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VIA ELECTRONIC SUBMISSION (www.regulations.gov)

Department of the Treasury
Federal Insurance Office
Room 1140 MT
1500 Pennsylvania Ave., N.W.
Washington, DC 20220
Attn: Richard Ifft

RE: 2017 TRIA Data Collection Form Comments

Ladies and Gentlemen:

The American Insurance Association (AIA) appreciates the opportunity to submit comments regarding the Terrorism Risk Insurance Act (TRIA) Data Collection Template for 2017 (2017 Template or Template), pursuant to a December 20, 2016 Federal Register Notice issued by the Federal Insurance Office (FIO), entitled “Data Collection and Comments in Aid of Analyses of the Terrorism Risk Insurance Program.”¹

Celebrating its 150th year in 2016, AIA is the leading U.S. property-casualty insurance trade organization, representing approximately 320 insurers that write more than \$125 billion in U.S. property-casualty premiums each year. Our membership includes U.S. insurers that write insurance only within the U.S., U.S. insurers that write insurance inside and outside the U.S., and the U.S. subsidiaries of multi-national insurers. Importantly, our membership includes a large number of companies that write commercial property-casualty lines of business that are covered by TRIA. As a result, AIA and its member companies have a strong interest in making sure that the Terrorism Risk Insurance Program is sound and supports a stable and vibrant

¹ 81 Fed. Reg. 95310 (Dec. 20, 2016).

private insurance market. Not coincidentally, those goals provide a foundation for the annual TRIA-mandated studies that are the impetus for the TRIA Data Collection Template.

This submission reflects member company concerns as they reviewed the 2017 Template. Some of the concerns with the Template indicate broader issues that have been raised previously with FIO, but bear repeating. Others are more specific to the Template itself. Our comments will address the high-level issues first under “General Comments”, and then move to the discrete questions arising in certain sections of the Template under “Template-Specific Comments”.

GENERAL COMMENTS – TERRORISM RISK INSURANCE DATA COLLECTION

I. Enhancing Uniformity/Coordination between NAIC and FIO (with goal of a single data collection mechanism)

For some time now, AIA has recommended that FIO and the National Association of Insurance Commissioners (NAIC) align their TRIA data templates into a single vehicle. We continue to believe that coordination makes sense. Many of the concerns arising from member company review of the 2017 Template arise from the fact that the data requested differs from that sought under the 2016 NAIC template. As a consequence, responding insurers are spending twice as much time, under two different response deadlines, and re-tooling their systems in an effort to comply with both templates. We strongly urge FIO to convene regular coordination sessions with the NAIC in an effort to further harmonize the two templates, with an end goal of a single template by 2018. If it would help for AIA to be part of that coordination effort, we stand ready to do so.

II. Data Reporting Period / Start and End Dates / Enhancing Relevance of Data and Incorporating Data Element Refinements/Revisions

As an alternative, and to further the goal of a single coordinated data call, in the past, AIA suggested a timeline of sending out the template in October 2016, with responses due no later than March 2017. An extended timeframe would also allow FIO to revise and refine the template as issues arose to ultimately result in more complete and useful data. AIA indicated that a shortened timeframe for responses around March for previous year data presented complications for companies given the myriad reporting requirements due around the same time (e.g. financial statement reporting).

We believe that FIO has been responsive to these issues. Publishing the Template in December, with an open review period for public input, allows insurance companies to get a head-start on

providing their data responses while providing an opportunity for FIO to further refine the Template in response to comments it receives. We also appreciate that the response deadline has been extended to May 15, which should provide sufficient time for any company-specific issues to be raised directly with FIO and hopefully to be resolved prior to the deadline.

AIA further believes that altering the data reporting period to factor in experience from the NAIC's collection effort will ultimately improve alignment and coordination between the two entities.

III. Terrorism Disaster Scenarios

AIA also appreciates that FIO has chosen to continue the 2016 scenario in the current template. While it was not possible to have significant discussions with AIA companies and other stakeholders to refine the scenario and to possibly add new scenarios to future data templates, we would welcome that opportunity in advance of the 2018 data collection process. Indeed, AIA would recommend discussion of field testing scenarios as a way of determining the appropriate scenarios to include in future templates, as well as dialogues that included AM Best and others that have developed disaster scenarios.

