

2015 Fall National Meeting

Terrorism Insurance Implementation (C) Working Group

November 20, 2015

**Consider Adoption of its Summer
National Meeting Minutes
Attachment A**

Draft Pending Adoption

Attachment Eleven
Property and Casualty Insurance (C) Committee
8/17/15

Date: 8/27/15

Terrorism Insurance Implementation (C) Working Group
Chicago, Illinois
August 16, 2015

The Terrorism Insurance Implementation (C) Working Group of the Property and Casualty Insurance (C) Committee met in Chicago, IL, Aug. 16, 2015. The following Working Group members participated: Anthony Albanese, Chair, represented by Martha Lees (NY); Jill Jacobi (CA); George Bradner (CT); Kevin M. McCarty represented by Robert Ridenour (FL); Anne Melissa Dowling represented by John Gatlin and James Stephens (IL); Christopher Joyce (MA); Joan Dutill and Jeana Thomas (MO); Peter Hartt represented by Carl Sornson (NJ); Paula Pallozzi (RI); Mark Worman (TX); and Jacqueline K. Cunningham represented by Rebecca Nichols (VA). Also participating was: David Browning (MS).

1. Adopted its July 9, April 21 and Spring National Meeting Minutes

Mr. Bradner made a motion, seconded by Ms. Pallozzi, to adopt its July 9 (Attachment Eleven-A), April 21 (Attachment Eleven-B) and March 28 (see *NAIC Proceedings – Summer 2015, Property and Casualty Insurance (C) Committee, Attachment Five*) minutes..

2. Heard a Report Regarding a Recent FIO Meeting

Brooke Stringer (NAIC) reported that she attended the Federal Insurance Office's (FIO) first stakeholder meeting on terrorism data collection. She said industry trades, individual insurers and reinsurers also participated. She said during the meeting, the FIO walked through each data element outlined in the 2015 Terrorism Risk Insurance Program Reauthorization Act of 2015 (the Act). She said industry highlighted particular challenges and nuances with collecting certain elements and questioned the FIO as to how it will be interpreting some of the statutory provisions. Ms. Stringer said the FIO did not discuss specifics on the mechanics of the data collection. She also said the FIO is looking for input on what else would be beneficial to collect. Ms. Stringer reported the FIO indicated there would be additional meetings, and the FIO will be putting out a proposed rule later this year, with plans to start collecting data in 2016 on all data elements outlined in the Act.

Mr. Bradner asked whether the FIO provided specific data elements that might differ from what state regulators would be interested in. Ms. Stringer said the FIO collected feedback during the meeting and indicated it would collect what is specified in the Act. She said the FIO noted it was aware of state efforts to collect data. Mr. Bradner said state regulators should collaborate with the FIO to avoid unnecessary duplication of data. Ms. Stringer said the FIO needs data to evaluate taxpayer exposure, while state regulators need data to meet their obligations in overseeing the regulated entities. She said the blanks proposal would collect some of the data that is easier to collect, and it would be shared with the FIO.

Michael T. McRaith (FIO) said he welcomes the opportunity to work with the Working Group. He said there had been a misunderstanding where work was undertaken when the FIO was not advised. He said the FIO would like to be as coordinated as possible with state regulators. He said the FIO has a statutory role to meet, and it will seek wisdom and guidance from state regulators. He said he has a desire to not duplicate or have inefficiencies in the data collection. He agreed with the notion that the FIO and state regulators have different reasons for collecting data.

Mr. Browning asked whether the FIO would share whatever data it collects with the states. Mr. McRaith said the FIO is collecting data because it has to issue a report that will be available to all states and interested parties. Ms. Dutill noted that Missouri collects a great deal of data under its laws and has learned from that process that data integrity is something critical to the analysis.

3. Heard a Report on the Terrorism Risk Insurance Supplement

Ms. Lees reported that since adoption of the Terrorism Risk Insurance Supplement (Supplement) by the Working Group on July 9, the Blanks (E) Working Group has held discussions with regulators and interested parties and made additional changes, including clarifications to definitions and a waiver for life, health and fraternal companies for 2015. She said the

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revised Supplement was adopted by the Blanks (E) Working Group Aug. 15 and would next be considered by the Accounting Practices and Procedures (E) Task Force Aug. 16.

