

Department of the Treasury
Terrorism Risk Insurance Program

Supporting Statement – Information Collection Requirement
OMB Control Number 1505-0257

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.

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. For the first year of data collection, Treasury sought emergency clearance and review for the 2016 data collection only, as the normal public review and comment processes would not have permitted permit the collection of data under then-proposed rules 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. A revised collection form for use in CY 2017 was approved for use (after a public notice and comment period) under OMB Control Number 1505-0257. Although expiration date of the collection previously approved in OMB Control Number 1505-0257 is April 30, 2020, Treasury has made a number of changes to the form as used in 2017, which requires this revised application. The principal change has been the coordination of this information collection with a similar data collection by state insurance regulators in association with the National Association of Insurance Commissioners (NAIC); the coordinated approach will reduce burdens on participating insurers that were previously subject to entirely separate data calls from federal and state authorities. Certain other changes to the forms also been implemented in response to public feedback.

On November 28, 2017, Treasury published a notice in the *Federal Register* (82 FR 56328) identifying the forms proposed for use in CY 2018 and seeking comment from the public concerning those forms. By the expiration of the comment period on January 29, 2018, Treasury had received twelve (12) comments in response to the notice, five (5) of which contained non-duplicative, substantive comments concerning the proposed collection,¹ and has made a number of revisions to the forms as originally

¹ Of the twelve comments, six addressed matters totally unrelated to the Terrorism Risk Insurance Program, or the data collection issues under it, and one comment was a duplicate comment.

proposed in response to the comments. It is estimated that approximately 725 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. 1Explain how, by whom, how frequently, and for what purpose the information will be used. 1If 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, continuing through 2020 (seeking CY 2019 data), when the Program expires unless reauthorized by Congress. The information will be used to support required reports by the Secretary addressing (1) the effectiveness of the Program; and (2) the competitiveness of small insurers in the terrorism risk insurance marketplace. Reports addressing the effectiveness of the Program must be submitted in June 2018 and June 2020, and a report concerning small insurer competitiveness must be submitted in June 2019.

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 exist within other perils; (iii) the impact of the Program's 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 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. 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 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 all of the CY 2017 non-public data Treasury seeks to collect. Treasury has determined, however, that the National Council on Compensation Insurance (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 2017 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. This approach was first taken during the CY 2017 data collection, did not pose any data integrity problems, and otherwise reduced burdens upon reporting insurers. Accordingly, Treasury again 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 2018 Data Collection Template in order to link up the non-public 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 2018 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. In addition, Treasury has coordinated with the NAIC and state insurance regulators, which collect similar information, such that responding insurers will now be able to satisfy most of their 2018 reporting obligations respecting terrorism risk insurance by providing the same data set to both federal and state authorities.

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 2016 are both below \$700 million, which is far more streamlined and captures far 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, such insurers whose TRIP-eligible lines premiums in CY 2017 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 concerning the effectiveness of the Program as required in the 2015 Reauthorization Act, which are due June 30, 2018 and June 30, 2020, and a report concerning the participation of small insurers in the Program, which is due 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 2018 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 insurance 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 (82 FR 56328, Nov. 28, 2017) is attached. In response to the Notice, Treasury received twelve (12) formal written comments, five of which provided non-duplicative, substantive comments concerning the proposed data collection.² Those comments identified a number of general and specific suggestions concerning the manner and subject of the data collection. Those suggestions, and Treasury's responses, are summarized below:

