



**Pennsylvania Compensation Rating Bureau**

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*Endorsement WC 00 04 22 (attached) corrected as of 11/23/05.*

November 8, 2005

**BUREAU CIRCULAR NO. 1502**

To All Members of the Bureau:

**Re: APPROVAL OF FILING FOR DOMESTIC TERRORISM, EARTHQUAKE AND  
CATASTROPHIC INDUSTRIAL ACCIDENTS AND MISCELLANEOUS VALUES FOR  
FOREIGN TERRORISM  
EFFECTIVE JANUARY 1, 2006**

The Bureau has submitted and the Insurance Commissioner has approved an amended filing of Pennsylvania Manual rules, forms, rating values and Statistical Plan revisions, Proposal C-349, originally filed September 19, 2005 and amended November 4 and November 10, 2005, which addresses the captioned perils with an **effective date of January 1, 2006**.

**Domestic Terrorism, Earthquake and Catastrophic Industrial Accidents**

The filing establishes a procedure whereby losses attributable to the causes of domestic terrorism, earthquake and catastrophic industrial accidents will be omitted from experience data included in normal ratemaking analysis. Losses qualified for this omission will be attributable to the named causes and will produce losses for any given event equaling or exceeding a threshold amount of \$50 million. In exchange for this prospective treatment, and recognizing that obligations for these causes would be payable under the standard workers compensation policy, there will be a nominal rating value based on publicly-available results of broad catastrophe modeling work.

The Bureau based this procedure on the National Council on Compensation Insurance, Inc. (NCCI) Item Filing No. B-1393, Miscellaneous Values for Domestic Terrorism, Earthquakes, and Catastrophic Industrial Accidents, with pertinent components Pennsylvania-specific as described below:

**Domestic Terrorism**

The PCRB has a rating value in place for Code 9740, Certified Terrorism. (That loss cost has been \$0.03 per \$100 of payroll.) Since NCCI's research indicated that domestic causes were expected to account for approximately ten percent of total terrorism losses, foreign terrorism

would, by inference, account for 90 percent. An appropriate domestic terrorism provision represents approximately 11 percent of a concurrent provision for foreign terrorism or an estimated \$0.0033 per \$100 of payroll.

### Earthquake

Since the NCCI modeling for this exposure has thus far been limited to selected specific geographic fault lines, none of which is contiguous with Pennsylvania, there is no basis for a specific charge for earthquake exposures in the Commonwealth, which is the same position shared for some 25 other NCCI jurisdictions.

### Catastrophic Industrial Accidents

The NCCI item filing presents a uniform loss cost (excluding LAE) pertaining to catastrophic industrial accidents for all 34 of its jurisdictions. That loss cost is \$0.005 per \$100 of payroll. The PCRB has not basis modified this value for use in Pennsylvania.

## **Pennsylvania Rating Value for Domestic Terrorism, Earthquake and Catastrophic Industrial Accidents**

Combining results from the above sections, the Bureau derived the following rating values to be effective January 1, 2006:

### Loss Cost

- \$0.0033 (including LAE and loss-based assessments) for domestic terrorism, computed as 11 percent of current loss costs for certified terrorism losses under TRIA
- \$0.0000 earthquake
- \$0.0050 for catastrophic industrial accidents

Combined loss cost = \$0.0033 + \$0.0000 + \$0.0050 = \$0.0083 or \$0.01 rounded

Consistent with countrywide practices, the PCRB has adopted Statistical Code 9741 for use in applying rating values and recording losses applicable and/or attributable to domestic terrorism, earthquake and catastrophic industrial accidents.

A new endorsement form, WC 00 04 21, is attached to this circular.

## **Miscellaneous Values for Foreign Terrorism**

Absent further congressional action, the Terrorism Risk Insurance Act of 2002 (TRIA) is scheduled to expire effective December 31, 2005. Various references to TRIA appear in current versions of both the Basic Manual and Statistical Plan and will become archaic upon this expiration. To provide a more generic and lasting vernacular, NCCI has prepared Item

Filing No. B-1398, Miscellaneous Values for Foreign Terrorism, which substitutes that wording for TRIA. The PCRB has filed and the Insurance Commissioner has approved the appropriate changes in approved endorsement forms, Manual language and the Statistical Plan to be consistent with this item filing, which are also to be effective January 1, 2006.

A new endorsement form, WC 00 04 22, is attached to this circular. Please note that endorsement forms WC 37 04 06 and WC 37 01 09 have been withdrawn and cannot be used for policies effective January 1, 2006 or later.

The Manual language and Statistical Plan changes filed as Proposal C-349 are available on the Bureau's website under "Filings." Revised editions of the Basic Manual and Statistical Plan will be published on the Bureau's website before the effective date of these changes.

Timothy L. Wisecarver  
President

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***Remember to visit our website at [www.pcrb.com](http://www.pcrb.com) for more information about this and other topics.***

**SECTION 3  
ENDORSEMENTS**

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

**WC 00 04 21**

**DOMESTIC TERRORISM, EARTHQUAKES, AND CATASTROPHIC INDUSTRIAL  
ACCIDENTS PREMIUM ENDORSEMENT**

This endorsement is notification that your insurance carrier is charging premium to cover the losses that may occur in the event of domestic terrorism, earthquakes and/or a catastrophic industrial accident.

The premium charge provides funding for the risk of earthquakes, catastrophic industrial accidents, and certain acts of domestic and foreign terrorism. It does not provide funding for acts of terrorism certified as such by the Terrorism Risk Insurance Act (TRIA) of 2002, but rather provides funding for all other acts of terrorism specifically excluded by TRIA.

For purposes of this endorsement, the following definitions apply:

Domestic terrorism: All acts of terrorism outside the scope of TRIA with aggregate workers compensation losses in excess of \$50 million.

Earthquake: The shaking and vibration at the surface of the earth resulting from underground movement along a fault plane or from volcanic activity where aggregate workers compensation losses from the single event are in excess of \$50 million.

Catastrophic Industrial Accident: Any single event resulting in aggregate workers compensation losses in excess of \$50 million.

Schedule

Payroll	Rate	Premium
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**SECTION 3  
ENDORSEMENTS**

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

**WC 00 04 22**

**FOREIGN TERRORISM PREMIUM ENDORSEMENT**

This endorsement is notification that your insurance carrier is charging premium for losses that may occur in the event of an act of foreign terrorism.

Your policy provides coverage for workers compensation losses caused by acts of foreign terrorism, including workers compensation benefit obligations dictated by state law. Coverage for such losses is still subject to all terms, definitions, exclusions, and conditions in your policy, and any applicable federal and/or state laws, rules, or regulations.

For purposes of this endorsement, an "act of foreign terrorism" is defined as:

- a. Any act that is violent or dangerous to human life, property or infrastructure; and
- b. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

The premium charge for the coverage your policy provides for workers compensation losses caused by an act of foreign terrorism is shown in Item 4 of the Information Page or in the Schedule below.

**Schedule**

State

Rate per \$100 of payroll