4. Discussed Future Data Collection

Ms. Lees said the Working Group has previously discussed the need to have continued conversations about future data collection. She said some of these conversations are premature since the Supplement has not yet been adopted. Ms. Jacobi said the Working Group should discuss how it might be able to collect information on take-up rates for terrorism insurance, including offer and acceptance data. Ms. Dutill said the state of Missouri sees many errors in ZIP code level data with auto and homeowners insurance data, even after collecting it for many years. Ms. Pallozzi said it would be important to hear from the FIO on whether the data state regulators are collecting would meet their needs. She said some of what the FIO needs might be able to be incorporated into what state regulators collect.

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

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Hear a Report Regarding Recent Federal Insurance Office (FIO) Meetings

September 24, 2015

Michael T. McRaith
Director, Federal Insurance Office
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220


Dear Mike:

As you know, state insurance commissioners are moving forward with plans to collect data from U.S. insurers relative to their terrorism insurance exposure. Industry solvency is one of the primary missions of state regulation, and a core consumer protection. After all, insurers providing terrorism coverage for businesses big and small can be the same insurers offering homeowners and auto insurance to individual consumers. With the recent reauthorization of the Terrorism Risk Insurance Program, the insurance industry's share of losses before a federal backstop is triggered has been expanded, and we therefore have greater need than ever before to assess the potential impact on company solvency and identify market trends and concentrations. This is also a coverage for which traditional underwriting and actuarial analysis is limited with few historical examples, compounding concerns we have about industry exposure and concentrations of risk.

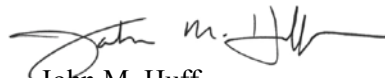
One of the foundational strengths of the national system of state-based insurance regulation is data collection and analysis which allows regulators across the country to assess local, regional, and national trends and exposures. Our plan is to gather information directly from the U.S. industry to satisfy these regulatory concerns, but we recognize Treasury has a statutory obligation to obtain data necessary for effective implementation of the program and for oversight by Congress. We therefore would like to extend our commitment to work with your office to offer our assistance in that effort. Specifically, as we begin a national data call for regulatory purposes, if there are data elements that can be collected by state regulators and shared with Treasury to reduce duplication and cost on the industry, we are happy to consider ways to work together. We believe it is possible for both state regulators and the Department of Treasury to gather the information necessary to carry out our respective statutory obligations without undue burden on U.S. insurers, and ultimately, on U.S. policyholders.

Thank you for your consideration of this offer, and we look forward to hearing from you.

Respectfully,





Monica J. Lindeen
NAIC President and
Montana Commissioner of Securities and Insurance

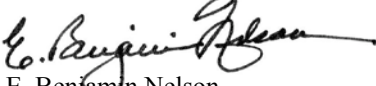


John M. Huff
NAIC President-Elect and
Director, Missouri Department of Insurance

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Sharon P. Clark
NAIC Vice President
Kentucky Insurance Commissioner


Theodore K. Nickel
NAIC Secretary-Treasurer
Wisconsin Insurance Commissioner


E. Benjamin Nelson
NAIC Chief Executive Officer

cc:
Commissioner Mike Chaney
Commissioner Stephen C. Taylor
Superintendent Anthony Albanese
Martha Lees

Discuss Potential Data Collection Efforts

Data Call Related to Terrorism Risk Insurance Coverage

11-12-2015.

Summary

This data call is intended to serve multiple regulatory and oversight objectives with respect to the affordability and availability of insurance coverage for acts of terrorism, as well as monitoring insurers' financial exposure to terrorism risk. Data reporting requirements were added to the 2015 reauthorization of the Terrorism Risk Insurance Program to monitor the geographic location or risk, premiums and cost of coverage, take-up rates, and the availability of private reinsurance.

Separate exhibits were developed for:

1. Commercial property lines
2. Commercial liability lines
3. Inland and ocean marine
4. Workers compensation

In the immediately following tables, a brief description of each variable, along with the rationale for its inclusion, is provided. A more detailed description of variables and codes appears after the tables.

