

Department of the Treasury  
Terrorism Risk Insurance Program

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

Collection of Data from Property and Casualty Insurers for Reports Concerning the Terrorism Risk  
Insurance Program

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.

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 that the Secretary considers appropriate to analyze the effectiveness of the Program. For the first year of data collection, the rules addressing data collection had only been proposed, so Treasury sought emergency clearance and review for the 2016 data collection only, as the normal public review and comment processes would not have permitted the collection of data in time for Treasury to complete a June 30, 2016 Report to Congress. Approval of a collection form for use in CY 2016 only was provided under OMB Control Number 1505-0253.

Final rules addressing data collection were published on December 21, 2016. 81 FR 93756 (Dec. 21, 2016). On December 27, 2016, Treasury published a notice in the Federal Register identifying the forms proposed for use in CY 2017 and seeking comment from the public concerning those forms. 81 FR 95310 (Dec. 27, 2016). By the expiration of the comment period on February 27, 2017, Treasury had received seven (7) comments concerning the proposed collection forms, and has made a number of revisions to the forms as originally proposed, as well as to the manner of the reporting required, in response to the comments. It is estimated that between 800 and 1,000 insurance groups or individual insurance entities that meet the Act's definition of insurer will be required to provide some amount of information in response to the data collection, and the amount of information required will vary based upon the type and size of insurer involved.

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 an annual collection, beginning in 2017 (seeking CY 2016 data) and continuing through 2020 (seeking CY 2019 data), when the Program is scheduled to expire. The information will be

used to support required reports to Congress by the Secretary addressing (1) the effectiveness of the Program; and (2) the competitiveness of small insurers in the terrorism risk insurance marketplace. The reports addressing the effectiveness of the Program must be submitted in June 2018 and June 2020, and the reports concerning small insurer competitiveness must be submitted in June 2017 and June 2019.

The reports concerning the effectiveness of the Program will include (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 any 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. Reports concerning small insurer competitiveness will address (i) changes to the market share, premium volume, and policyholder surplus of small insurers relative to large insurers; (ii) how the property and casualty insurance market for terrorism risk differs between small and large insurers, and whether such a difference exists within other perils; (iii) the impact of the Program mandatory availability requirement on small insurers; (iv) the effect of increasing the trigger amount for the Program on small insurers; (v) the availability and cost of private reinsurance for small insurers; and (vi) the impact that State workers' compensation laws have on small insurers and workers compensation carriers in the terrorism risk insurance marketplace.

The information collected will not be disseminated to the public by Treasury; however, it will be used, in aggregated form, 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. 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. This is the same fashion in which data collected on an industry-wide basis in the insurance industry is validated for state regulatory purposes.

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 will 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 for data collection. 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 through an electronic, web-based process.

4. Describe efforts to identify duplication.

Treasury has not identified any entity or collection of entities that currently holds all of the CY 2016 nonpublic data Treasury seeks to collect. Treasury has determined, however, that the National Council of Compensation Insurers (NCCI) and the California Workers Compensation Insurance Rating Bureau (California WCIRB) are willing to provide certain of the data elements identified on the collection forms relating to CY 2016 workers' compensation insurance experience on an individual insurer basis, and that this information can be linked to information that will otherwise be reported directly by participating insurers. Accordingly, Treasury will instruct reporting insurers that they need not report those elements of the reporting forms that will be reported instead by NCCI and the California WCIRB on behalf of individual insurers.

The 2017 Data Collection Template contains some individual data elements that are also reported, for different reasons, to state insurance regulators. These elements appear on the 2017 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. 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. Responding insurers will simply need to enter that same information as reported to state insurance regulators in the relevant field of the 2017 Data Collection Template.

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

Treasury has taken two principal steps to minimize the burden of the production of data upon insurers that might be characterized as "small insurers." First, a separate form has been generated for entities whose TRIP-eligible lines premiums and policyholder surplus in 2015 were both below \$600 million. This form is more streamlined and captures less data than the form that larger insurers are required to complete. 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. Second, insurers whose TRIP-eligible lines premiums in CY 2016 are below \$10 million are excused entirely from reporting and need not provide any information.

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 and continuing through at least 2020. The collected data will be used to support reports to Congress, as required in the 2015 Reauthorization Act, concerning the effectiveness of the Program due June 30, 2018 and June 30, 2020, and concerning the participation of small insurers in the Program due June 30, 2017 and June 30, 2019.

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 2017 TRIP Data Collection Templates 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.

