

NOTICE TO POLICYHOLDERS

POTENTIAL RESTRICTIONS OF TERRORISM COVERAGE

Dear Policyholder:

This Notice has been prepared in conjunction with the **POTENTIAL** implementation of changes related to terrorism coverage of your policy. This Notice is **not** a part of your insurance policy. This Notice is designed to alert you to coverage restrictions and to other provisions in certain terrorism endorsements in your policy. No coverage is provided by this Notice nor does it replace any provision of your policy. You should read your policy and review your declarations page for complete information on the coverages provided. If there are any discrepancies between the policy and this Notice, **THE PROVISIONS OF THE POLICY GOVERN.**

A. Background

On November 26, 2002 President Bush signed the Terrorism Risk Insurance Act of 2002. This Act established a Program (Terrorism Risk Insurance Program) within the Department of the Treasury, under which the federal government shares, with the insurance industry, the risk of loss from future terrorist attacks. That Program is scheduled to terminate at the end of December 31, 2020. Your policy will become effective (or will be renewed) while the Federal Program is still in effect, but prior to a decision by congress on extension of the Federal Program. If the Federal Program terminates, or is extended with certain changes, during the term of your policy, then the treatment of terrorism under your policy will change. This Notice is being provided to you for the purpose of summarizing the potential impact on your coverage.

B. YOUR POLICY AT START OF NEW POLICY TERM:

1. Endorsement **CF-1897** makes a distinction between “certified acts of terrorism” and “non-certified acts of terrorism”. The endorsement provides coverage for “certified acts of terrorism”, which is more fully defined in the endorsement. This coverage is subject to a limit pursuant to the federal Terrorism Risk Insurance Act.

The endorsement excludes coverage for “non-certified acts of terrorism” and contains an exception for certain fire losses. If a “non-certified act of terrorism” results in fire, that loss may be covered, subject to all applicable provisions and Limits of Insurance.

2. **Disclosure Of Premium**

In accordance with the federal Terrorism Risk Insurance Act, we are required to provide you with a notice disclosing the portion of your premium, if any, attributable to coverage for terrorist acts certified under the Terrorism Risk Insurance Act. The portion of your premium currently attributable to such coverage is \$0.

3. **Disclosure Of Federal Participation In Payment Of Terrorism Losses**

The United States Government, Department of the Treasury, will pay a share of terrorism losses insured under the federal program. During calendar year 2020, the federal share equals 80% of that portion of the amount of such insured losses that exceeds the applicable insurer deductible. However, if aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a calendar year, the Treasury shall not make any payment for any portion of the amount of such losses that exceeds \$100 billion.

4. **Cap On Insurer Participation In Payment Of Terrorism Losses**

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a calendar year and we have met our insurer deductible under the Terrorism Risk Insurance Act, we will not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

C. POTENTIAL CHANGE DURING THE TERM OF YOUR POLICY:

Endorsement **CF-1899** is attached to your policy. The endorsement excludes “certified acts of terrorism” and “non-certified acts of terrorism” and contains an exception for certain fire losses. However, the exclusion becomes effective on the condition that one of the following occur:

- If the Federal Terrorism Risk Insurance Program (TRIP) terminates; or
- If TRIP is extended with changes that redefine terrorism, and we are not required to make such revised coverage available to you; or
- If TRIP is extended with changes that make insurance coverage for terrorism subject to provisions or requirements that differ from those that apply to other events or occurrences under this policy, and we are not required to make such revised coverage available to you; or
- If TRIP is extended with changes that increase insurers’ statutory percentage deductible under TRIP for terrorism losses, or decrease the federal government’s statutory percentage share in potential terrorism losses, and we are not required to make terrorism coverage available to you.