IV. Data by State and ZIP Code

AIA companies continue to report that the collection of data by state, and more specifically by ZIP code within a state, would be problematic, either from a systems perspective or for timing reasons. For example, for reporting property insurance exposure for multiple locations (in multiple states), we have received questions from companies as to how to report the exposure amount and, more specifically, how to aggregate ZIP-code level information consistent with the Data Dictionary definition of "Property Insurance Exposure."

While we can appreciate the need to understand the state-by-state private market impact of TRIA, given the nature of the program, it may be more appropriate and relevant to focus on areas that are most prone to catastrophic terrorism and those acts of terrorism (and the associated coverage) that could affect the entire nation. Those areas and event types may evolve over time, but starting with high-risk areas and nationwide events may provide an initial focus for the study. Some flexibility would be needed to allow reporting of an individual group's exposures in those areas or for exposures that could be nationwide.

V. Estimate of Reporting Burden

Companies have consistently reported that the FIO estimate of impact and burden at 75 hours grossly underestimates the actual time and resources spent complying with the Template. Indeed, it would be more accurate for the hour estimate to be ten times the number listed in

the Federal Register. This is exacerbated by the additional data call required by the NAIC, which differs in nature and scope from the 2017 Template.

SPECIFIC COMMENTS - TEMPLATE/INSTRUCTIONS ISSUES

The following issues were identified by AIA member companies or reflect past stakeholder discussions with FIO.

I. Workers' Compensation Insurance Data Collection – NCCI as the Data Collection Source

The 2017 Template continues to request company terrorism risk data on workers' compensation insurance, but does not indicate that FIO will rely on the National Council on Compensation Insurance (NCCI) for this information. AIA is aware that NCCI has offered to provide both state regulators and FIO with the latest available information on workers' compensation insurance in an aggregated and anonymous form. This data set would also include data from the 11 state independent rating bureaus. We note that California has already separately requested workers' compensation data as it is not an NCCI state, and that the NAIC, in its 2016 data collection, modified its template to rely on NCCI information. AIA respectfully requests that FIO consider accepting the data in lieu of requiring completion of those elements of the Template for workers' compensation insurance. NCCI's data is validated and relatively current; it is unlikely that the workers' compensation insurance market trends change so quickly that such data will not provide a relevant source of terrorism risk information in the workers' compensation line. We believe relying on NCCI data will provide FIO with a wealth of useful, relevant workers' compensation information.

II. Tools to Clarify Instructions/Calculations

AIA noted that member company feedback from the voluntary data call indicated that there were still numerous ambiguities in the template, and that it would be helpful to have some more organized process for providing clarity. AIA recommends that FIO host a public webinar and/or establish a "hotline" mechanism (phone number or email) so that company compliance staff would have an opportunity to ask questions about completion of the 2017 Template.

III. Reporting of Direct Earned Premium, Policy Count, and Annual Statement Lines

In the first few pages of the 2017 Template (see pp. 2 – 3), member companies are seeking clarification on how to report direct earned premiums (DEP) and policy count information.

Specifically, our companies are seeking confirmation that DEP should be aligned with the Annual Statement Line (ASL), and that (2) policy count should align with both DEP and the ASL.

IV. Policyholder Industry Codes – Acceptance of ISO Classification Codes

In the past, AIA has expressed concern that FIO was requesting policyholder industry codes (such as the NAICS code) that were not collected by insurance companies. We are grateful to see that FIO has expanded the range of acceptable policyholder industry codes to include “other” codes such as the ISO classification codes in order to make companies’ submissions more complete.

V. Requests for “2015” Data

On the Affiliations worksheet of the 2017 Template (page 1), cells G/H 3 through 5 are asking for 2015 data. If companies are reporting 2016 data, why would FIO want data from a different calendar year? In addition, on the Policies and DEP worksheet of the Template (page 2, cell B23) the calendar year noted is 2015, while everything else on the form is 2016 or 2003 through 2016. Is the reference to 2015 data correct?

