

Department of the Treasury
Terrorism Risk Insurance Program

Supporting Statement – Information Collection Requirement
Emergency Clearance and Review Sought
OMB Control Number 1505-NEW

Collection of Data from Property and Casualty Insurers for a Report on the Effectiveness of the Terrorism Risk Insurance Program

Emergency Justification: The U.S. Department of the Treasury's Federal Insurance Office (which assists the Secretary of the Treasury in the administration of the Terrorism Risk Insurance Program (TRIP)) submits to the Office of Management and Budget (OMB), for emergency clearance and review, the TRIP Data Collection Template for CY 2016, in accordance with 5 C.F.R. 1320.13. An expedited clearance by OMB of the aforementioned data collection template is essential to the mission of the U.S. Department of the Treasury. Treasury cannot reasonably comply with the normal clearance procedures because the normal clearance procedures are likely to delay the collection of data beyond the time necessary for Treasury to complete a report required under the Terrorism Risk Insurance Program Reauthorization Act of 2015 (2015 Reauthorization Act). Since the reauthorization, Treasury has consulted extensively with interested insurers, state insurance departments, and other stakeholders in order to develop a data collection protocol and associated implementing rules that would identify necessary information relevant to Treasury's need to issue reports concerning the effectiveness of TRIP, which could be provided by insurers from existing data and systems. Proposed rules concerning data collection that will apply for the balance of the period for which TRIP has been reauthorized are now pending review at OMB. The public review and comment process associated with the proposed rules, however, will not permit the collection of data under those rules, once finalized, during 2016 in time for Treasury to submit a June 30, 2016 Report to Congress required under the 2015 Reauthorization Act. Subsequent data collections required under the 2015 Reauthorization Act will be conducted pursuant to the proposed rules, once finalized, and normal Paperwork Reduction Act review processes. For the 2016 collection only, Treasury requests that OMB approve this request for emergency clearance so that Treasury may begin the data collection in February, in time to have the necessary information for its June 30, 2016 Report.

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 Program Reauthorization Act of 2015 (Public Law 114-1, 129 Stat. 3).

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'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 (Program), including the issuance of regulations and procedures. The Program provides a federal backstop for insured losses from an act of terrorism. Although the Program was originally set to expire on December 31, 2005, it has now been extended and amended on three occasions; most recently, 2015 Reauthorization Act extended the Program through December 31, 2020.

Section 111 of the 2015 Reauthorization Act provides that the Secretary of the Treasury, commencing in the calendar year beginning on January 1, 2016, shall require insurers participating in the Program to submit information regarding insurance coverage for terrorism losses in order to analyze

the effectiveness of the Program. Section 111(h)(2) of the 2015 Reauthorization Act requires the Secretary to submit a report by June 30, 2016 to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate on the overall effectiveness of the Program, among other things. Proposed rules addressing data collection are now pending OMB review. Treasury seeks emergency clearance and review for the 2016 data collection only, as the normal public review and comment processes will not permit the collection of data under the proposed rules in time for Treasury to complete a June 30, 2016 Report to Congress. Treasury intends to make the initial request voluntary on the part of participating insurers. Each entity that meets the Act's definition of insurer (based upon existing information, over 2000 individual firms, within approximately 800 separate insurance groups) must participate in the Program. The data collection for which Treasury seeks emergency clearance could result in responses from all participating insurers, although some smaller number of entities will likely respond to the initial data collection request.

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 is a one-time collection in Calendar Year 2016, which will be used to support a required report by the Secretary that includes (i) an analysis of the overall effectiveness of the Program, (ii) an evaluation of any changes or trends in the data collected, (iii) an evaluation of whether an aspects of the Program have the effect of discouraging or impeding insurers from providing commercial property casualty insurance coverage or coverage for acts of terrorism, (iv) an evaluation of the impact of the Program on workers' compensation insurers, and (v) an updated estimate of the total amount of terrorism insurance premium earned since January 1, 2003. Collections of data will also be made in subsequent calendar years while TRIP remains in effect, pursuant to a standard OMB clearance process that Treasury will initiate. The information collected pursuant to this authorization will be used to evaluate changes and trends in the data collected in future years. The information collected will not be disseminated to the public by Treasury; however, it will be used in connection with reports that Treasury will produce that will be disseminated publicly. Treasury will follow its Information Quality Guidelines in connection with any reports produced that rely upon the data collected pursuant to this collection. To ensure the integrity of the data that is collected, Treasury's insurance statistical aggregator will monitor the information as collected to identify anomalies that can be addressed during the collection process, and will otherwise validate the data once collected, pursuant to standard insurance data aggregate techniques, to confirm that the information correctly represents the experience of the reporting insurers.

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, and that the responding insurers will largely generate responses electronically by querying their computer operating systems for the requested data. The intention is to follow, as appropriate, best insurance and reinsurance industry practices. Exceptions may be required where an insurer lacks the capability to make an electronic submission or where certain data elements are more easily collected through a questionnaire, which would also be set up for response though an electronic, web-based process.

4. Describe efforts to identify duplication.

Treasury has not identified any entity or collection of entities that currently holds the nonpublic data Treasury seeks to collect. Accordingly, the required records do not duplicate any existing records. Insurers do not currently report information respecting their participation in the Program to Treasury, state insurance regulators, or otherwise.

The 2016 Data Collection Template contains some individual data elements that are also reported, for different reasons, to state insurance regulators. These elements appear on the 2016

Data Collection Template in order to link up the nonpublic data sought by Treasury with the more general involvement of participating insurers in the insurance marketplace. Responding insurers will simply need to enter that same information as reported to state insurance regulators in the relevant field of the 2016 Data Collection Template. Treasury's collection of this data is for identification purposes only with respect to the non-public information that it is collecting, and does not pose any duplication burden upon insurers.

