The Terrorism Insurance Implementation (C) Working Group of the Property and Casualty Insurance (C) Committee met in Phoenix, AZ, March 29, 2015. The following Working Group members participated: Martha Lees, Chair (NY); Jill Jacobi and Joel Laucher (CA); George Bradner (CT); Robert Lee and Robert Ridenour (FL); James Stephens (IL); Martin Hazen (KS); Robert A. Whitney (MA); Carl Somson (NJ); Paula Pallozzi (RI); Rob Carter (TX); and Rebecca Nichols (VA).


Ms. Lees explained the Working Group held six conference calls following the Fall National Meeting to revise and adopt the model bulletin, policyholder disclosures and expedited SERFF filing transmittal document. She said the individual state bulletins are being posted on the NAIC’s website. Mr. Whitney asked how many states had issued bulletins regarding the recently enacted Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA). Aaron Brandenburg (NAIC) said it was approximately 25. Upon a motion from Mr. Whitney, seconded by Ms. Jacobi, the Working Group adopted its Jan. 26 (Attachment Eight-A), Jan. 13 (Attachment Eight-B), Jan. 12 (Attachment Eight-C) and Jan. 8, 2015 (Attachment Eight-D) minutes; and its Dec. 18 (Attachment Eight-E), Dec. 16 (Attachment Eight-F) and Nov. 17, 2014 (see NAIC Proceedings – 2014 Fall Property and Casualty Insurance (C) Committee) minutes.

2. **Discussed Provisions Related to Data Collection Contained within TRIPRA**

Ms. Lees explained that TRIPRA includes within it Section 104(h), Reporting of Terrorism Insurance Data. This section calls for the secretary of the U.S. Department of the Treasury to collect certain types of information from insurers. It also notes that the secretary shall coordinate with the appropriate state regulators to determine if the information to be collected is available. Ms. Lees said the Working Group should consider the possibility of state insurance regulators collecting terrorism risk data within the annual financial statement. She said the Working Group has a rough draft of what the data might look like, but the Working Group has not drafted a formal blanks proposal. She said that if the Working Group proceeds with a blanks proposal, it would seek formal comment and the proposal would also go before the Property and Casualty Insurance (C) Committee and the Blanks (E) Working Group. In order to collect 2015 data within the 2016 annual financial statement, the proposal would need to go to the Blanks (E) Working Group in May 2015.

Ms. Jacobi asked whether there have been consultation with the Treasury. Ms. Lees said TRIPRA calls for the Treasury to consult with state insurance regulators, but it has not done so yet. Ms. Jacobi said industry should not be burdened with collecting data that is not necessary.

Ralph Blanchard (Travelers) said the Working Group should consult with the Casualty Actuarial and Statistical (C) Task Force in order to receive advice on whether some of the data could be collected. He said the number of policies and incurred losses could be difficult to collect.

Ms. Lees said TRIPRA calls for the collection of lines of insurance with exposure to terrorism losses and the premiums earned on such coverage. She said the current draft calls for written and earned premiums for each of the covered lines as defined in TRIPRA and by the Treasury. She asked whether all lines should be included as options so a company could report on private terrorism coverage that might be outside of the lines shown. Ms. Jacobi said she would like to see an initial column added asking for lines of insurance with exposure to terrorism losses. She requested that the premium data be clarified as referring to premium attributed to the terrorism risk. Ms. Jacobi said TRIPRA also calls for estimated direct premium earned since Jan. 1, 2003.

Ms. Lees mentioned that TRIPRA asks for the geographical location of exposures. She said the current draft would request data on a state-by-state basis. Dave Kodama (Property Casualty Insurers Association of America—PCI) said state-by-state data collection should be the lowest geographical level requested, but he expects there will be interest in major exposures in metropolitan areas.
Ms. Lees said TRIPRA calls for the pricing of coverage but the annual financial statement data has never included pricing information. Mr. Blanchard said this historical data would be better collected in a survey rather than the annual financial statement due to changes in company structure such as mergers. Mr. Laucher said the total property limits could be required in order to compare that to the premium. He said this might help address pricing issues.

Ms. Lees said TRIPRA also seeks the take-up rate for terrorism coverage. She said an individual company might be able to report policies offered and policies written, but policies offered could be double-counted by other companies. Ms. Jacobi said the U.S. Congress would probably be interested in how take-up rates changed after TRIPRA was enacted. Ms. Lees said TRIPRA also calls for the amount of private reinsurance for acts of terrorism purchased. She said the current draft calls for private reinsurance ceded. Dennis Burke (Reinsurance Association of America—RAA) said Congress in the past has wanted to know how much insurance risk coverage is being purchased and what the capacity is. He said these numbers are difficult to determine. He said the U.S. House of Representatives’ Committee on Financial Services seeks this data to reduce the government’s role. He said the Treasury probably has an idea of what kinds of data it wishes to collect.

Mr. Bradner said he was interested to know whether the industry has data at this granular a level or whether it would be too difficult to obtain. Mona Carter (National Council on Compensation Insurance—NCCI) said it is unclear what data is being requested within TRIPRA. She urged state insurance regulators to work with the industry to see if the NAIC can get answers from the Treasury on the data request. Steve Clarke (Insurance Services Office—ISO) said there may be a role for insurance statistical aggregators. He said the foundational information may already be found in statistical plans. He said it would help if regulators talk with the industry and the Treasury to make sure onerous burdens are not put on insurers.

Mr. Whitney asked if the federal government has issued any sort of guidance concerning the data. Ms. Lees said they have not. Mr. Laucher said the collection of pricing data looks difficult. He said the NAIC might want to suggest to the Treasury what seems reasonable for this data element. He said a range might be able to be requested, such as the highest base rate to the lowest possible modified rate per exposure unit.

Mr. Bradner asked whether the NAIC should send a formal letter to the Treasury asking if it is going to consult with state insurance regulators, as TRIPRA requires. Ms. Jacobi said such communication would go through the Government Relations (EX) Leadership Council. Brooke Stringer (NAIC) said state insurance regulators could reach out to the Treasury.

Mr. Whitney said perhaps the NAIC could follow the same format as it did with the model bulletin by putting together a guidance document that it could use to speak with the Treasury. This could include questions and comments for each data element. Ms. Pallozzi asked whether TRIPRA is calling for the collection of 2015 data beginning in 2016. Mr. Brandenburg said that appears to be correct from the reading of TRIPRA. Ms. Pallozzi said that would be difficult.

Ms. Carter said the industry would like to work with the NAIC in understanding TRIPRA better. She said TRIPRA mentions statistical aggregators. She hopes to get better answers from the Treasury regarding data by working with the NAIC. She said state insurance regulators know best what sort of data is available to be collected in the marketplace. Bernie Heinz (American Association of Managing General Agents—AAMGA) said the AAMGA has met with members of Congress, but there is a lack of insurance expertise. He said the industry should work with the NAIC in being proactive and telling the federal government what sort of data can be collected. He said there needs to be a reason for collecting data.

Ms. Pallozzi asked whether there is industry testimony before Congress regarding data collection. Mr. Bradner said data may need to be collected in a multi-year process. Robert Woody (PCI) said there was never formal testimony on data collection. He said the industry has explained to members of Congress the difficulty of collecting certain data elements. He said the data collection needs to be at a high level if it is to be collected in 2016. He said the industry needs to discover what data is wanted in the future so it has time to prepare for that collection. He said he would like the NAIC to advise the Treasury on what data is possible to collect.

Having no further business, the Terrorism Insurance Implementation (C) Working Group adjourned.