This data call is designed to capture data pertaining to all coverage for acts of terrorism in force or sold during the prior year. It is intended to capture both terrorism coverage mandated by TRIA as well as all other types of coverage for terrorism (for example, events not certified as terrorist acts under TRIA). Terrorism is defined broadly as all intentional illegal acts of violence carried out by non-state actors that have a primarily political purpose.

The primary unit of analysis is the *establishment*. An *establishment* is defined by the Bureau of the Census as a "...single physical location at which business is conducted or where services or industrial operations are performed. A *firm* is a business organization consisting of one or more establishments under common ownership or control. The data call requests information for *both* establishments and firms*.

Where relevant, data should be reported for each ZIP code and/or state representing the physical location of covered establishments. Premium should be reported on a **direct** basis (before assumed and ceded reinsurance).

Table 1: Lines with property coverage - lines 01 (combine the commercial portion of annual statement lines 01 and 02.1), 05.1, and 27			
Variable Name	Description	Comments / Rationale	Variable Name
Year	Data Year	Relationship to data mandated by federal law	
Code	Five-digit NAIC company ID number		
CoType	Company Type Licensed insurer E&S (Surplus Lines) Risk Retention Group Captive Pool Other		
LOB	Line of business	Line of Insurance	See variable description below for lines of insurance. LOB is necessary because each line may exhibit unique characteristics that impact affordability and availability, take-up rates, reinsurance, and risk concentration.
STABBR	Two-character state abbreviation	Geographic allocated of exposures	State is necessary because some ZIP codes cross state lines.
ZIP	Five-digit ZIP code of the physical location of establishment	Geographic allocated of exposures	Geographic allocated of exposures. Sub-state geographies are meaningful units of analysis.
PolCat	<u>Policy category:</u> Monoline Commercial Multi-Peril Businessowners Other package Specialty Blanket rating Other	By line of business	Further refinement of lines of business as captured on the annual statement.
Coverage	<u>Property coverage</u> Direct damage – building Direct damage – contents (i.e. tenant) Direct damage-building & contents (i.e. owner-occupied or tenant must insure) Time element (business	Extension of line of business	Practical necessity, since prices and coverage characteristics of different policy types vary considerably.

**Table 1:
Lines with property coverage - lines 01 (combine the commercial portion of annual statement lines 01 and 02.1), 05.1, and 27**

Variable Name	Description	Comments / Rationale	Variable Name
	interruption) Other All property combined		
NAICS	First two digits of 2012 North American Industrial Classification System code	Take-up rate	Affordability and availability may vary considerably across industrial sector, as recognized by the GAO, 2014 Report at 27-28, and the PWG, 2014 Report at 2 and 30-32.
EstabSize	<u>Establishment size:</u> Category for number of employees at a physical establishment or structure.	Take-up rate Cost of coverage	Affordability and availability may vary considerably across establishments and firms of different sizes, as recognized by the GAO, 2014 report, page 31. This also is a meaningful unit of exposure.
FirmSize	<u>Firm size:</u> Category for the number employees for the firm that purchased the coverage, across all establishments owned by the firm, regardless of location.	Take-up rate Cost of coverage	Affordability and availability may vary considerably across establishments and firms of different sizes, as recognized by the GAO, 2014 report, page 31. This also is a meaningful unit of exposure.
PolType	<u>Policy type</u> Stand alone Provided for additional charge Not excluded or no additional charge Other No terrorism coverage	General	Terrorism coverage may be provided via various mechanisms, only some of which are associated with a separate measurable premium. In addition prior reports point to changes in the stand-alone market as a possible indicator of substantial decreases in capacity.
CovType	Certified Not certified Both None (no terrorism coverage)	TRIA program evaluation	Necessary to assess coverage specific to TRIA, and identify program weaknesses
EstNum	Number of physical establishments or structures	Take-up rates Cost	Necessary to assess take-up rates, average cost of coverage, and other features of the terrorism risk insurance market.
PRWTerr	Direct written premium for terrorism coverage	Cost	Assess cost of coverage, and relative cost compared to total premium
PRWTot	Total direct written	Cost	

