



November 5, 2004

POST-TRIA TERRORISM ENDORSEMENTS TO BE INTRODUCED FOR DWELLING PROGRAM

BACKGROUND

The Terrorism Risk Insurance Act of 2002 (TRIA) is set to expire on December 31, 2005. Any loss occurring after that date would not be covered by the federal terrorism reinsurance program.

The U.S. Treasury ruled last year that TRIA applies to dwelling risks that are one to four family rental units.

Policies issued between January 2, 2005 and December 31, 2005 will fall partly under the provisions of TRIA. After December 31, 2005, the terrorism endorsements on these policies will not apply as they are contingent on TRIA being in place.

MSO[®] ACTION

We have developed post-TRIA terrorism endorsements for the Combination Dwelling program that can be attached to policies effective after January 1, 2005. These endorsements incorporate, as Section B, a provision that would make the TRIA provisions inapplicable if TRIA is not extended. This then would place the policy in the same coverage position as existed pre-TRIA.

We have filed these endorsements in Delaware, Maryland, New Jersey and Pennsylvania. The filing has been approved in Pennsylvania and is pending in the other states.

EFFECTIVE DATE

Immediately in Pennsylvania.

ENDORSEMENTS

The post-TRIA endorsements, listed below, use the same endorsement numbers as the TRIA endorsements, but with an 01 05 edition date. This way companies do not need to program for new forms.

MDW 411 - DE, MD, NJ, PA

MDW 412 - NJ and PA

MDW 413 - DE and MD

**POLICYHOLDER
NOTICE**

We have also developed separate policyholder notices for each of the endorsements. You may use these with renewal policies to meet the individual state policy change notice requirements.

**FUTURE
CHANGES**

Congress is considering H.R. 4631, the Terrorism Insurance Backstop Extension Act, which will extend TRIA to December 31, 2007. If TRIA is extended or modified, we will amend our program accordingly.

DISTRIBUTION

The new endorsements and policyholder notices will be added to the CD-ROM. Affiliated companies will be able to access these through our website: <http://www.msonet.com>.

QUESTIONS

Contact Jan Kozlowski at (800) 935-6900 or e-mail: jkozlowski@msonet.com.