

UNITED STATES BANKRUPTCY COURT - NORTHERN DISTRICT OF TEXAS PROOF OF CLAIM

Name of Debtor: Erickson Retirement Communities, LLC (1)

Case Number: 09-37010-sgj11

NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of a case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor (the person or other entity to whom the debtor owes money or property): CNA Companies (2)

Check this box to indicate that this claim amends a previously filed claim.

Name and address where notices should be sent: Wildman Harrold Allen & Dixon, LLP c/o Jonathan W. Young and Yeny C. Estrada 225 West Wacker Drive Chicago, IL 60606 Telephone number: (312) 201-2662

FILED FEB 26 2010 TAWANA C. MARSHALL, CLERK U.S. BANKRUPTCY COURT NORTHERN DISTRICT OF TEXAS

Court Claim Number: (If known) Filed on:

Name and address where payment should be sent (if different from above): Telephone number: BMC GROUP

Check this box if you are aware that anyone else has failed a proof of claim relating to your claim. Attach copy of statement giving particulars. Check this box if you are the debtor or trustee in this case.

1. Amount of Claim as of Date Case Filed: \$ unliquidated (3) If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4. If all or part of your claim is entitled to priority, complete item 5. Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.

5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount. Specify the priority of the claim.

2. Basis for Claim: Insurance Programs (See instruction #2 on reverse side.)

Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B).

3. Last four digits of any number by which creditor identifies debtor: HAZ 1064405052-0, 1064405052-1, 1064405052-2, 1064405052-3, 1064405052-4, 3011726644-0, NSD 4014004514 3a. Debtor may have scheduled account as: (See instruction #3a on reverse side.)

Wages, salaries, or commissions (up to \$10,950*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. §507 (a)(4).

4. Secured Claim (See instruction #4 on reverse side.) Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information. Nature of property or right of setoff: Real Estate Motor Vehicle Other Describe: Value of Property: \$ (4) Annual Interest Rate % Amount of arrearage and other charges as of time case filed included in secured claim, if any: \$ Basis for perfection: Amount of Secured Claim: \$ unliquidated (5) Amount Unsecured: \$ unliquidated

Contributions to an employee benefit plan - 11 U.S.C. §507 (a)(5). Up to \$2,425* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. §507 (a)(7). Taxes or penalties owed to governmental units- 11 U.S.C. §507(a)(8). Other - Specify applicable paragraph of 11 U.S.C. §507 (a)(2).

6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.

Amount entitled to priority: \$

7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See instruction 7 and definition of "redacted" on reverse side.) DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING. If the documents are not available, please explain:

* Amounts are subject to adjustment on 9/1/10 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

Date: 2/24/10 Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.

FOR COURT USE ONLY Erickson Ret. Comm. LLC 01711

Proof of Claim

1

This claim is filed in the Chapter 11 proceedings of Erickson Retirement Communities, LLC (“Debtor”) and affiliates of the Debtor. This claim should be deemed filed in the Chapter 11 proceedings of the Debtor and its affiliates to the extent that (i) the Debtor is liable for any portion of this claim under the terms of the Insurance Program (as hereinafter defined) or applicable law and/or (ii) any portion of this claim is allocable to the estates of any of the affiliate Debtors.

2

This claim is filed by Continental Casualty Company, Columbia Casualty Company, and their American insurance affiliates (individually or collectively, the “CNA Companies” or “CNA” or “CCC”).

3

This claim arises under various programs of insurance maintained by CNA for the Debtor (the “Insurance Program”) prior to the bankruptcy. Under the terms of the Insurance Program, CNA issued various policies of insurance for the benefit of the Debtor and its additional insureds, which may have include professional liability, general liability, excess nursing home liability, and related coverages (the “Policies”). The periods of coverage provided under the Policies are from October 15, 2004 to January 1, 2010. The conditions of the Insurance Program are very similar to those outlined in the binder for the current policy term of January 1, 2010 to January 1, 2011, which is attached hereto.