Table 1: Lines with property coverage - lines 01 (combine the commercial portion of annual statement lines 01 and 02.1), 05.1, and 27			
Variable Name	Description	Comments / Rationale	Variable Name
	premium		
LimitsTerr	Total insured value (amount of insurance) corresponding to written policies <i>with terrorism coverage</i> .	Cost	Exposure unit, necessary to assess cost of coverage per value insured, as well as a measure of total coverage provided
LimitsTot	Total insured value (amount of insurance) for the underlying policy.	Cost	
Summary Report			
Year	Data year	Reinsurance Earned Premium	The summary report is intended to afford a broad look at reinsurance, as required by the TRIA reauthorization. In many cases, reinsurance cannot meaningfully be broken out by geography or line of business in a way analogous to primary coverage. In addition, reinsurance is necessary to monitor financial and solvency risks. Earned premium also may not be readily reportable by ZIP Code.
Code	Five-digit NAIC code		
STABBR	Two-character state abbreviation		
PRWTerr	Premium written for terrorism coverage		
PRWTot	Total written premium		
PRETerr	Terrorism earned premium		
PRETot	Total earned premium		
GReinsPrem	Gross reinsurance premiums		
LimitsTerr	Total insured value (amount of insurance) corresponding to written policies <i>with terrorism coverage</i> .		
LimitsTot	Total insured value (amount of insurance) for the underlying policy.		

**Table 2:
Liability Lines - lines 05.2, 17 (combine FAS lines 17.1 & 17.2), 18**

Variable Name	Description	Comments
Year	Data Year	
Code	Five-digit NAIC company ID number	
CoType	Company Type Licensed insurer E&S (Surplus Lines) Risk Retention Group Captive Pool Other	
LOB	Line of business	
STABBR	Two-character state abbreviation	
ZIP Code	Five-digit ZIP code	
PolCat	Policy category: Monoline Commercial Multi-Peril Businessowners Other package Specialty Other	
Coverage	Basic CGL (Prem/Ops, Products, Personal & Advertising Injury) Products Liability Pollution Liability Umbrella/ Excess Insurance Directors & Officers Other	
NAICS	First two digits of 2012 North American Industrial Classification System code	
PolType	<u>Policy type</u> Stand alone Provided for additional charge Not excluded or no additional charge Other No terrorism coverage	
CovType	Certified Not certified Both	
PolNo	Number of policies	
PRWTerr	Direct written premium for terrorism coverage	
PRWTot	Total direct written premium	
LimitsTerr	Liability limits for terrorism	

Table 2: Liability Lines - lines 05.2, 17 (combine FAS lines 17.1 & 17.2), 18		
Variable Name	Description	Comments
LimitsTot	Total liability limits	
Summary Report		
Year	Data year	
Code	Five-digit NAIC company code	
STABBR	Two-character state abbreviation	
LimitsTerr	Liability limits for terrorism	
LimitsTot	Total liability limits	
PRWTerr	Direct written premium for terrorism	
PRWTot	Total direct written premium	
GReinsPrem	Gross reinsurance premiums	

Table 3: Commercial Inland and Ocean Marine - Lines 08 and 09

Variable Name	Description	Comments
Year	Data Year	
Code	Five-digit NAIC company ID number	
CoType	<u>Company Type</u> Licensed insurer E&S (Surplus Lines) Risk Retention Group Captive Pool Other	
LOB	Line of business	
STABBR	Two-character state abbreviation	
ZIP	Five-digit ZIP Code	
PolCat	Monoline Other	
Coverage	Property At Premises Property Away From Premises Property In Transit Transportation & Communication Property Computer Systems/EDP Other	
NAICS	First two digits of 2012 North American Industrial Classification System code	
PolType	<u>Policy type</u> Stand alone Provided for additional charge Not excluded or no additional charge Other No terrorism coverage	
CovType	Certified Not certified Both	
PolNo	Number of policies	
PRWTerr	Direct written premium for terrorism coverage	
PRWTot	Total direct written premium	
LimitsTerr	Terrorism insurance limit	
LimitsTot	Total insurance limit	
Summary Report		
Year	Data Year	
Code	Five-digit NAIC company code	
STABBR	Two-character state abbreviation	
LimitsTerr	Terrorism insurance limit	

