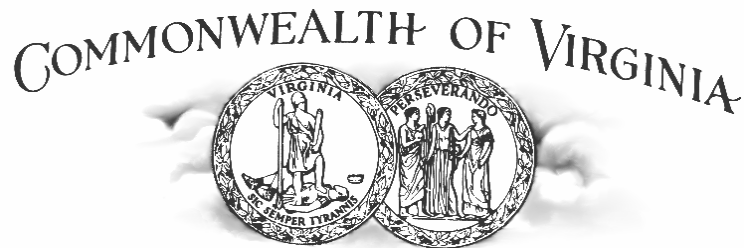


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STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

February 9, 2006

Administrative Letter 2006-3

TO: All Rate Service Organizations and All Licensed Property and Casualty Insurers Writing Commercial Lines Insurance Products in Virginia

RE: Virginia Rule, Rate, and Form Filing Procedures for Compliance with the Provisions of the Terrorism Risk Insurance Extension Act of 2005

Congress recently enacted, and the President has signed into law, the Terrorism Risk Insurance Extension Act of 2005 (the Act). Several provisions of the Terrorism Risk Insurance Act of 2002 (TRIA) have been changed in this extension. These changes include deletion of commercial auto, burglary and theft, surety, professional liability, and farmowners multiperil coverages from the lines of insurance covered by TRIA. The U.S. Department of the Treasury previously determined that fidelity insurance is not covered. Insurers may wish to monitor the Treasury website at <http://www.treas.gov/offices/domestic-finance/financial-institution/terrorism-insurance/interim-guidance.shtml> for further guidance.

It should be noted that Virginia continues the prohibition of any terrorism exclusions in personal and commercial automobile insurance and insurance covering owner-occupied dwellings, due to the requirements of Virginia's standard forms for auto insurance and minimum standards of coverage for owner-occupied dwellings. Commercial auto standard form CA 23 56 (Ed. 11 02), Cap on Losses from Certified Acts of Terrorism, has been withdrawn effective January 1, 2006, by Administrative Order 11727 and should no longer be attached to Virginia commercial auto policies. Terrorism exclusions of any kind are prohibited with respect to workers' compensation insurance. In addition, all terrorism exclusions, for lines of insurance where such exclusions are permitted, must continue to meet the requirements outlined in Administrative Letter 2004-6.

Submission of Form Filings

Changes in the Act, as extended, may require some insurers to submit filings. However, it appears that the number and scope of filings required will be minimal, compared to filings required as a result of the 2002 legislation. For lines of insurance newly exempted from coverage, currently-approved policy forms that reference "certified acts of terrorism" may need to be withdrawn since no acts of terrorism will be certified for those lines of insurance. However, forms approved as "conditional" exclusions, pursuant to the requirements set forth in Administrative Letter 2004-6, will generally continue to be acceptable. Insurers affiliated with rate service organizations that have filed terrorism endorsements on the insurers' behalf should contact the rate service organization and follow the instructions provided in the rate service organization's bulletins and notices. Insurers that have filed independent forms or endorsements that are based upon the language used by a rate service organization may be guided by the action taken and/or recommended by the rate service organization.

Any revised policy forms or endorsements must be received at least 30 days before the proposed implementation date pursuant to § 38.2-317 of the Code of Virginia and Administrative Letter 2005-2. All filings will continue to be reviewed in the order of date received.

Submission of Rule and Rate Filings

With the exception of workers' compensation insurance, rules and rates for the lines of insurance covered by the Act are accepted on a file and use basis, and the earliest implementation date is the date of receipt pursuant to § 38.2-1906 of the Code of Virginia. Requests for implementation must comply with the requirements of Administrative Letter 2005-2, and filings must include the certification form attached to Administrative Letter 2005-1. Copies of these administrative letters are available at <http://www.scc.virginia.gov/division/boi/webpages/boi2005administrativeletters.htm>. All filings will continue to be reviewed in the order of date received.

Disclosure Notices - Filing Not Required

Because disclosure notices do not contain terms or conditions of coverage, they are not subject to review or approval by the Bureau. Please do not submit filings that contain disclosure notices. However, insurers should be aware that they may need to amend their disclosure notices to reflect the changes in the threshold limit of Federal participation. The NAIC has developed disclosure forms that will meet the requirements of the Act. Disclosure notices that have been approved by the Treasury are available on the NAIC's website at http://www.naic.org/topics/topic_tria.htm. Again, please do not submit disclosure notices to our office.

Terrorism Definitions

The Act includes a definition of acts of terrorism that is used to describe *certified losses*. Insurers' policy forms and endorsements should also include a definition of acts of terrorism that constitute *non-certified losses*. Administrative Letter 2004-6 includes both of these definitions. Only the definitions described in Administrative Letter 2004-6, or definitions that are more favorable to policyholders, will be accepted. We will not allow exclusions of coverage for acts of terrorism that fail to be *certified losses* (as defined) solely because they fall below the \$5,000,000 threshold in Section 102(1) (B) of TRIA on any policy that provides coverage for *certified losses*. A copy of Administrative Letter 2004-6 is available on the Bureau's website at <http://www.scc.virginia.gov/division/boi/webpages/adminlets/04-06.pdf>.


Expiration of the Act

The provisions of the Act expire December 31, 2007, unless further extended by Congress.

Should you have any questions please direct them to:

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Cordially,



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Commissioner of Insurance

AWG/bb