

NEW AND RENEWAL POLICIES

NOTICE OF TERRORISM INSURANCE COVERAGE UNDER THE U.S. TERRORISM RISK INSURANCE ACT OF 2002

We are writing to you as the insurer confirming the position in respect of US Terrorism coverage. This letter supersedes any previous correspondence that you may have received, and details a summary of the terms and conditions that you should be aware of in respect of US Terrorism coverage.

On November 26, 2002, the President of the United States signed into law the Terrorism Risk Insurance Act of 2002 (the "Act"). Under the Act, you have a right to purchase insurance coverage for **insured loss** resulting from an **act of terrorism** on the same terms and in the same amounts as loss caused by other events covered by your policy. (Each **bolded term** is defined by the Act; those definitions control our grant of coverage under your policy).

Scope of Coverage

If you elect to purchase this terrorism coverage, only **insured loss** as defined by the Act will be covered under your policy. Coverage under your policy for losses that do not fall within the definition of **insured loss** is not affected by the Act or by this Notice. If your policy includes a terrorism exclusion or sublimit, that exclusion or sublimit still applies for losses arising from any acts or events that are not included in the Act's definition of **act of terrorism**. In addition, under the Act, if total "insured losses" of all property and casualty insurers reach \$100 billion during any applicable period, we will not be liable under our policies for our portion of such losses that exceed such amount. The amounts we pay to you under your policy may be reduced as a result. Because of this, we may reserve our rights when we make payments to you for **insured loss** and we may require an undertaking from you to return to us any overpayment.

Federal Government Share of Compensation

UNDER THE ACT, THE UNITED STATES GOVERNMENT WILL REIMBURSE US FOR 90% OF OUR **INSURED LOSSES** IN EXCESS OF A DEDUCTIBLE UNTIL TOTAL INSURED LOSSES OF ALL PARTICIPATING INSURERS REACH \$100 BILLION. OUR DEDUCTIBLE IS ESTABLISHED BY THE ACT AND IS BASED ON A PERCENTAGE OF OUR PREMIUMS. FOR 2003, THE DEDUCTIBLE WILL BE 7% OF THE APPLICABLE PREMIUMS; FOR 2004, THE DEDUCTIBLE WILL BE 10% OF THE APPLICABLE PREMIUMS; FOR 2005, THE DEDUCTIBLE WILL BE 15% OF THE APPLICABLE PREMIUMS.

Premium Applicable to Terrorism Coverage

If, as part of the coverage under your basic policy, you elect to purchase this terrorism coverage from us, you will be charged an additional premium of \$_____.

You may elect not to purchase this coverage. If you reject the coverage, no additional premium will be charged and a Terrorism Exclusion for all acts of terrorism, including those events covered by the Act, will be included with your policy.

Applicant's Authorized Signature

Underwriters

Dated

Insured

Policy Number

- I hereby elect to purchase Terrorism coverage in accordance with the above for a premium of \$_____.
- I hereby elect not to purchase Terrorism coverage in accordance with the above.