



Direct Written Premium and Federal Terrorism Policy Surcharge Instructions—Annual Report

1 General Instructions

1.1 *Filing of Form*

This form is required in order to determine and document each individual insurer's amount to be submitted for Federal Terrorism Policy Surcharges under the Terrorism Risk Insurance Act ("TRIA"). Affiliated insurers are not to be grouped together for this purpose. The form must be completed, certified by an officer of the insurer, and submitted to Treasury.

Insurers should maintain all worksheets and other documentation for the purposes of later auditing by the Terrorism Risk Insurance Program ("Program"). See 31 C.F.R. Part 50 Subpart G for guidance.

1.2 *Assessment Period and Reporting Schedule*

The assessment period means a period established by Treasury, during which policyholders of property and casualty insurance policies must pay, and insurers must collect, the Federal Terrorism Policy Surcharge for remittance to Treasury.

For policies subject to the Federal Terrorism Policy Surcharge, the surcharge shall be imposed and collected on a written premium basis for policies that incept or renew during the assessment period. All new, renewal, mid-term, and audit premiums for a policy term are subject to the Surcharge in effect on the policy term effective date. (Note: A policy effective prior to a current assessment period may have no surcharge in effect on the policy term effective date.)

Each insurer shall submit a completed Statement of "Direct Written Premium" and Calculation of "Federal Terrorism Policy Surcharge" on a monthly basis starting with the first month within the assessment period through November of the calendar year and on an annual basis as of the last month of the calendar year. Reports are due according to the following schedule:

1. For each month beginning in first month of the assessment period through November, the last business day of the calendar month following the month for which premium is reported, and
2. March 1 for the calendar year.

1.3 Lines of Business Subject to Terrorism Policy Surcharge

1.3.1 Commercial property and casualty lines of business subject to the Federal Terrorism Policy Surcharge means only the following lines of business from the NAIC Exhibit of Premiums and Losses (commonly known as Statutory Page 14): Line 1 -- Fire; Line 2.1 -- Allied Lines; Line 5.1 -- Commercial Multiple Peril (non-liability portion); Line 5.2 -- Commercial Multiple Peril (liability portion); Line 8 -- Ocean Marine; Line 9 -- Inland Marine; Line 16 -- Workers' Compensation; Line 17 -- Other Liability; Line 18 -- Products Liability; Line 22 -- Aircraft (all perils); and Line 27 -- Boiler and Machinery. Insurers that do not report to the NAIC should review General Instructions 1.5. Insurance coverage that is written on a dwelling policy form, but for which premiums are reported under the above lines of business (e.g., 1-4 family rental dwelling), is still included in the Program.

1.3.2 Other lines of business from Statutory Page 14 are not subject to the Federal Terrorism Policy Surcharge. Insurance coverages specifically not subject to the Surcharge are: Federal crop insurance issued or reinsured under the Federal Crop Insurance Act; any other type of crop or livestock insurance that is privately issued or reinsured (including crop insurance reported on either Line 2.1 -- Allied Lines or Line 2.2. -- Multiple Peril Crop); Line 3 -- Farmowners Multiple Peril; Line 19.3 -- Commercial Auto No-Fault (personal injury protection); Line 19.4 -- Other Commercial Auto Liability; Line 21.2 -- Commercial Auto Physical Damage; Line 24 -- Surety; Line 26 -- Burglary and Theft; Professional Liability insurance as defined in 31 CFR 50.5(j)¹; private mortgage insurance; title insurance; financial guaranty insurance when issued by a monoline financial guaranty insurance corporation; medical malpractice insurance; health or life insurance, including group life insurance; Federal flood insurance; earthquake insurance reported under Line 12 of Statutory Page 14; and reinsurance or retrocessional reinsurance. Workers' compensation insurance provided directly to qualified self-insureds is not reinsurance for purposes of the Program.

1.4 Direct Written Premium

Direct written premium means the premium as defined for inclusion in column 1 of the Exhibit of Premiums and Losses of the NAIC Annual Statement or in an equivalent reporting requirement. The Federal Terrorism Policy Surcharge is not included in amounts reported as direct written premium.

Direct written premium to be reported on this form includes premium for all commercial property and casualty lines of insurance listed above issued by any insurer for insurance against all losses. Generally, premium amounts are to be included in the reporting on this form as they are reported to the NAIC or through an equivalent reporting requirement for the applicable surcharge period. Such premium amounts are to be broken out by policy year in order to facilitate Surcharge calculations. For months in which premiums are not reported to the NAIC or through an equivalent reporting requirement, the same definitions and process for completing this form shall apply.

Some direct written premiums for lines of insurance listed under section 1.2 above and reported under Step One of this form may not be subject to the Federal Terrorism Policy Surcharge. Step Three will provide for the exclusion of such premiums from the calculation of the Federal Terrorism Policy Surcharge amount due to Treasury. Specifically:

1. Premiums for personal property and casualty insurance coverage (coverage primarily designed to cover personal, family, or household risk exposures) are not subject to the Federal Terrorism Policy Surcharge, even if reported under a line of business otherwise included in the definition of property casualty insurance under TRIA.
2. Premiums for any other insurance coverage that does not meet the definition of commercial property and casualty insurance are not subject to the Federal Terrorism Policy Surcharge. Such types of insurance are listed in 1.3.2 and are not subject to the Federal Terrorism

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Policy Surcharge, even if reported under a line of business otherwise included in the definition of property casualty insurance under TRIA.