Both prior and subsequent to the commencement of the Bankruptcy Proceeding, CNA provided and continues to provide insurance programs. CNA believes that there are no open balances prior to this current policy year of January 1, 2010 to January 1, 2011. Nevertheless, in an abundance of caution, the CNA is filing this proof of claim to the extent that the Debtor failed to pay or perform any of their outstanding obligations under the Insurance Program or applicable law. CNA therefore asserts this claim for the payment and performance of all amounts and obligations now or hereafter owing to them under the Insurance Program and/or applicable law. Without limiting the generality of the foregoing, CNA asserts all rights of indemnification, contribution and reimbursement owed to them by the Debtor.

Because all of the Debtor's obligations to CNA are presently unliquidated, the CNA is filing this Claim as unliquidated. The CNA asserts this Claim with respect to obligations and amounts owing to it that have already accrued, that continue to accrue, and that may accrue in the future. CNA reserves the right, at any time in the future, (i) to amend this Claim at any time to state a liquidated balance and (ii) to seek a judicial estimation of its Claim (or any unliquidated amounts asserted herein) pursuant to 11 U.S.C. § 502(c).

4

This Claim should be deemed secured by all amounts now or hereafter owing to CNA, whether under the Insurance Program, applicable law or otherwise. The collateral for the Insurance Program is in the form of various Letters of Credit as stated in each policy. Any amounts or credits now or hereafter owing to the Debtor should be deemed to be CNA's collateral, with CNA reserving all rights of setoff and/or recoupment to the fullest extent possible.

5

Because the amount of credits that may be owing to the Debtor, now or hereafter, is presently unknown, the secured portion of this Claim is filed as unliquidated. CNA reserves the right to amend this Claim to liquidate the credits, and any corresponding rights of setoff and recoupment. To the extent that CNA is undersecured, it reserves and asserts all unsecured and administrative claims to the fullest extent possible.



333 S. Wabash Ave., Chicago IL 60604

David A. Ballard – Paul McLain
Vice President – Underwriting Consultant
CNA HealthPro – 26S
312-822-5800 – 312-822-5248
Fax 312-817-1973 – 312-755-7371
david.ballard@cna.com - paul.mclain@cna.com

December 30, 2009

John Colosimo
Aon Risk Services, Inc. of Pennsylvania
1650 Market Street
Philadelphia, PA 19103

Re: Erickson Retirement Communities, LLC
813 Maiden Choice Lane
Catonsville, Maryland 21228

Dear John:

In accordance with your request and subject to the terms and conditions contained herein, Continental Casualty Company and Columbia Casualty Company (referred to collectively as CCC hereinafter) are pleased to bind the following coverages for the First Named Insureds specified below. This binder is subject to all of the terms and conditions provided herein, without deletion, exception or modification of any kind. *Without limiting the generality of the foregoing, the issuance of this binder is expressly subject to the entry of an order by the United States Bankruptcy Court for the Northern District of Texas (the "Bankruptcy Court") (i) approving the terms of this insurance program in its entirety, (ii) approving the ancillary agreements contemplated by this binder, and authorizing the insureds to perform thereunder and (iii) approving and authorizing the collateralization of the program on the terms set forth herein. To the extent that any of these approvals are not received on or before January 15, 2010, the coverages provided herein shall terminate on January 16, 2010, with Erickson Retirement Communities and its affiliates having waived any further requirement of notice of such termination and cancellation under Maryland laws and regulations, including but not limited to Maryland Insurance Code §§ 27-603 and 27-605, and without the necessity of any further notice or action on the part of CCC. This waiver of any requirement of further notice of termination and cancellation on the part of CCC is based upon the opportunity of Erickson Retirement Communities to obtain the advice of an attorney and such other consultants deemed appropriate by Erickson Retirement Communities.*

First Named Insured:	Erickson Health Medical Group	Erickson Retirement Communities, LLC	Erickson Retirement Communities, LLC
Coverage Provided:	Primary Physicians and Entity including Allied Health Providers Professional Liability – Claims Made	Primary Nursing Home Professional and Commercial General Liability – Claims Made Coverage	Excess Nursing Home Liability – Claims Made Coverage
Policy Period:	1/1/10-1/1/11	1/1/10-1/1/11	1/1/10-1/1/11
Policy Number:	HAZ 3011726644-1	HAZ 1064405052-5	RDX 4022452194

