R.C. 2162

To the Members of the Board

Re: New York Workers Compensation
   Terrorism Risk Insurance Program Reauthorization Act of 2007

In R.C. Bulletin 2159, dated January 14, 2008, you were informed that appropriate endorsements had been approved for use in New York that reflect the requirements of the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA).

Since that time, the U.S. Treasury Department has issued draft interim guidance that requires carriers to provide a clear and conspicuous disclosure to policyholders of the premium charged for insured losses covered by the Terrorism Risk Insurance Program. The new definition of “an act of terrorism” under the Program includes both foreign and domestic terrorism. In New York, there are separate premium charges for foreign and domestic terrorism. However, the domestic terrorism portion is included in the single charge for domestic terrorism, natural disasters and industrial accidents (commonly referred to as DTEC).

To satisfy the TRIPRA disclosure requirements, you are hereby advised that the estimated domestic terrorism portion of the DTEC charge in New York is 55%. This percentage should be used to determine the portion of the New York DTEC premium attributable to domestic terrorism.

The following examples illustrate the calculation of the terrorism premium in accordance with the Treasury’s guidance.

For Payroll Based Classes:

Insured’s NY Payroll = $1,000,000  
Foreign Terrorism (FT) Charge = .034  
DTEC Charge = .01

Foreign Terrorism (FT) Premium = (1,000,000/100 x 0.034) = $ 340
DTEC Premium = (1,000,000/100 x 0.01) = $ 100
Domestic Terrorism (DT) Premium = $100 x .55 = $ 55
Total Terrorist Premium = $340 + $55 = $ 395
For Non-Payroll Based Classes:

NY Manual Premium = $15,000
Foreign Terrorism (FT) Charge = 2.1%
DTEC Charge = 0.5%

Foreign Terrorism (FT) Premium = \(15,000 \times 0.021 = 315\)

DTEC Premium = \(15,000 \times 0.005 = 75\)

Domestic Terrorism (DT) Premium = \(75 \times 0.55 = 41\)

Total Terrorism Premium = \(315 + 41 = 356\)

Carriers should make their own determination as to whether they disclose the combined foreign and domestic terrorism premium or list each premium separately on their policies.

Please note that the data reporting requirements under TRIPRA will remain the same. Carriers should continue to use Statistical Code 9740 to report the premium generated for foreign terrorism coverage and Statistical Code 9741 to report the premium generated for the DTEC coverage. In the above examples, $340 ($315 for non-payroll classes) would be reported under Code 9740 and $100 ($75 for non-payroll classes) would be reported under Code 9741.

Very truly yours,

Monte Almer

President

MA/ab