Table 3: Commercial Inland and Ocean Marine - Lines 08 and 09		
Variable Name	Description	Comments
LimitsTot	Total insurance limit	
PRWTerr	Direct written premium for terrorism coverage	
PRWTot	Total direct written premium	
GReinsPrem	Gross reinsurance premiums	

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Table 4: Workers Compensation - lines 16		
Variable Name	Description	Comments
Year	Data Year	
Code	Five-digit NAIC company ID number	
CoType	<u>Company Type</u> Licensed insurer E&S (Surplus Lines) Risk Retention Group Captive Pool Other	
LOB	Line of business	
STABBR	Two-character state abbreviation	
ZIP	Five-digit ZIP code of the physical location of establishment	
NAICS	First two digits of 2012 North American Industrial Classification System code	
EstabSize	<u>Establishment size:</u> Category for number of employees at a physical establishment or structure.	
PolType	<u>Policy type of terrorism coverage</u> Stand alone Provided for additional charge Not excluded or no additional charge Other No terrorism coverage	
CovType	Certified Not certified Both	
EstNum	Number of physical establishments or structures	
PRWTerr	Direct written premium for terrorism coverage	
PRWTot	Total direct written premium	
TPR	Total payroll – number of employees covered	
Summary Report		
Year	Data year	
Code	Five-digit NAIC code	
STABBR	Two-character state abbreviation	
PRWTerr	Premium written for terrorism coverage	
PRWT	Total written premium	
GReinsPrem	Gross reinsurance premiums	

Codebook

Data Year – Experience year for the data reported.

Code – Five digit NAIC company code for reporting entity.

CoType - Company Type

Company Type Code	Description
L	Licensed company
E	Excess & surplus lines
R	Risk Retention Group
C	Captive
P	Pool
O	Other

LOB – Line of business. Report the line number representing the line of business, as follows. Definitions should correspond to the state page (page 19) of the P&C Financial Annual Statement, except that lines 17.1 & 17.2 and lines 01 and 02.1 are combined for this data call.

Line Number	Line	
01	Commercial Fire & Allied Lines, Corresponds to the commercial portion of business reported on FAS lines 01 and 02.1*	
05.1	Commercial multiple peril (non-liability portion)	
05.2	Commercial multiple peril (liability portion)	
08	Ocean marine	
09	Inland marine	
16	Workers compensation	
17	Other liability - report both annual statement lines 17.1 & 17.2 (occurrence & claims made) as line 17 on this data call.	
18	Products liability	
27	Boiler and machinery	

*As per federal regulations, include the commercial portion of hybrid policies that combine both commercial and non-commercial coverages, and with more than 25 percent of premium associated with commercial coverage.

STABBR – Two character US Postal Service state abbreviation, including the District of Columbia. The state should be the physical location of each establishment.

US State	Abbr.	US State	Abbr.	US State	Abbr.
Alabama	AL	Kentucky	KY	North Dakota	ND
Alaska	AK	Louisiana	LA	Ohio	OH
Arizona	AZ	Maine	ME	Oklahoma	OK
Arkansas	AR	Maryland	MD	Oregon	OR
California	CA	Massachusetts	MA	Pennsylvania	PA
Colorado	CO	Michigan	MI	Rhode Island	RI
Connecticut	CT	Minnesota	MN	South Carolina	SC
Delaware	DE	Mississippi	MS	South Dakota	SD
District of Columbia	DC	Missouri	MO	Tennessee	TN
Florida	FL	Montana	MT	Texas	TX
Georgia	GA	Nebraska	NE	Utah	UT
Hawaii	HI	Nevada	NV	Vermont	VT
Idaho	ID	New Hampshire	NH	Virginia	VA
Illinois	IL	New Jersey	NJ	Washington	WA
Indiana	IN	New Mexico	NM	West Virginia	WV
Iowa	IA	New York	NY	Wisconsin	WI
Kansas	KS	North Carolina	NC	Wyoming	WY

ZIP – Five digit ZIP code of the physical location of each insured establishment.