Company:	Continental Casualty Company	Continental Casualty Company	Columbia Casualty Company
Retroactive Date:	Various per submission	10/1/02	10/1/02 LTC; 10/1/05 or other for Physicians as outlined in submission
Limits of Liability:	<p>\$1,000,000 each claim / \$3,000,000 aggregate except Michigan and Texas \$200,000 each claim / \$600,000 aggregate and Virginia - \$2,000,000 each claim / \$6,000,000 aggregate; Allocated Loss Adjustment Expenses (ALAE) are included within the policy limits of liability listed above. The policy limits are shared by all locations, all insureds and by all coverages afforded under the policy.</p> <p>Except as follows:</p> <p>Kansas \$200,000 each claim / \$600,000 aggregate per insured</p> <p>Pennsylvania \$500,000 each claim / \$1,500,000 aggregate per insured</p> <p>Allocated Loss Adjustment Expenses (ALAE) are in addition to the KS and PA policy limits of liability.</p>	<p>\$1,000,000 each claim or occurrence / \$3,000,000 aggregate (Pennsylvania locations do not qualify for participation in MCARE); Allocated Loss Adjustment Expenses (ALAE) are included within the policy limits of liability. The policy limits are shared by all locations, all insureds and by all coverages afforded under the policy.</p> <p>These limits are inclusive of the following Claims Made General Liability sublimits specific to Erickson Corporate Operations and the Erickson Foundation: \$500,000 each claim or occurrence / \$1,000,000 aggregate; Allocated Loss Adjustment Expenses (ALAE) are included within the policy limits of liability; the policy limits are shared by all locations, all insureds and by all coverages afforded under the policy.</p>	<p>\$10,000,000 each claim / \$10,000,000 aggregate; Allocated Loss Adjustment Expenses (ALAE) are included within the policy limits of liability. The policy limits are shared by all locations, all insureds and by all coverages afforded under the policy.</p> <p>Underlying PL/GL per quoted front policies and underlying other liability per expiring. Subject to deductible aggregate stop of \$1,000,000 / \$3,000,000 over all underlying CNA front policies.</p>
Schedule of Underlying if any:			
Total Policy Aggregate:	\$3,000,000 indemnity and expense shared among the two front policies		
Deductible:	The deductible under the policy shall equal the each claim or occurrence limit. The deductible shall apply to loss and to loss	The deductible under the policy shall equal the each claim or occurrence limit. The deductible shall apply to loss and to loss	N/A; see Schedule of Underlying

	expenses (ALAE) and will erode the policy limit of liability. The First Named Insured agrees to be responsible for and pay directly all losses and loss adjustment expenses that are applicable to the deductible.	expenses (ALAE) and will erode the policy limit of liability. The First Named Insured agrees to be responsible for and pay directly all losses and loss adjustment expenses that are applicable to the deductible.	
Deductible Aggregate:	\$3,000,000 indemnity and expense shared over the two front policies		
Policy Premium:			
Front Fee	\$40,000	\$135,000	
Premium			\$1,175,000
Terrorism Premium*	N/A	N/A	See comments below on charge.
<u>Estimated Premium Taxes/ Fees / Guaranty Fund / Surcharges</u>	<u>1,026</u>	<u>3,462</u>	<u>N/A</u>
Total Policy Premium	\$41,026	\$138,462	\$1,175,000
	The premium contemplates only the underwriting exposure as described to CCC in the underwriting submission. * See Terrorism Disclosure Notice at end		
	The Front Fee and Excess Premium will be due as follows: 60% due at inception and the remainder due on 7/1/10. Both will be pro-rated if the policy is cancelled midterm.		
Commission:	Net	Net	Net
Policy Forms:	CCC standard and manuscripted claims made nursing home, general and physician policies and endorsements will be utilized and CCC shall have final approval of all policy wording and endorsements. The broker will be required to mark up a draft copy of the policy for CCC to review prior to issuance. CCC will make any changes it deems necessary in order to issue the policy.		

Terms and Conditions Applicable to the policies:

- Claims administration for the primary PL/GL policy shall be handled per the Claim Services, Indemnity and Deductible Security Agreement. In that contract CCC does not administer, adjust nor handle the claims or defense payments.

However, claims handling for the physician policy will be priced as follows:

\$2,645 per claim reported to CCC during policy term 1/1/10-1/1/11, \$2,040 each subsequent year that claim is open for those claims initially reported during the term 1/1/10-1/1/11 subject to annual audit and to a maximum per claim charge of \$8,765.

