

Re: Terrorism

Date: January 20, 2003

President Bush signed into law the Terrorism Risk Insurance Act of 2002 on November 26, 2002. The Act requires the Federal Government to pay 90 percent of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage, up to \$100 Billion (Note that 9/11 is estimated to be a \$50 Billion loss). The deductibles are 7% (of the insurer's earned premium) in 2003, 10% in 2004, and 15% in 2005. The law will sunset on December 31, 2005.

In order for a loss to be covered under the Act, it must be a certified loss. For full statutory details on what is meant by certified "act of terrorism", please refer to the disclosure notices, [PI-TER-DN1](#) and [PI-TER-DN2](#).

PIC has 90 days from November 26, 2002 (February 24th, 2003), in which to send notice to our current policyholders describing the Act, indicating the effect it has on terrorism exclusions on their policies, and specifying the premium, if any, charged for terrorism coverage. Please refer to the [Cover note](#) and [PI-TER-DN2](#). This will be handled through a mass mailing.

The current terrorism exclusions are considered null and void by law. As such, Philadelphia Insurance Companies is providing full coverage for terrorism. Terrorism coverage will be offered on a new and renewal basis at a future date to be determined. We are targeting March 1st, 2003. Our stance will be to provide coverage unless we receive a rejection. Please refer to [PI-TER-DN1](#).