VI. Template vs. Data Dictionary

There is an inconsistency between the Template and the Data Dictionary. On the Package Policies Nationwide worksheet of the Template the header for column K (pages 7 – 9) reads, “Total 2016 DEP for all TRIP-Eligible Lines within package/Multi-line Policies”, which indicates that carriers are to report premiums only for the TRIP eligible lines. However, the Data Dictionary reference reads, “Total 2016 DEP associated with Package/Multi-line Policies containing at least one TRIP-Eligible Line”, which is different than the Template header for column K. In addition, the instructions are to report premiums for all lines. AIA respectfully requests that FIO advise companies whether to follow the Template or the Data Dictionary on this issue.

VII. Multi-State Exposures (Package Policies Nationwide)

In addition, concerns have been raised about the reporting of Package/Multi-line data on the Package Policies Nationwide worksheet, as data is being requested by state. Even though FIO has eliminated the reporting of this business by NAIC line of business (with the intent to eliminate duplicative reporting of data), that risk still exists. The package/multi-line policies written by carriers not only cross NAIC lines of business, but also cross jurisdictions, as insureds can have exposures in multiple states/jurisdictions. Therefore, the reporting of policy counts will generate duplicate reporting of the same policy without further direction from FIO as to whether to report based on (1) assigned count to Jurisdiction with the highest premium or (2) Insured State of Domicile (rather than Risk/Exposure State).

VIII. Disclosed Terrorism Risk Premium Charge – All Risk Policies

The 2017 Template again focuses on “Disclosed” and “Purchased” terminology. This implies the addition of terrorism coverage to a policy via endorsement at a supplementary charge or at no additional charge. There is no clear reference or instruction provided for those situations when a policy includes Terrorism (All Risk policies) and is not endorsed onto the policy. AIA and its member companies would appreciate further guidance on this point.

IX. Inclusion of Non-Certified Terrorism Data

The Template continues to combine Certified and Non-Certified Terrorism premium and policy count data. AIA believes that continuing to request such data will dilute the utility of the information and applicability to the Program. Additionally, the Template and data call move from this view of the data to focusing on them separately for Standalone policies only and then strictly on “...TRIP Coverage...” related data when addressing Geographic Exposures (Nationwide) in the call, affecting the applicability of one data set to another.

Further, significant conclusions are being reached based on data that is not entirely accurate. For example, in the June 2016 annual report, FIO concluded that terrorism premium collected since 2003 has not been used for payment of claims, and as such, policymakers might consider whether some amount of premiums should be segregated to support future terrorism risks. At least in part, conclusions such as that one are driving discussion about alternative funding structures for TRIA. While Treasury has not certified a terrorist act since the program’s inception, there have been several non-certified acts of terrorism that have resulted in claims within the industry. As a result, insurers are being unfairly cast as “benefitting” from the program through collection of premiums, when in fact they have paid for terrorism losses that were not certified under TRIA. It is misplaced to combine premium data for both certified and non-certified acts of terrorism and then conclude that there have been no claims arising out of terrorism premium. AIA respectfully recommends that the Template limit collection to Certified Terrorism data since that is the basis for the Program.

X. Exposure Bases by Jurisdiction

AIA member companies continue to be confused as to the type of data requested on the Exposure Bases by Jurisdiction worksheet (page 11). Are insurers supposed to separate the information by insured state of domicile or property location? Some companies have indicated that trying to adjust exposure by policy limit, location, or deductible would be exceedingly difficult.

XI. Reinsurance

AIA notes that the Reinsurance worksheet on the Template (page 21, C/8-11) requests information about reinsurance for natural catastrophes. We need to understand why FIO is requesting this information. Unless it is critical to understanding the market impact of the Terrorism Risk Insurance Program, we would respectfully recommend that these items be deleted.

CONCLUSION

AIA appreciates the opportunity that has been afforded industry to provide input as the FIO has developed the 2017 Template, and we look forward to continuing to be a resource to the Office going forward. As we have stated repeatedly, all stakeholders share a common interest in ensuring that the Program provides effective protection and stability to allow the private market to function.

Respectfully submitted,



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cc: Kevin Meehan
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