Erickson will maintain and submit to CCC a quarterly bordereau of all other incidents that are not reported initially as claims to CCC. No claims handling services will be provided for these claims. Bordereau data fields to be maintained shall include the following:

- | | |
|---------------------------|----------------------------|
| ▪ <i>Policy Year</i> | ▪ <i>Date of Loss</i> |
| ▪ <i>Policy Number</i> | ▪ <i>Date of Notice</i> |
| ▪ <i>Insured DBA Name</i> | ▪ <i>Date Closed</i> |
| ▪ <i>Insured Name</i> | ▪ <i>Expense Reserve</i> |
| ▪ <i>Claimant Name</i> | ▪ <i>Indemnity Reserve</i> |
| ▪ <i>Loss Description</i> | ▪ <i>Expense Paid</i> |
| ▪ <i>Coverage Code</i> | ▪ <i>Indemnity Paid</i> |

An incident initially reported on the bordereau but later asserted as and reported to CCC as a claim will incur the charges described above and will be considered reported during the term as initially listed in the relevant bordereau.

This amount is net of taxes/fees and will be grossed up to include applicable tax/fees/surcharges. We reserve the right to charge any additional claims fee that may be due on a monthly basis. All claims administration fees are due within 15 days of billing.

- The stated primary premiums do not include the costs of claims administration, the charge for any applicable loss fund surcharge or other variable expenses such as guaranty fund surcharges. The First Named Insured will be responsible for paying all such costs and expenses. If the First Named Insured retains a third party administrator (TPA) to adjust the claims under the primary policies, the First Named Insured must directly pay the TPA for all claims handling. If the First Named Insured contracts with a third party administrator to adjust and administer the claims under these policies CCC shall have the right of approval of said third party administrator. If the First Named Insured contracts with a TPA, TPA shall not be authorized to sub-contract any portion of the claims handling of the policies.
- The First Named Insured agrees to indemnify and hold CCC harmless as respects any and all costs and liabilities arising out of and/or in respect of the above primary policies including but not limited to claim handling and administration and any and all activities, or omissions, of any third party claims administrator that First Named Insured may engage.
- Quarterly loss runs associated with the primary policies are to be sent to CCC by First Named Insured or its third party claims administrator. CCC reserves the right to perform claims and/or accounting and/or underwriting audits on an annual basis or more often if it deems necessary. CCC reserves the right to be associated in the defense of any primary claim and the First Named Insured shall co-operate in every respect in the defense and settlement of claims related to the above policies. CCC shall be granted the right to assume the control of any claim if it deems necessary.
- The First Named Insured agrees to meet the claim reporting requirements for any loss that is required to be reported to any state patient compensation loss fund, state licensing board, the National Practitioners Data Bank, and any other state or federal regulatory body that mandates the submission of such reports. However, for those physician claims handled by CNA; CNA will satisfy the associated reporting requirements.
- CCC will require Erickson to establish a dedicated loss fund to pay losses, ALAE and all other costs and liabilities arising out of and/or in respect to the primary policies.
- This coverage contemplates that First Named Insured's broker, Aon, will provide any and all of the applicable state fund surcharge administration including but not limited to assessment, collection reporting and premium reconciliation. This reporting must be carried out in a manner acceptable to CCC and in compliance with the applicable state fund. The First Named Insured will be responsible for any and all current and future state fund charges or assessments that are related to the policies. As respects the policies, CCC will not be responsible for any state fund fines and penalties that are assessed for any reason, including late reporting, and the fines and penalties will be the responsibility of First Named Insured and Aon.
- **CCC shall require collateral in the form of a clean, irrevocable and unconditional Letter of Credit (LOC) or Collateral Trust for \$6,950,000 to secure obligations under all primary**

policies previously issued or to be issued hereafter by CCC, expressly including any renewals thereof. The bank issuing the collateral and the form and content of the collateral instruments must be acceptable to CCC. It is mutually agreed by and between the First Named Insured and CCC that this collateral will secure any and all obligations that the First Named Insured now or hereafter owes to CCC; the collateral may be drawn upon by CCC to recover any and all unpaid amounts and obligations owing under the insurance program, as and when such amounts and obligations become due, including without limitation any losses and loss expenses that are due and applicable to the deductible, including coverage action expenses, liabilities with respect to the policy and liabilities arising out of claim handling under the policy, including but not limited to bad faith, punitive, exemplary, extra contractual obligations and losses in excess of policy limits.

