

By Jennifer Gardner, NAIC Research & Actuarial Manager

The Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) of 2015 was signed into law by President Obama Jan. 12, 2015. A full analysis of the revisions to the Terrorism Risk Insurance Program (the Program) can be found in the February 2015 *CIPR Newsletter*.¹ As Congress debated the Program’s reauthorization, members of Congress, industry and media frequently requested information regarding the size of the market and insurers writing the terrorism risk coverage. Marsh has periodically issued a report surveying Marsh clients that estimates take-up rates and costs by company size, industry and region.² However, industry-wide data regarding terrorism risk insurance has not been available.

In TRIPRA, Congress explicitly called for the collection of certain data elements that will aid in analyzing the effectiveness of the Terrorism Risk Insurance Program (TRIP).

TRIPRA calls for the following information to be collected during the calendar year beginning on January 1, 2016:

- A. Lines of insurance with exposure to such losses;
- B. Premiums earned on such coverage;
- C. Geographical location of exposures;
- D. Pricing of such coverage;
- E. The take-up rate for such coverage;
- F. The amount of private reinsurance for acts of terrorism purchased; and
- G. Such other matters as the Secretary considers appropriate.

(Continued on page 19)

¹ www.naic.org/cipr_newsletter_archive/vol14_tria.pdf

² “2014 Terrorism Risk Insurance Report.” Marsh, April 2014. <http://usa.marsh.com/NewsInsights/MarshRiskManagementResearch/ID/37871/2014-Terrorism-Risk-Insurance-Report.aspx>

FIGURE 1: DIRECT PREMIUM PER LINE OF BUSINESS COVERED BY TRIPRA

Line of Business	Direct Premium Earned	Direct Premium Earned (Less Deductible)	Deductible Amount (20%)
Fire	\$12,686,553,958	\$10,149,243,166	\$2,537,310,792
Allied Lines	\$12,562,801,388	\$10,050,241,110	\$2,512,560,278
Ocean Marine	\$3,074,738,775	\$2,459,791,020	\$614,947,755
Inland Marine	\$18,101,760,389	\$14,481,408,311	\$3,620,352,078
Workers Compensation	\$53,511,499,503	\$42,809,199,602	\$10,702,299,901
Aircraft	\$1,539,651,975	\$1,231,721,580	\$307,930,395
Boiler and Machinery	\$1,440,541,236	\$1,152,432,989	\$288,108,247
Products Liability	\$3,314,998,061	\$2,651,998,449	\$662,999,612
Commercial Multiple Peril (non-liability portion)	\$24,099,454,620	\$19,279,563,696	\$4,819,890,924
Commercial Multiple Peril (liability portion)	\$13,755,842,357	\$11,004,673,886	\$2,751,168,471
Other liability - occurrence	\$34,548,829,354	\$27,639,063,483	\$6,909,765,871
Other liability - claims-made	\$19,716,623,820	\$15,773,299,056	\$3,943,324,764
TOTAL TRIPRA-COVERED LINES	\$198,353,295,436	\$158,682,636,349	\$39,670,659,087
TOTAL PROPERTY CASUALTY MARKET*	\$498,656,524,146		
Percent of Total Statewide (including D.C.) Premiums Earned attributable to TRIPRA covered-lines of business			
		39.78%	

DATA AT A GLANCE (CONTINUED)

TRIPRA states the Secretary of the Treasury shall coordinate with the appropriate state insurance regulatory authorities to determine if the information to be collected is available from state insurance regulators. State regulators, through the NAIC Terrorism Insurance Implementation Working Group, are considering adding a supplement to the *Annual Statement Blank* in order to capture some of this data. Regulators are currently working with industry representatives to determine which data elements might be feasible for the industry to capture in 2015, to be collected by regulators in 2016.

This data would greatly assist state insurance regulators, the Federal Insurance Office, Congress, industry and consumers in determining the size of terrorism coverage relative to the total property and casualty market. The data would also identify the major writers of terrorism coverage.

Currently, regulators can only determine the size of each line of business covered under the Program. The Program covers most lines of commercial insurance, but excludes mortgage and title insurance, financial guaranty, medical professional liability, flood, federal and private crop, reinsurance, commercial auto, burglary and theft, surety, professional liability (except directors and officers coverage) and farmowners multiple peril.³ Approximately forty percent of total property/casualty insurance premiums are currently covered under the Program.

An individual insurer must pay a 20% deductible before federal assistance becomes available under the Program. In the aggregate, 20% of the direct earned premium under the

TRIP-covered lines was approximately \$39.7 billion in 2014 (Figure 1 on previous page). Although the distribution of losses among insurance companies cannot be determined, federal assistance following a covered terrorism event would likely begin somewhere below \$39.7 billion.

ABOUT THE AUTHOR



Jennifer Gardner is a manager in the NAIC Research and Actuarial Department. Jennifer joined the organization in 2011. She conducts economic and statistical research for the NAIC and its members. She is responsible for publishing various statistical reports including the Report on Profitability By Line By State and the Competition Database Report. She provides support for numerous NAIC working groups and assists the state insurance departments in data collection related to catastrophe. Jennifer earned a bachelor's degree in business administration with an emphasis in finance from the University of Missouri-Kansas City. Prior to joining the NAIC Research and Actuarial Department, Jennifer worked on the State Based Systems (SBS) products and services within the NAIC.

³ Treasury's Schedule A, "Declaration of Direct Earned Premium and Calculation of Insurer Deductible Under Terrorism Risk Insurance ACT (TRIA)" lists the following lines of business in calculating an individual insurer's deductible: fire, allied lines, commercial multiple peril, ocean marine, inland marine, workers' compensation, other liability, products liability, aircraft and boiler and machinery. www.treasury.gov/resource-center/fin-mkts/Documents/Schedule%20A.pdf.



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