

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

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|---|--|
| <p align="right">DATE: <u>02/01/2023</u></p> <p>CONTACT PERSON: <u>Sara Robben</u></p> <p>TELEPHONE: <u>816-783-8230</u></p> <p>EMAIL ADDRESS: <u>srobben@naic.org</u></p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Alan McClain</u></p> <p>TITLE: <u>Chair P/C Insurance (C) Committee</u></p> <p>AFFILIATION: <u>Arkansas Insurance Department</u></p> <p>ADDRESS: <u>1 Commerce Way</u> <u>Little Rock, AR 72202</u></p> | <p align="center">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2023-05BWG</u></p> <p>Year <u>2023</u></p> <p>Changes to Existing Reporting [X]</p> <p>New Reporting Requirement []</p> <hr/> <p align="center">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</p> <p>No Impact [X]</p> <p>Modifies Required Disclosure []</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No]</p> <p><i>***If Yes, complete question below***</i></p> <hr/> <p align="center">DISPOSITION</p> <p>[] Rejected For Public Comment</p> <p>[] Referred To Another NAIC Group</p> <p>[X] Received For Public Comment</p> <p>[] Adopted Date _____</p> <p>[] Rejected Date _____</p> <p>[] Deferred Date _____</p> <p>[] Other (Specify) _____</p> |
|---|--|

BLANK(S) TO WHICH PROPOSAL APPLIES

- | | | |
|--|---|--------------------------------------|
| <input checked="" type="checkbox"/> ANNUAL STATEMENT | <input checked="" type="checkbox"/> INSTRUCTIONS | <input type="checkbox"/> CROSSCHECKS |
| <input type="checkbox"/> QUARTERLY STATEMENT | <input checked="" type="checkbox"/> BLANK | |
| <input type="checkbox"/> Life, Accident & Health/Fraternal | <input type="checkbox"/> Separate Accounts | <input type="checkbox"/> Title |
| <input checked="" type="checkbox"/> Property/Casualty | <input type="checkbox"/> Protected Cell | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Health | <input type="checkbox"/> Health (Life Supplement) | |

Anticipated Effective Date: Annual 2023

IDENTIFICATION OF ITEM(S) TO CHANGE

See Next Page

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

See Next Page

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

** This section must be completed on all forms.

IDENTIFICATION OF ITEM(S) TO CHANGE

Remove the reference to Identity Theft Insurance from the General Instructions. Remove the interrogatory questions from Part 1 that pertain to Identity Theft Insurance. Remove the column for Identity Theft Insurance from Parts 2 and 3.

Remove claims-made and occurrence breakdown, as well as first-party and third-party breakdown from data collection. A cybersecurity insurance policy is generally written on a claims-made basis for the liability sections of the policy; therefore the breakdown is unnecessary. Additionally, most cybersecurity policies include both first-party and third-party coverage, so the breakdown does not provide significant data, as it is not an either/or situation.

Remove the question in the interrogatories regarding tail policies. This has provided no meaningful information, due to the way cybersecurity insurance policies are written.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE

Changes to this blank are being proposed to aid in the collection of better data. Cyber insurance, as it is currently written, generally covers first- and third-party claims in one policy. This means there is either double-counting from reporting claims in both categories, or not truly reflecting whether the claims are first- or third-party, and therefore not providing a correct claim count number.

Currently we collect claims information for standalone and package policies. Package policies are meant to be where policies with endorsements are reported. There has been some confusion regarding which category the information should be reported. Currently cyber insurance policies are written as primary, excess, or an endorsement. Changing the supplement to reflect this information will provide more accurate information.

Currently we collect data for Identity Theft Insurance. Many entities in the Identity Theft market are not insurers. This portion of the supplement does not provide meaningful data, so it is recommended that we eliminate this reporting requirement.

ANNUAL STATEMENT INSTRUCTIONS - PROPERTY

CYBERSECURITY AND IDENTITY THEFT INSURANCE COVERAGE SUPPLEMENT GENERAL INSTRUCTIONS

This supplement should be completed by those reporting entities including surplus line insurers and Risk Retention Groups that provide cybersecurity insurance ~~and identity theft insurance in a stand-alone policy or as part of a package policy in a primary policy, an endorsement on a policy, or an excess policy.~~ If the reporting entity's answer to Questions 1, 2, 4 and 5-3 of Part 1 would be "no," the reporting entity should not complete the supplement. If the reporting entity answers "yes" to any of those questions, the supplement should be completed. The supplement should be reported on a direct basis (before assumed and ceded reinsurance).