Additionally, CCC will allow the collateral in the Collateral Trust account to be utilized to reimburse the loss fund account for payments towards covered claims. The collateral in the Collateral Trust account will be reduced by such payments.

All terms and conditions of the collateral, including selection of the issuing institution, must be acceptable to and approved by CCC. The above stated collateral amount is the initial and minimum collateral amount and the collateral amount required for the policy will be adjusted quarterly. The future collateral amount will be determined by CCC based upon its review of actual losses including incorporating, if necessary, any adjustment to claim reserves based upon its audit of the claims applicable to the policy. Subject to the minimum collateral amount, the future amount of the collateral required, which CCC actuaries and underwriters will determine, will be the amount for the ultimate undiscounted expected losses at or above the 85% confidence level applicable to the above policy.

As indicated above, CCC will require collateral for policy terms incepting 1/1/10-1/1/11. This collateral amount includes the amounts required for the 10/15/04 to 10/15/05, 10/15/05 to 10/15/06, 10/15/06 to 10/15/07, 10/15/07 to 1/1/09, 10/15/08 to 1/1/10 and 1/1/09 to 1/1/10 policy periods. CCC will require delivery of the collateral no later than January 15, 2010 for the establishment and initial funding of the collateral trust, and according to the installment schedule below for the remaining collateral deposits. All obligations under these program years will be cross-collateralized through security and finance agreements to be executed and delivered by the First Named Insured in a form reasonably acceptable to CCC. If CCC does not receive the collateral by these deadlines, the coverages provided herein shall terminate on the first day after the missed deadline, with Erickson Retirement Communities and its affiliates having waived any further requirement of notice of such termination and cancellation, and without the necessity of any further notice or action on the part of CCC.

In addition to the \$4,500,000 CCC is currently holding, the additional amount needed to fulfill the collateral requirement indicated above may also be payable in installments as follows: \$490,000 due by 1/15/10 and ten equal installments of \$196,000 due on 2/1/10 and on the first of each month thereafter. As stated above, the First Named Insured agrees that the policy is subject to immediate cancellation if any of these collateral deposits are not timely funded, without the necessity of any further notice of action on the part of CCC. If the policy is cancelled due to non-remittance of collateral, the policy aggregate will be pro-rated. If the policy is cancelled early, the Front Fee will also be pro-rated.

- Binding coverage is also subject to the First Named Insured's agreement that CCC has complete and sole approval of all policy and endorsement wording for the above policy. Only CCC forms and endorsements shall be utilized. CCC will provide the forms and endorsements to the broker. Any requested amendment to the standard policy wording, declarations page or endorsements must be done by creating a draft amendatory endorsement for CCC to consider. CCC shall have the sole right to accept or deny any requested revisions or changes to CCC policy forms or endorsements.
- The Claims Service, Indemnity and Deductible Security Agreement must meet CCC guidelines and CCC will have final approval of the wording for these agreements. The policies will neither be

issued nor bound until conforming agreements are fully executed and delivered by CCC and the First Named Insured.

- CCC will require that the First Named Insured and its TPA maintain compliance with and/or, in the event it obtains third party administration, require the TPA to maintain compliance with all applicable federal, state and local governmental laws, rules, regulations and orders in the performance of its duties, including without limitation, those regarding unfair claims practices, protection from use and disclosure of personal and medical information, the Crime Control Act, the Patriot Act, and all applicable U.S. economic sanctions and foreign assets control laws and regulations. The First Named Insured will indemnify CCC for any liability that CCC incurs as a result of the actual or alleged failure by the First Named Insured, or any TPA chosen by the First Named Insured, to adhere and to comply with these requirements.
- This coverage does not contemplate CCC's agreement to provide or the issuance of an extended reporting period (hereinafter called ERP) upon expiration of the policies. ERP can only be purchased upon mutual agreement of terms and if the First Named Insured agrees to fully collateralize all losses applicable to the ERP. Such ERP collateral amount shall be determined by CCC. If CCC agrees to issue an ERP, the premium for said ERP shall be paid directly to CCC. The ERP premium and all terms and conditions related to the ERP will be determined at the time the ERP is requested. Though CCC may require additional collateral to secure recoveries and pay for losses applicable to any ERP, CCC may also utilize the original collateral provided under the policies to secure recoveries and pay for losses applicable to the ERP.
- The terms and conditions of the foregoing program are subject to and conditioned upon entry of an order by the Bankruptcy Court, in a form reasonably acceptable to CCC, (i) authorizing the First Named Insured to enter the insurance program described herein, (ii) approving the finance agreement, claim service agreement and ancillary agreements and collateral instruments described herein, (iii) authorizing and directing the First Named Insured to perform under each of the foregoing agreements, including the collateral deposits provided hereunder; and (iv) declaring that CCC may exercise all of its claims, rights and remedies under the insurance program and related agreements as and when permitted thereunder, without further order of the Bankruptcy Court.

