

March 1,
2002

To: All Licensed Property & Casualty Insurers Writing Commercial Lines Insurance Products
From: Nathaniel S. Shapo, Director
Re: (CB #2002-02) Extension of and Amendment to CB#2001-11 -- Filing and Requirements for Exclusions Related to Acts of Terrorism
For Forms Filing Questions: Keith Fanning, P&C Compliance Unit (217)782-1792; FAX: (217)782-5020; E-MAIL: keith_fanning@ins.state.il.us

For Questions regarding Policy Renewal, Cancellation, or Nonrenewal: Gayle Neuman,
Reply To: Consumer Services Unit (217) 782-6361; FAX (217) 782-5020; E-mail: gayle_neuman@ins.state.il.us

*****Due to the number of expected inquiries, we request that you e-mail your questions or inquiries as much as possible.**

Background

CB#2001-11 contained an expiration date of March 1, 2002 in anticipation that by this date, a federal solution to the reinsurance concerns would be approved and commercial lines terrorism exclusions would no longer be necessary.

The intent of this bulletin is to inform you that CB#2001-11 is hereby **extended** until it is withdrawn by the Illinois Director of Insurance.

In addition, CB#2001-11 is hereby **amended** to clarify the original intent of the Policyholder Notification and to address industry concerns about future anticipated loss of adequate reinsurance that would exclude terrorism coverage for currently in-force direct-written policies.

Update on Company Response to CB#2001-11

Many companies that have filed commercial lines terrorism exclusions or are using ISO commercial lines terrorism exclusions have not complied with our previous CB#2001-11.

To guarantee the most efficient turn-around time for these filings, we remind companies to read and comply with **this** bulletin and the requirements in CB#2001-11. Both bulletins can be found on our website.

To date, if a company's filing hasn't complied with CB#2001-11, we have e-mailed the filing analyst to request compliance with the bulletin or withdrawal of the filing.

Beginning March 1, 2002, we will give companies seven (7) working days to comply with the bulletin requirements or we will disapprove the filing. Therefore, it is in the company's best interest to read the bulletins and submit a filing that is in complete compliance when it is submitted.

Amendments to CB#2001-11

All provisions in CB#2001-11 are still in effect, including forms filing requirements, prohibition of terrorism exclusions for Workers' Compensation policies, and provisions applicable to all companies.

However, CB#2001-11 is hereby amended to provide for the following:

If a company's reinsurance contract expires on a future date, but the reinsurer has indicated that the future reinsurance contract will contain a terrorism exclusion, **and** that the future terrorism exclusion will apply to policies currently in force, the company may attach the terrorism exclusion to policies that renew prior to the reinsurance renewal date but only if:

- The company files with the Director the attached certification ([HTML Format](#) [PDF Format](#)), signed by a Corporate Officer, that the company's reinsurer(s) has/have indicated that terrorism will be excluded in future reinsurance renewal contracts and that such exclusion will apply to currently in-force policies; and
- The company provides the Director with a copy of the finalized reinsurance contract and highlights the terrorism exclusion language for currently in-force policies; and
- The company affixes the Policyholder Notification shown below to every commercial lines terrorism exclusion issued in Illinois.

Amended and Clarified Policyholder Notification

All companies must send the following Policyholder Notification with every commercial lines terrorism exclusion issued in Illinois.

Note: This Policyholder Notification amends the CB#2001-11 Policyholder Notification to provide for situations where the company anticipates a future loss of adequate reinsurance for the excluded terrorism risk, and clarifies the original intent of the Department's position on terrorism exclusions - that the exclusions are valid only until companies obtain adequate reinsurance for the terrorism risk or is eligible to participate in a federal reinsurance program or risk pooling program.

Companies may send this Policyholder Notification clarification to insureds that, from 1-1-02 to 3-1-02, received the original Policyholder Notification language with their terrorism exclusion.

This "Terrorism Exclusion" Endorsement or "Terrorism Exclusion" language contained in this policy is valid for use in the State of Illinois only if the Company has inadequate reinsurance covering the excluded risks of loss due to "Terrorism" as defined by the policy or endorsement; and is valid only until

(1) the Company obtains adequate reinsurance covering the excluded risks of loss due to "Terrorism" as defined by the policy or endorsement; or (2) the Director of Insurance determines that the Company is eligible to participate in a federal reinsurance program or a risk pooling program adequate to spread the excluded risks of loss due to "Terrorism," as defined by the policy or endorsement, in a financially responsible manner.

Effective date and Expiration Date

This bulletin shall take immediate effect March 1, 2002 and shall expire only upon withdrawal of the bulletin by the Director of Insurance.