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

As the 2016 collection will be voluntary, the ability of any individual small insurer to opt out of the collection will minimize any significant burden that might be presented to some subset of insurers from which data is sought. Otherwise, the collection of information is expected to impact insurers in general, some of which may be defined as "small businesses" or "small entities" in other contexts. Even these small insurers, however, typically utilize electronic systems to collect their business data, such that no particular burden is placed upon "small" insurers operating in this industry.

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

The data is being requested pursuant to a statutory mandate to collect information beginning in 2016. The collected data will be used to support a report that is due by July 30, 2016, which must address the effectiveness of the Program as required in the 2015 Reauthorization 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 data collection elements sought in the 2016 TRIP Data Collection Template have been selected to be consistent with the manner in which insurers presently collect data, such that the collection should be consistent with insurance industry and state regulatory practice.

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.

Because this is an Emergency Clearance and Review request, there is no PRA Federal Register notice addressing the 2016 Data Collection Template. The PRA portion of the draft Federal Register notice now pending review at OMB (1505-AC53) addressing subsequent annual data collections under Treasury's proposed TRIP rules is attached. This proposed collection, however, follows substantial interaction between Treasury and participating insurers, state insurance regulators, and other industry stakeholders concerning the required collection of data under Section 111 of the 2015 Reauthorization Act and the best way in which to collect the data. Treasury held industry-wide stakeholder meetings at Treasury (involving more than 50 participants at each session) in August 2015, September 2015, and October 2015 addressing various aspects of the collection. Individual contacts between Treasury and individual industry stakeholders continued during this entire period and up to the present, amounting to somewhere between 75 and 100 individual calls and meetings. During this process Treasury has engaged state insurance regulators, insurance industry trade associations, insurance data aggregators, insurers (admitted companies as well as domestic and alien surplus lines insurers), reinsurers, insurance brokers, reinsurance brokers, state-sponsored insurance providers, and captive insurance companies, among others. The evaluation that Treasury has received indicates that the data sought is available, that it is being requested in a manner consistent with standard industry practice, and that it is for the most part reportable through queries participating insurers can pose to existing systems, without any significant

reprogramming to systems. Information is sought in most cases either on a state-specific or locality basis, which is the basis upon which insurers typically report information for state regulatory purposes or to satisfy rating agency inquiries.

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 associated with the 2016 Data Collection Template.

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

Given the sensitivity of the requested data, Treasury expects to provide assurances of confidentiality to respondents. The basis for such an assurance is Section 111(h)(5) of the 2015 Reauthorization Act. Section 111(h)(5)(A) states that the submission of any non-publicly available data and information to the Secretary and the sharing of any non-publicly available data with or by the Secretary among other Federal agencies, the state insurance regulatory authorities or any other entities under this subsection shall not constitute a waiver of, or otherwise affect, any privilege arising under Federal or state law to which the data or information is otherwise subject. Furthermore, Section 111(h)(5)(D) states that Section 552 of title 5, United States Code, including any exceptions thereunder, shall apply to any data or information submitted to the Secretary by an insurer.

Under Section 111(h)(3) of the 2015 Reauthorization Act, the Secretary is also instructed "to the extent possible" to collect data through an insurance statistical aggregator, that shall keep any nonpublic information collected confidential and provide the information to Treasury in aggregate form that does not permit identification of submitting insurers. Treasury is employing this approach in connection with the collection of data through the 2016 Data Collection Template, which will be converted into a web-based portal through which participating insurers will report the requested data to the insurance statistical aggregator. The aggregator that will be employed for this process (Insurance Services Office, Inc.) regularly performs this function in connection with other reporting performed by insurers for state regulatory purposes and otherwise.

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.

As this data collection is voluntary, the number of respondents will be determined by the number of companies that elect to respond. It is impossible to determine how many entities will respond; it could be as many as 100% of all participating insurers, or about 2000 entities, or as few as 0. For these purposes, Treasury estimates that approximately 100 larger insurers will respond, with responses from approximately 200 smaller insurers. Larger insurers constitute approximately 250 entities out of the total universe of 2000, with the balance being smaller insurers. For larger insurers reporting more expansive information, Treasury anticipates approximately 50 hours to collect, process and report – through the generation of queries to existing data systems that collect the required information, plus the individual responses to identified questions -- the data for each of the larger insurers, and approximately 25 hours for collection, processing and reporting data from smaller insurers where more limited information may be available. The insurance statistical aggregator that Treasury is utilizing has advised that it believes this hours burden estimate to be reasonable.

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 that respond given the data elements Treasury seeks to collect, which should be readily available in company systems and documents. There could be some limited amount of "start up" costs (estimated at \$1,000 per insurer) for consolidating information that might be produced by responding insurers in Calendar Year 2016. 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.

The data Treasury seeks to collect is contained within statistical information that insurers otherwise develop in order to achieve compliance with state insurance regulatory requirements (particularly annual statutory reporting requirements) and insurance rating reviews. 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 of the data collection will be the costs of the insurance statistical aggregator that will be used to collect and validate the data. Treasury estimates that this cost for collecting data under the 2016 Data Collection Template will be between \$100,000 and \$200,000.

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

Not applicable.

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

There are no plans for publication of the information as collected, although as stated above the information will form the basis for a report to be issued by Treasury to Congress in June 2016.

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 will 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.