

Department of the Treasury
Terrorism Risk Insurance Program (TRIP)

Supporting Statement – Information Collection Requirement
OMB Control Number - 1505-0200

Terrorism Risk Insurance Program (TRIP);
Commercial Property and Casualty Insurers Submission for Federal Share of Compensation

1. Explain the circumstances that make the collection of information necessary.

This information collection is made necessary by the provisions of the Terrorism Risk Insurance Act of 2002, as amended, and the Department of Treasury regulations for its implementation.

On November 26, 2002, the President signed into law the Terrorism Risk Insurance Act of 2002 (Public Law 107-297, 116 Stat. 2322) (the Act). The Act was effective immediately. The Act's purposes are to address market disruptions, ensure the continued widespread availability and affordability of commercial property and casualty insurance for terrorism risk, and to allow for a transition period for the private markets to stabilize and build capacity while preserving state insurance regulation and consumer protections.

Title I of the Act establishes a temporary federal program of shared public and private compensation for insured commercial property and casualty losses resulting from an act of terrorism. The Act authorizes Treasury to administer and implement the Terrorism Risk Insurance Program (the Program), including the issuance of regulations and procedures. The Program provides a federal backstop for insured losses from an act of terrorism. The Program was originally set to expire on December 31, 2005. On December 22, 2005, the President signed into law the Terrorism Risk Insurance Extension Act of 2005 (Pub. L. 109-144, 119 Stat. 2660) (the Extension Act), which extends the Program through December 31, 2007. On December 26, 2007, the Terrorism Risk Insurance Program Reauthorization Act of 2007 (Pub. L. 110-160, 121 Stat. 1839) was signed into law and extended the Program through December 31, 2014.

Sections 103(a) and 104 of the Act authorize the Department of the Treasury to administer and implement the Program established by the Act. In 31 CFR part 50, subpart F (Sec. 50.50–50.55) Treasury established requirements and procedures for insurers that file claims for payment of the Federal share of compensation for insured losses resulting from a certified act of terrorism under the Act. Each entity that meets the Act's definition of insurer (over 2000 firms) must participate in the Program. The amount of federal payment for an insured loss resulting from an act of terrorism is to be determined, based upon the insurance company deductibles and excess loss sharing with the Federal Government, as specified by the Act and the implementing regulations contained in Subpart F.

2. Explain how, by whom, how frequently, and for what purpose the information will be used. If the information collected will be disseminated to the public or used to support information that will be disseminated to the public, then explain how the collection complies with all applicable Information Quality Guidelines.

This information collection is to establish the basis for compensation for an insurer's insured loss and for the submission of information about those losses so that Treasury can determine the extent of its obligation to pay individual insurers under the Act. The information will also be used to review and audit compensation made to insurers to be certain the amounts are proper and in keeping with those authorized by the Act. The information collected will not be disseminated to the public by Treasury or used to support information that will be disseminated.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological techniques or other forms of information technology.

It is planned that all responses be submitted electronically, unless otherwise shown to be impractical. The intention is to follow, as appropriate, best insurance/reinsurance industry practices. Exceptions may be required where an insurer lacks the capability to make an electronic submission or where the volume of documentation makes electronic submission impractical.

4. Describe efforts to identify duplication.

The required records do not duplicate any existing records. The information will be required only after there is a certified act of terrorism that exceeds a threshold amount, i.e., *Program Trigger Event(s)*, for which the aggregate industry insured losses exceed \$100 million. There is no submission requirement prior to such an occurrence. After an event the insurer must certify to premium and other procedural matters required by the Act as well as to loss information in order to establish that they may receive compensation, the amount of their deductibles, and any offsets and adjustments to the federal share of loss due to the insurer. While some information, e.g., premium data, may be held by the company it is not normally reported to the federal government. Some of the information is reported to state insurance regulators and will simply need to be adjusted and assembled for these submissions.

5. If the collection of information involves small businesses or other small entities, describe the methods used to minimize burden.

The collection of information does not involve small businesses or other small entities but is expected to impact insurers.

6. Describe the consequences to the Federal program or policy activities if the collection is not conducted or is conducted less frequently.

It would be impossible to comply with the Act or to implement the Terrorism Risk Insurance Program (TRIP) without receipt of the premium, loss data and associated information being requested. Without the required information there is no way to ascertain the compensation payments due, if any, after the certification of an act of terrorism. The information requested is needed to assure the amounts submitted for compensation are as specified by the Act and regulation. The information collected is also required to assure that the amounts paid by Treasury are proper.

The insurer will then submit forms pertinent to the progressive stages of that information collection. This is patterned after industry practice. The Initial Notice of Loss would be submitted at the initial trigger point. Once an insurer's insured losses surpass the amount of its deductible and it seeks reimbursement from Treasury, it would provide an Initial Certification of Loss, with Schedules A, B and C. The Supplementary Certification of Insured Loss, with Schedules B and C would be required to update the Initial Certification or to request additional compensation, as needed. It is Treasury's intent to be flexible regarding the frequency of submissions of requests for funds. A lesser frequency that inhibits rapid payments to the affected insurers, could have negative economic consequences and would run counter to the purposes of the Act.