A copy of the Federal Register Notice (81 FR 95310 (Dec. 27, 2016)) is attached. In response to the Notice, Treasury received seven (7) formal written comments. Those comments identified a number of general and specific suggestions concerning the manner and subject to data collection. Those suggestions, and Treasury's responses, are summarized below:

- (a) Several commenters suggested that Treasury consider collecting certain workers' compensation insurance elements through NCCI. In response, and as noted above, Treasury has arranged with NCCI and the California WCIRB to report certain workers' compensation information on behalf of participating insurers that write such insurance.
- (b) Several commenters requested that Treasury delay the deadline for the data collection until a later date, given that it is the first year of mandatory collection, the nature of the report Treasury needs to produce this year, and in light of other data requirements falling later in the year. In response, for this year only, Treasury will limit the amount of data that needs to be provided by May 15, and permit the balance of the information to be provided by October 1.
- (c) One commenter suggested that the reporting forms were not geared to reporting by Federally-approved insurers that are subject to the Program. In response, Treasury has modified the instructions to provide further guidance

as to how such insurers should respond to the 2017 data call, and will consider the development of a separate form for such insurers for future collections.

- (d) Several commenters suggested the establishment of a telephone “helpline” and the hosting of a public webinar to assist reporting insurers that have questions concerning the data collection requirements. Treasury (through its data aggregator) will establish such a helpline, and will also consider hosting a public webinar concerning the process.
- (e) Treasury also received a number of written comments addressing technical changes or questions concerning the reporting forms. In response, Treasury has modified the instructions in a number of ways to clarify the information that is sought.

In addition to the formal written comments, Treasury also engaged in significant informal engagement with stakeholders, in the form of responding to questions and suggestions that those stakeholders posed informally to Treasury during the comment period after the publication of the data collection forms. Those communications largely consisted of the identification of requests that stakeholders believed presented some ambiguity in terms of the precise nature of the information requested by Treasury. In response to such communications, Treasury has modified certain of the explanatory materials accompanying the 2017 Data Collection Templates to clarify the nature of the information sought.

Treasury also sought the feedback of state regulatory officials who were involved in 2016 in collecting certain terrorism risk insurance data from property and casualty insurers. Those officials did not suggest any particular changes to the forms proposed by Treasury for use in CY 2017. Treasury will continue to engage with state regulatory officials to explore ways in which federal and state data calls for terrorism risk insurance data may be made more consistent in order to minimize burden upon insurers participating in the terrorism risk insurance market.

The communications described above, as well as similar engagement conducted in 2015 and 2016 in preparation for the initial year of data collection, have provided Treasury with significant information concerning the type(s) of data that are available from participating insurance company, as well as the best ways to request the data in order for the data requests to be consistent with existing systems and for the questions to yield the actual information that is sought by Treasury. Consistent with this prior investigation and outreach, 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 Data Collection Templates. NCCI and California WCIRB are voluntarily reporting information on behalf of participating insurers, and will not be compensated by Treasury.

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 will 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.

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 2017 Data Collection Templates, 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.

Treasury estimates that approximately 100 insurers will respond to the most extensive of the reporting templates (for “non-small” insurers), 300 insurers will submit the “small insurer” template, 400 insurers will submit the “captive insurer” template, and 75 insurers will complete the “alien surplus lines insurer” template. Because of continued uncertainty over the total numbers of insurers involved in each category, the total estimate of reporting entities is between 800 and 1,000. For insurers reporting more expansive information via the “non-small” insurer template, Treasury anticipates approximately 75 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 such insurer; approximately 25 hours for collection, processing and reporting data for the small insurer template; and 50 hours per insurer for the captive insurer and alien surplus lines insurer templates. The insurance statistical aggregator that Treasury is utilizing agrees that this burden estimate is 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 minor costs to the insurers that respond because the data elements Treasury seeks to collect 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 would need to be produced by responding insurers in Calendar Year 2017 (to the extent they did not respond to the similar voluntary data call conducted in 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 can be developed from statistical information that insurers maintain 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 2017 Data Collection Templates will be between \$350,000 and \$450,000. The increase over the cost for last year is attributable to two principal factors: (1) between 800 and 1,000 entities will be reporting data this year, versus the approximately 150 insurers that voluntarily reported data last year; and (2) the collection of certain information elements through NCCI and the California WCIRB will impose additional costs to match up data relevant to particular insurers from different sources.

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

The 75 hour estimate for the completion of the form applicable to “non-small” insurers (which is similar to the form utilized last year in the 2016 voluntary data call) is 25 hours higher than the estimate provided last year; the increase is based upon feedback provided by insurers that

participated in the 2016 voluntary data call. The balance of the forms proposed for use in 2017 were not used in 2016, and are thus new estimates (although they are based to some extent upon the fact that each requests a more limited amount of information from the insurers that will complete those separate forms). Treasury will continue to collect information concerning the burden associated with the data production, and will use such information in evaluating future collection requirements.

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 reports to be issued by Treasury to Congress in June 2017, June 2018, June 2019, and June 2020.

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.