PolCat – Policy type code - Code representing the type of insurance policy, as follows:

Codes For Table 1: Property Coverages	
Code	Description
01	Monoline
02	Commercial Multi-Peril
03	Businessowners
04	Other package
05	Specialty
06	Blanket rating
07	All other

Codes For Table 2: Liability Coverages	
Code	Description
01	Monoline
02	Commercial Multi-Peril

03	Businessowners
04	Other package
05	Specialty
07	All other

Codes For Table 3: Ocean & Inland Marine

Code	Description
01	Monoline
02	Commercial Multi-Peril
03	Businessowners
04	Other package
05	Specialty
07	All other

Coverage – Type of property or liability coverage -

Codes for Table 1: Commercial Property Lines

Code	Description
01	Direct damage – building (i.e. landlord)
02	Direct damage – contents (i.e. tenant)
03	Direct damage – building & contents (owner occupied or tenant must insure)
04	Time element or business interruption
05	All property combined
06	Other

Codes for Table 2: Liability Lines

Code	Description
01	Basic CGL (Prem/Ops, Products, Personal & Advertising Injury)
02	Products Liability
03	Pollution Liability
04	Umbrella/ Excess Insurance
05	Directors & Officers
06	Other

Codes for Table 3: Ocean and Inland Marine

Code	Description
01	Property At Premises
02	Property Away From Premises
03	Property In Transit
04	Transportation & Communication Property
05	Computer Systems/EDP
06	Other

NAICS- Industry code – use the first two-digits of the 2012 North American Industry Classification System (NAICS). Details can be found at the US Census Bureau at <http://www.census.gov/cgi-bin/sssd/naics/naicsrch?chart=2012>

Code	Description
11	Agriculture, Forestry, Fishing & Hunting
21	Mining, quarrying and oil and gas extraction
22	Utilities
23	Construction
31	(Includes codes 31-33) Manufacturing
42	Wholesale Trade
44	(Includes codes 44-45) Retail Trade
48	(Includes codes 48 & 49) Transportation & Warehousing
51	Information
52	Finance & Insurance
53	Real Estate and Rental and Leasing
54	Professional, Scientific & Technical Service
55	Management of Companies and Enterprises
56	Administrative & Support & Waste Management & Remediation Services
61	Educational Services
62	Health Care & Social Assistance
71	Arts, Entertainment & Recreation
72	Accommodation & Food Services
81	Other Services (except public administration)
92	Public Administration

EstabSize – **Establishment Size** - Category for number of employees at each establishment

FirmSize – **Size of Firm** – Category for the number of employees at each firm, across all establishments owned by the firm regardless of location.

Use the same codes for both EstabSize and FirmSize.

Code	Number of full-time equivalent employees
A	Less than 10
B	10 to 50
C	51 to 99
D	100 and over

PolType – Policy Type - Code indicating type of policy and coverage:

Code	Description
01	Stand-alone terrorism coverage, not sold as an endorsement to any underlying policy
02	Sold as an endorsement to an underlying policy, for which terrorism coverage is explicitly rated
03	Terrorism coverage that is not explicitly rated or provided for additional premium, including policies which don't exclude terrorism
04	All other policies that provide coverage for acts of terrorism not included in categories 01, 02 or 03.
05	No terrorism coverage

EstNum – Number of establishments insured, as of year-end (or end of the reporting period).

PRWT – Premium written for terrorism coverage. For terrorism coverage that is not explicitly rated, enter '0'

PRWTot – Total premium written

LimitsTerr – Insured value or liability limits associated with coverage for losses due to terrorism. For Table 1 (commercial property) and Table 3 (inland & ocean marine), enter total coverage limits for all property insured across all policies. For example, if you have 3 policies each with coverage limits for property of \$100,000, the total value is \$300,000. For Table 2 (liability lines), use the same method to determine total coverage extended for liability losses.

LimitsTot – Total insured value or liability limits associated with coverage provided by the underlying policy. For Table 1 (commercial property) and Table 3 (inland & ocean marine), enter total coverage limits for all property insured across all policies. For example, if you have 3 policies each with coverage limits for property of \$100,000, the total value is \$300,000. For Table 2 (liability lines), use the same method to determine total coverage extended for liability losses.