Finally, we request that Erickson Retirement Communities, LLC confirm its acknowledgment and agreement to the above-outlined terms with respect to securing the aforementioned insurance coverages cited within this binder by signing this letter where noted below and returning the signed original to the undersigned for our files. The signatory on this letter must be an authorized senior executive officer who is an authorized official and representative of Erickson Retirement Communities, LLC.

Please be advised that by signing this letter, Erickson Retirement Communities, LLC acknowledges and agrees to the terms and conditions of the binder set forth herein.

Erickson Retirement Communities, LLC acknowledges that prior to signing and execution of this binder, it:

- 1) has fully informed itself as to the terms, contents, provisions and effects of this binder;
- 2) has had the opportunity to obtain the advice of an attorney and such other consultants deemed appropriate by Erickson Retirement Communities, LLC; and
- 3) has neither made nor accepted any promise or representation of any kind, whether written or oral, that is to form a basis of this binder, except as is expressly stated herein.

If you agree to all of the foregoing requirements, we ask that you sign this letter as the original of the binder and return it to the undersigned, David A. Ballard, for our files. Please retain a signed copy of this binder for your files.

Acknowledged and agreed to:

By: Quincy S. Harding
(Signature)
Title: Director of Risk Management

312-822-5800 – 312-822-5248

Typed or printed name: Linda L. Harding

Date: 12/30/09

[Signature of Undersigned of this Binder is on next page]

Thank you for the opportunity to renew and expand this program. Please review all the terms and conditions carefully. If you have any questions please do not hesitate to call.

Sincerely,

David Ballard

Paul McLain

Account Name: ERICKSON RET COMMUNITIES LLC

RE: NOTICE OF TERRORISM COVERAGE AND DISCLOSURE OF PREMIUM

The \$6,000 charge shown below is included in the excess total.

Terrorism Risk Insurance Act of 2002 ("TRIA") established a program within the United States Department of the Treasury, under which the federal government shares, with the insurance industry, the risk of loss from certain future acts of terrorism and in the case of workers' compensation coverage, acts of war. TRIEA applies when the Secretary of the Treasury certifies that an event meets the definition of an act of terrorism, which is an act committed by an individual or individuals acting on behalf of any foreign person or interest to coerce the government or population of the United States, that results in aggregate losses of \$5 million or more. TRIA was scheduled to terminate on December 31, 2005, but was extended through December 31, 2007 by the Terrorism Risk Insurance Extension Act of 2005 ("TRIEA").

In accordance with TRIA, we are required to continue to offer you coverage for losses resulting from an act of terrorism that is certified under the federal program. The policy's other provisions will still apply to such an act. The premium for this coverage will be included for each coverage part as shown below under DISCLOSURE OF PREMIUM and is included in, not in addition to, the premium shown on the Account Premium Recap.

DISCLOSURE OF PREMIUM:

Quote Number	Coverage Part	Terrorism Premium*	Effective Date
	Excess	\$6,000	

DISCLOSURE OF FEDERAL PARTICIPATION IN PAYMENT OF TERRORISM LOSSES

The United States Department of the Treasury will pay a share of terrorism losses insured under the federal program. The federal share equals 90% of that portion of the amount of such insured losses that exceeds the applicable insurer retention for Program Year 4 (January 1 – December 31, 2006) and 85% in Program Year 5 (January 1 – December 31, 2007). If the federal program is extended beyond 2007, the applicable percentage will be shown in the policy Declarations at that time.