

POLICYHOLDER DISCLOSURE

NOTICE OF TERRORISM INSURANCE COVERAGE

You are hereby notified that under the Terrorism Risk Insurance Act as extended on December 22, 2005, (the "Act"), that you have a right to purchase insurance coverage for losses resulting from acts of terrorism, as *defined in Section 102(1) of the "Act"*: The term "act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States - to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of an air carrier or vessel or the premises of a United States mission; and to have 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. Coverage your NEW or RENEWAL policy may be affected as follows:

COVERAGES APPLICABLE UNDER THE ACT

Important Note: The act applies when terrorism coverage is offered and accepted by the insured for the lines of Commercial Property and Commercial Liability coverages including excess insurance and Directors and Officers liability coverage. The following coverages are no longer included under the "Act" and terrorism coverage, pursuant to the "Act", is no longer offered for: Commercial Auto, Farmowners Multiperil, Burglary and Theft, Surety and Professional Liability coverages.

YOU SHOULD KNOW THAT COVERAGE PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, AS DEFINED UNDER THE "ACT", MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. UNDER THIS FORMULA, THE UNITED STATES GOVERNMENT PAYS 85% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS COVERED BY THE FEDERAL GOVERNMENT UNDER THE "ACT".

<input type="checkbox"/>	<p>I hereby elect to purchase coverage, subject to the limitations of the Act, for acts of terrorism, as defined in the Act:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top; border-right: 1px solid black;"> <p>A. Estimated premium for the period beyond 12/31/07 is <u>\$ Not Applicable</u></p> </td> <td style="width: 50%; vertical-align: top;"> <p>B. Estimated premium for the period beyond 12/31/07 is a flat premium of <u>\$125.00</u></p> <p>Plus the following taxed and fees:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Surplus Lines Tax of</td> <td style="text-align: right;"><u>\$5.00</u></td> </tr> <tr> <td style="padding-left: 20px;">Surplus Lines Stamping Fee of</td> <td style="text-align: right;"><u>\$0.00</u></td> </tr> <tr> <td style="padding-left: 40px;">of</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">of</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">of</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">of</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">of</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">of</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">of</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Total of estimated premium taxes and fees is</td> <td style="text-align: right;"><u>\$130.00</u></td> </tr> </table> </td> </tr> </table>	<p>A. Estimated premium for the period beyond 12/31/07 is <u>\$ Not Applicable</u></p>	<p>B. Estimated premium for the period beyond 12/31/07 is a flat premium of <u>\$125.00</u></p> <p>Plus the following taxed and fees:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Surplus Lines Tax of</td> <td style="text-align: right;"><u>\$5.00</u></td> </tr> <tr> <td style="padding-left: 20px;">Surplus Lines Stamping Fee of</td> <td style="text-align: right;"><u>\$0.00</u></td> </tr> <tr> <td style="padding-left: 40px;">of</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">of</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">of</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">of</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">of</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">of</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">of</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Total of estimated premium taxes and fees is</td> <td style="text-align: right;"><u>\$130.00</u></td> </tr> </table>	Surplus Lines Tax of	<u>\$5.00</u>	Surplus Lines Stamping Fee of	<u>\$0.00</u>	of		of		of		of		of		of		of		Total of estimated premium taxes and fees is	<u>\$130.00</u>
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<input type="checkbox"/>	<p>I hereby decline coverage for terrorism. I understand that I will have no coverage for losses resulting from acts of terrorism.</p>																						

Possibility Of Additional Or Return Premium. The premium for certified acts of terrorism coverage is calculated based in part on the federal participation in payment of terrorism losses as set forth in the "Act". The federal program established by the "Act" is scheduled to terminate at the end of 12/31/07 unless extended by the federal government. If the federal program terminates or if the level of terms of federal participation change, the estimated premium shown in **(B)** of above may not be appropriate.

If the policy contains a Conditional Exclusion, continuation of the coverage for certified acts of terrorism, or termination of such coverage, will be determined upon disposition of the federal program, subject to the terms and conditions of the Conditional Exclusion. If the policy does not contain a Conditional Exclusion, coverage for certified acts of terrorism will continue. In either case, when disposition of the federal program is determined, we will recalculate the premium shown in **(B)** above and will charge additional premium or refund excess premium, if indicated.

If we notify you of an additional premium charge, the additional premium will be due as specified in such notice.

_____ Policyholder/Applicant's Signature	<u>NAUTILUS INSURANCE COMPANY</u> Insurance Company
_____ Print Name	_____ Policy Number
_____ Date	_____ Named Insured