- (a) Several commenters suggested, for purposes of data consistency, that Treasury specifically identify the zip codes associated with all county-level areas identified in the Geographic Exposures worksheet, and that it provide a separate guidance document addressing how exposures spanning multiple calendar years should be reported. Treasury will create separate listings that reporting insurers can use to guide such reporting.
- (b) Several commenters suggested that further guidance is required as to how policyholder deductible and retention amounts should be reported on the Exposures worksheet, and how reporting should be accomplished for lines (such as Ocean Marine, Inland Marine, and Aviation) where the risks exposed are mobile and reporting on a state-by-state basis does not actually illustrate where the risks are situated. Treasury has modified its reporting instructions to address these issues.
- (c) Several commenters suggested that the addition of requests for the production of Geographic Exposure data associated with deductible reimbursement policies issued by captive insurers would lead to the reporting of duplicative information because the information for these exposures would also be produced by NCCI and/or California WCIRB in their reporting on behalf of small and non-small insurers (deductible reimbursement policies fund the deductibles assumed by policyholders under policies issued by small and non-small insurers). Treasury recognizes this issue, and has deleted the request as directed to reporting captive insurers. Other information concerning deductible reimbursement policies (which does not present any issues concerning duplication of data) continues to be requested, as well as information concerning other types of workers' compensation policies that might be written by captive insurers.
- (d) Several commenters suggested that data should not be collected in connection with certain TRIP-eligible lines that "are unlikely to respond to a terrorist event," but which are currently subject to the Program. Treasury will not modify the data call to exclude such information, which remains relevant to calculating the average industry retention under TRIP and potential recoupment of any payments by Treasury, and may also be necessary to guide further consideration of whether such lines should be excluded from the Program. However, Treasury will work with any affected reporting insurers to minimize the reporting burdens.
- (e) A number of commenters identified situations in which stakeholders found there to be some ambiguity in terms of the precise nature of the information requested by Treasury. In response

² Comments are available via regulations.gov under Docket ID: TREAS-TRIP-2017-0015
<https://www.regulations.gov/docket?D=TREAS-TRIP-2017-0015>

to these comments, Treasury has modified certain of the explanatory materials accompanying the 2018 Data Collection Templates to clarify the nature of the information sought by Treasury.

Treasury also engaged with state insurance regulators and the NAIC, which separately sought comments from participating insurers in connection with the proposed consolidated collection approach. State regulators are in agreement with the collection forms as modified by Treasury, and will also rely upon those reporting templates for the majority of the information that they collect from participating insurers. Treasury will continue to engage with state regulatory officials and NAIC staff to explore ways in which reporting burdens upon insurers participating in the terrorism risk insurance market can be further minimized.

The communications described above, as well as similar engagement conducted in connection with prior data collections, 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 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 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 2018 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 sought or provided.

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

Treasury estimates that approximately 100 larger insurers will respond to the most extensive of the reporting templates (for “non-small” insurers), 300 companies will submit the “small insurer” template, 400 Program participants will submit the “captive insurer” template, and 25 insurers will complete the “alien surplus lines insurer” template. For larger insurers reporting more expansive information, 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 of the larger insurers, approximately 25 hours for collection, processing and reporting data for each of the smaller insurers, and 50 hours each for the captive insurers and alien surplus lines insurers. The insurance statistical aggregator that Treasury is utilizing has advised that it believes this hours burden estimate to be reasonable. Treasury did not receive any comments concerning its burden estimates.

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. However, Treasury expects that most reporting insurers would have already expended these costs in connection with the CY 2017 data collection; therefore, would not be similar new costs for insurers because there have not been significant changes under the CY 2018 data collection. Otherwise, the costs are expected to consist of a time associated with the consolidation of accounting records (including querying of computer systems), and for the 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 2017 Data Collection Templates will be between \$350,000 and \$450,000. This cost is generally consistent with the costs incurred in connection with the CY 2017 data collection.

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

There are no changes to the burden estimates as provided in connection with the CY 2017 data collection. The number of anticipated responding insurers has been modified downward based upon the experience in the CY 2017 data collection in terms of the number of insurers actually required to respond. Treasury will continue to collect information concerning the burden associates with the data production, and will use such information in evaluating future collection requirements.

Although the burden of responding to the CY 2018 data collection is estimated to be similar to the burden experienced in the 2017 data collection, the implantation of a consolidated data collection approach with state insurance regulators will reduce total burdens upon insurers required to report terrorism risk insurance data.

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 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.