third-party recovery), and allocated loss adjustment expenses for employers liability losses.
10. Premium Not Subject To Experience Modification—Lines D, E and F

   Report the classification codes and corresponding exposures and rates (if applicable) and premium amounts for those classifications not subject to experience modification.

   a. Aircraft Operation—Passenger Seat Surcharge

      Report the premium charged for this exposure under Code 9108.

   b. Atomic Energy Radiation Exposure

      Refer to Part I, Item 9.

   c. Catastrophe Provision for Domestic Terrorism, Natural Disasters and Industrial Accidents

      Report the premium amount charged for domestic terrorism, natural disasters and industrial accidents under Code 9741 on the line under the charge for foreign terrorism losses.

   d. Catastrophe Provision for Foreign Terrorism

      Report the premium amount charged for foreign terrorism under Code 9740 on the line under the Expense Constant.

   e. Construction Classification Premium Adjustment Program Credit

      Report the premium credit amount as a result of this program under Code 9046.

   f. Drug-Free Workplace Premium Credits

      For policies written in conjunction with a carrier filed Drug-Free Workplace Program, report the premium credit amount under code 9846 when filed not subject to experience rating.

   g. Indemnity and/or Medical Deductible Programs

      Refer to Item 11 of this Part.

   h. Managed Care/Preferred Provider Organization Premium Credit

      For policies written in conjunction with a carrier filed and approved Managed Care or Preferred Provider Organization program, report the premium credit amount under code 9874.

   i. Merit Rating Credits/Debits

      For policies with a merit rating factor of .92, report the premium credit amount under Code 9885. For policies with a merit rating factor of 1.04 or 1.08, report the premium debit amount under Codes 9896 and 9886, respectively. For policies with a merit rating factor of 1.00, report a zero dollar amount under code 9884.

   j. Minimum Premium Policies

      Refer to Item 13 of this Part.

   k. Non-Ratable Element Codes

      For classification codes containing non-ratable elements, report the exposure amounts, manual rates and premium amounts under the associated statistical codes listed in Part VIII.
PART III

1. Rate Deviations

Refer to Item 12c of this Part.

2. Safety Investment Premium Credit

Report the premium credit as a result of this program under Code 9748.

3. Short Rate Penalty Premium

For policies canceled on a short rate basis, report the additional premium resulting from the application of the Short Rate Cancellation Rule (Rule X.D) in the New York Workers Compensation and Employers Liability Manual under Code 0931.

4. Workplace Safety and Loss Consultation Premium Credit

Report the premium credit amount as a result of this program under Code 9746.

5. Workplace Safety and Loss Consultation Premium Surcharge

Report the premium surcharge amount as a result of this program under Code 9747.

11. Deductibles

Report above Line A the premium credit amount for deductible programs under Code 9664 for credits subject to experience rating, i.e., calculated prior to the application of the experience modification. Report on Lines D, E, or F the premium credit amount for deductible programs under Code 9663 for credits not subject to experience rating, i.e., calculated after the application of the experience modification.

12. Deviations

If a carrier has received regulatory approval to deviate from Rating Board manual rates, unit statistical reports shall be submitted in accordance with the provisions of this Plan, such that if the approved deviation is applied:

a. Directly to Rating Board Rates

Report the authorized (deviated) rates and the resultant premiums in the appropriate columns for each classification.

b. As a Flat Percentage to the Total Premium Before the Application of Experience Modification

Report the Rating Board manual rates and the resultant premiums in the appropriate columns for each classification.

Report the premium credit adjustment amount resulting from the application of a deviation factor less than 1.00 under Statistical Code 9037. Report the premium debit adjustment amount resulting from the application of a deviation factor greater than 1.00 under Statistical Code 9039. Report these statistical codes and corresponding premium amounts above Line A.

c. As a Flat Percentage to the Total Premium After the Application of Experience Modification

Report the Rating Board manual rates and the resultant premiums in the appropriate columns for each classification.

Report the premium credit adjustment amount resulting from the application of a deviation factor less than 1.00 under Statistical Code 9034. Report the premium debit adjustment amount resulting from the application of a deviation factor greater than 1.00 under Statistical Code 9036. Report these statistical codes and corresponding premium amounts on Lines D, E, or F.

Note: A carrier authorized to apply a deviation must use only one of the above described report procedures.