¹(j) *Professional liability insurance* means insurance coverage for liability arising out of the performance of professional or business duties related to a specific occupation, with coverage being tailored to the needs of the specific occupation. Examples include abstracters, accountants, insurance adjusters, architects, engineers, insurance agents and brokers, lawyers, real estate agents, stockbrokers and veterinarians. For purposes of this definition, professional liability insurance does not include directors and officers liability insurance.

3. In the cases of policies providing multiple insurance coverages where an insurer cannot identify the premium amount charged specifically for property and casualty insurance under the policy:
 - a. If an insurer has estimated that the portion of the premium amount charged for coverage other than property and casualty insurance is *de minimis* to the total premium for the policy, by Treasury regulation (31 CFR 50.74(c)(2)(i)) the insurer may impose and collect from the policyholder a surcharge amount based on the total direct written premium for the policy. As such, no adjustment is necessary to the direct written premium reported under Step One.
 - b. If an insurer has estimated that the portion of the premium amount charged for coverages other than commercial property and casualty insurance is not *de minimis* to the total premium for the policy, by Treasury regulation (31 CFR 50.74(c)(2)(ii)) the insurer shall impose and collect from the policyholder a Surcharge amount based on a reasonable estimate of the premium amount for the property and casualty insurance coverage under the policy. Therefore the portion of the premium charged for coverages other than commercial property and casualty insurance should be subtracted in Step Three.

1.5 Insurers that do not Report to the NAIC via Statutory Page 14.

An insurer that does not report to the NAIC via Statutory Page 14 should only report direct written premium in Step One or Step Two for classes or lines of business that include, at a minimum, the equivalent of one or more lines of business specified in General Instruction 1.3.1. Thus, regardless of the description of the premium on another reporting form, all premium in Step One or Step Two must include, the functional equivalent of a line of business as specified in General Instruction 1.3.1 Insurers that may be required to extract direct written premium information from other reporting forms for the purpose of this TRIP filing include alien surplus lines insurers, farm mutual insurers, county mutual insurers, captive insurers and federally-approved insurers.

2 Step by Step Calculations

2.1 Step One

In Step One A enter the direct written premiums from the Annual Statement Exhibit of Premiums and Losses (Statutory Page 14), in Column 1A, for all lines of business included in the Program. See General Instructions 1.3 and 1.4 for guidance on premium to be reported. If applicable, premium reported in Column 1A must be broken out by amounts before and after the start of the assessment period. Columns 1B and 1C should sum to column 1A.

In Step One B enter the direct written premiums as reported in Column 1C in Step One A. Columns 2-5 are to be used to report the premiums by policy year that comprise the amount reported in Column 1C. The sum of Columns 2-5 must equal Column 1C premium. However, if necessary, additional columns (and sheets) may be added to complete the breakout of premiums by Policy Year and to account fully for the entry in Column 1C.

List premiums by line for all lines not reported via Statutory Page 14, but reported on a separate state form as discussed in General Instruction 1.5.

Include all premiums reported for any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, American

Samoa, Guam, each of the U.S. Virgin Islands, and any other territory or possession of the United States.

Include all surplus lines premium written and reported for any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, American Samoa, Guam, each of the U.S. Virgin Islands, and any other territory or possession of the United States.

2.2 **Step Two**

Enter the amount of direct written premiums included in Column 1C under Step One B that are for insurance coverage **not** to be included for the purposes of calculating the Federal Terrorism Policy Surcharge due Treasury. See General Instructions 1.4 for guidance. Columns 2-5 are to be used to report the premiums by policy year that comprise the amount reported in Column 1C. The sum of Columns 2-5 should equal Column 1C premium. However, if necessary, additional columns (and sheets) may be added to complete the breakout of premiums by Policy Year and to account fully for the entry in Column 1.

Include premiums for all lines not reported via Statutory Page 14, but reported on a separate state form as discussed in General Instruction 1.5.

Include all premiums reported for any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, American Samoa, Guam, each of the U.S. Virgin Islands, and any other territory or possession of the United States.

Include all surplus lines premium written and reported for any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, American Samoa, Guam, each of the U.S. Virgin Islands, and any other territory or possession of the United States.

2.3 **Step Three**

Enter the Step One B premium totals and then subtract the Step Two premium totals to determine the insurer's cumulative direct written premium for the applicable period subject to the Federal Terrorism Policy Surcharge.

2.4 **Step Four**

Enter the Step Three totals and multiply by the applicable individual year surcharge percentage(s) to determine the amount of Federal Terrorism Policy Surcharge for the applicable period. Note that Column 1C of Step 4 is not computed, as different surcharge percentages may be applicable to the direct written premium being reported for different policy years.

2.5 **Step Five**

Enter the Step Four Calculation of TOTAL Surcharge for the Year. Subtract the Previously Reported and Remitted amount for the calendar year. The result **EQUALS** is the amount of additional policy surcharge due Treasury.