This supplement should be completed on a calendar year basis.

Cybersecurity Insurance

For the purposes of this reporting form, cybersecurity insurance applies to commercial insurance through a single policy or multi-peril coverage part solely intended to assist in helping manage risks associated with exposures arising out of network intrusions and improper handling of electronic data, including data such as personally identifiable information and other sensitive information in electronic form. The risks covered may include one or more of the following:

- ~~• Identity theft as a result of privacy violations and security breaches where sensitive information is stolen by an unauthorized person or inadvertently disclosed and includes identity restoration costs.~~
- Business interruption and extra expense from an unauthorized person preventing access to the Internet, the policyholder's website or other parts of the policyholder's network.
- Costs associated with restoring data from electronic or paper records that have been damaged by an unauthorized person.
- Costs related to a data breach such as data restoration, forensic investigations, legal ~~advice~~ expenses, public relations, breach notification and regulatory expenses.
- Exposure arising out of theft or loss of client's or customer's digital assets.
- Introduction of malware, ~~worms~~ and other malicious computer code to third parties.
- Cyber extortion against the policyholder.
- Liability and damages resulting from network failures.

Endorsement: Cybersecurity insurance sold as an endorsement to another policy. If a rider, endorsement, or floater acts like a separate policy with separate premium, deductible, and limit, then it is to be recorded on the same annual statement line as if it were a primary policy regardless of whether it is referred to as a rider, endorsement, or floater. If there is no additional premium, separate deductible or limit, the rider, endorsement, or floater should be reported on the same annual statement line as the base policy.

Primary policy: Cybersecurity insurance that responds first to an insured loss, either on a first-dollar basis, or after allowing for a deductible.

Excess policy: Cybersecurity insurance that provides additional financial limits above those covered by the primary insurance policy.

Identity Theft Insurance

~~For the purposes of this reporting form, identity theft insurance applies to personal lines insurance through a single policy or as part of another personal lines coverage that covers only identity theft and identity theft restoration~~

CYBERSECURITY AND IDENTITY THEFT INSURANCE COVERAGE SUPPLEMENT
PART 2 – STAND-ALONE PRIMARY CYBERSECURITY POLICIES
POLICY AND CLAIMS DATA

If the reporting entity answers “yes” to either Question 1 or Question 4 of Part 1, then Part 2 should be completed. Part 2 should be reported on a direct basis (before assumed and ceded reinsurance).

Column 1 – Cybersecurity Insurance

This column only applies to commercial lines.

~~Column 2 – Identity Theft Insurance~~

~~This column only applies to personal lines.~~

Line 7 – Number of Policies in Force ~~Claims Made~~

~~For Column 1, Cybersecurity Insurance, provide~~ Provide the number of ~~claims made~~ all policies in force as of December 31.

Line 8 – Number of Policies in Force ~~Occurrence~~ Claims Reported

~~For Column 1, Cybersecurity Insurance, provide~~ Provide the number of ~~occurrence~~ policies in force ~~claims~~ reported by incident.

Line 9 – Number of Policies in Force ~~Total~~ Claims Open

~~Line 9 should equal Line 7 plus Line 8 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of policies in force for Column 2, Identity Theft Insurance.~~ number of claims open by incident. These claims should have reserves or payouts greater than zero.

Line 10 – Number of Claims Reported ~~First Party~~ Closed With Payment

~~For Column 1, Cybersecurity Insurance, provide the number of first party claims reported by incident.~~ Provide the number of closed with payment greater than zero by incident.

Line 11 – Number of Claims Reported ~~Third Party~~ Closed Without Payment

~~For Column 1, Cybersecurity Insurance, provide~~ Provide the number of third party claims reported by incident. claims closed without payment by incident.