7. Explain any special circumstances that require the collection to be conducted in a manner inconsistent with OMB guidelines.

There are no special circumstances that require the collection to be conducted in a manner inconsistent with OMB guidelines. Moreover, the proposed implementation requirements are consistent with insurance industry and state regulatory practice and are needed to permit orderly processing of requests for payment and for auditing of accounts.

8. Provide a copy of the PRA Federal Register notice that solicited public comments on the information collection prior to this submission. Summarize the public comments received in response to that notice.

and describe the actions taken by the agency in response to those comments. Describe the efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Public comments were solicited for the extension of the Terrorism Risk Insurance Program – Loss reporting. The 60-day *Federal Register* notice was published on December 12, 2013, at 78 FR 75677. No comments were received. The forms were updated to reflect changes required by the Reauthorization Act.

9. Explain any decisions to provide payments or gifts to respondents, other than remuneration of contractors or grantees.

There will be no payments or gifts to respondents other than claims payments made to those insurers with losses meeting the criteria set by the Act.

10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation, or agency policy.

No assurances of confidentiality have been made to respondents for submissions that constitute the records to be kept by the insurers.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private.

No personally identifiable information (PII) is provided.

12. Provide an estimate in hours of the burden of the collection of information.

The number of respondents, if any, will be determined by the size and nature of the certified act of terrorism. Because of the extreme uncertainty regarding any such event a “best estimate” has been developed based on the considered judgment of staff. This estimate has the information collection being triggered for 100 insurers following a certified act of terrorism.

The aggregate burden hours (4200) are for each insurer providing the Initial Notice of Insured Loss (1hour), and the Initial Certification of Loss (1.5 hours) with Schedule A (6.5 hours), Schedule B (.25 hour) and Schedule C (4 hours) for a total of 13.25 hours per insurer. Each insurer is also estimated to submit five Supplementary Notices of Loss (1.5 hours) with Schedule B (.25 hour) and Schedule C (4 hours) for a total of 28.75 hours per insurer. The information being requested is that which would normally be generated and maintained by insurers in the conduct of their business. The burden hours are for the assembly or consolidation of information and its verification and certification. The hours required could be affected by the size and complexity of the insurer’s organization and by the size and nature of the certified act of terrorism.

Form	Title	# Respondents	# Responses Per Respondent	Total Responses	Hours Per Response	Total Burden
TRIP 01	Initial Notice of Insured Loss	100	1	100	1.00	100
TRIP 02	Certification of Loss (includes supplementary)	100	6	600	1.50	900
TRIP 02A	Sch A - Declaration of Direct Earned Premium and Calculation of Insured Deductible	100	1	100	6.50	650
TRIP 02B	Sch B - Certification of Compliance with Section 103(b) (includes supplementary)	100	6	600	0.25	150
TRIP 02B	Sch C - Bordereau (includes supplementary)	100	6	600	4.00	2400
Total		100	20	2,000	2.10	4,200

The information collection planned is regarded as a restatement of information normally prepared by insurers for other purposes or information that would normally be collected in the course of processing the underlying claims that constitute the insurers' requests for compensation. For ease of explanation, these costs are described in item 13.

13. Provide an estimate of the total annual cost burden to the respondents or record-keepers resulting from the collection (excluding the value of the burden hours in #12 above).

The assembly, consolidation, review and transmission of the information are expected to present nominal costs to the insurers submitting requests for compensation. The information should be readily available in company systems and documents. Hence, "start up" costs are estimated at \$10,000 for consolidating information for each of the 100 insurers that might be making a submission in a Program Year. The costs are expected to consist of a limited amount of time for consolidation of accounting records and for their internal review and certification of submissions. No equipment purchases or capital investment should be needed; however, some insurers may elect to perform some amount of incidental systems development to facilitate their initial and subsequent submissions.

Once the insurer has established its internal processes for submission of information to TRIP, there should be negligible marginal costs (perhaps \$1,000 for each) to the estimated 100 insurers for maintaining and operating processes and systems for updating their submissions. Again, the information is normally collected or generated business information.

The nature of the information collection essentially is that which insurers develop and submit in order to achieve compliance with state insurance regulatory requirements, particularly annual statutory reporting requirements. The information collection is also directly extractive of information required for or generated in the course of normal business activity.

14. Provide estimates of annualized cost to the Federal government.

The cost to the Federal government will be the costs of review and audit of records, as that becomes necessary. The costs would be commensurate with the severity of the event and the complexity of losses requiring review and audit. Assuming submissions by the estimated 100 insurers, total annual Program operating costs can be estimated between \$5 and \$8.5 million.

15. Explain the reasons for any program changes or adjustments to previously identified annual reporting and recordkeeping burden hours or cost burden.

There is an adjustment in the number of responses to account supplemental certifications that was not previously reported. There is no change to the total burden hours.

16. For collections whose results will be published, outline the plans for tabulation and publication.

There are no plans for publication of the information collected.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons why display would be inappropriate.

We have and will continue to display the expiration date of OMB approval for this collection.

18. Explain each exception to the certification of compliance with 5 CFR 1320.9 statement.

There are no exceptions to the certification statement.

Part B. Describe the use of statistical methods such as sampling or imputation.

This collection does not employ statistical methods.