~~Line 12 – Number of Claims Reported – Total~~

~~Line 12 should equal Line 10 plus Line 11 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of claims reported for Column 2, Identity Theft Insurance.~~

~~Line 13 – Number of Claims Open – First Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of first party claims open by incident.~~

~~Line 14~~ ~~Number of Claims Open~~ ~~Third Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of third party claims open by incident.~~

~~Line 15~~ ~~Number of Claims Open~~ ~~Total~~

~~Line 15 should equal Line 13 plus Line 14 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of claims open for Column 2, Identity Theft Insurance.~~

~~Line 16~~ ~~Number of Claims Closed with Payment~~ ~~First Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of first party claims closed with payment by incident.~~

~~Line 17~~ ~~Number of Claims Closed with Payment~~ ~~Third Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of third party claims closed with payment by incident.~~

~~Line 18~~ ~~Number of Claims Closed with Payment~~ ~~Total~~

~~Line 18 should equal Line 16 plus Line 17 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of claims closed with payment for Column 2, Identity Theft Insurance.~~

~~Line 19~~ ~~Number of Claims Closed Without Payment~~ ~~First Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of first party claims closed without payment by incident.~~

~~Line 20~~ ~~Number of Claims Closed Without Payment~~ ~~Third Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of third party claims closed without payment by incident.~~

~~Line 21~~ ~~Number of Claims Closed Without Payment~~ ~~Total~~

~~Line 21 should equal Line 19 plus Line 20 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of claims closed without payment for Column 2, Identity Theft Insurance.~~

CYBERSECURITY AND IDENTITY THEFT INSURANCE COVERAGE SUPPLEMENT
PART 3 – PART OF A PACKAGE POLICY/CYBERSECURITY COVERAGE AS AN ENDORSEMENT
POLICY AND CLAIMS DATA

If the reporting entity answers “yes” to ~~either Question 2 or Question 5~~ of Part 1, then Part 3 should be completed. Part 3 should be reported on a direct basis (before assumed and ceded reinsurance), including quantified and estimated premiums.

Column 1 – Cybersecurity Insurance

This column only applies to commercial lines.

~~Column 2 – Identity Theft Insurance~~

~~This column only applies to personal lines.~~

Line 9 – Number of Policies in Force – ~~Claims Made~~

~~For Column 1, Cybersecurity Insurance, provide~~ Provide the number of ~~claims made~~ policies in force as of December 31.

Line 10 – Number of Policies in Force – ~~Occurrence~~ Claims Reported

~~For Column 1, Cybersecurity Insurance, provide~~ Provide the number ~~occurrence~~ policies in force of claims reported by incident.

Line 11 – Number of Policies in Force – ~~Total~~ Claims Open

~~Line 11 should equal Line 9 plus Line 10 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of policies in force for Column 2, Identity Theft Insurance.~~ number of claims open by incident.

Line 12 – Number of Claims Reported – ~~First Party~~ Closed With Payment

~~For Column 1, Cybersecurity Insurance, provide~~ Provide the number of ~~first party~~ claims reported by ~~incident.~~ claims closed with payment by incident.

Line 13 – Number of Claims Reported – ~~Third Party~~ Closed Without Payment

~~For Column 1, Cybersecurity Insurance, provide~~ Provide the number of ~~third party~~ claims reported by ~~incident.~~ claims closed without payment by incident.

~~Line 14 – Number of Claims Reported – Total~~

~~Line 14 should equal Line 12 plus Line 13 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of claims reported for Column 2, Identity Theft Insurance.~~

~~Line 15 – Number of Claims Open – First Party~~

~~For Column 1, Cybersecurity Insurance, provide~~ the number of ~~first party~~ claims open by incident.

~~Line 16 — Number of Claims Open — Third Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of third party claims open by incident.~~

~~Line 17 — Number of Claims Open — Total~~

~~Line 17 should equal Line 15 plus Line 16 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of claims open for Column 2, Identity Theft Insurance.~~

~~Line 18 — Number of Claims Closed with Payment — First Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of first party claims closed with payment by incident.~~

~~Line 19 — Number of Claims Closed with Payment — Third Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of third party claims closed with payment by incident.~~

~~Line 20 — Number of Claims Closed with Payment — Total~~

~~Line 20 should equal Line 18 plus Line 19 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of claims closed with payment for Column 2, Identity Theft Insurance.~~

~~Line 21 — Number of Claims Closed Without Payment — First Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of first party claims closed without payment by incident.~~

~~Line 22 — Number of Claims Closed Without Payment — Third Party~~

~~For Column 1, Cybersecurity Insurance, provide the number of third party claims closed without payment by incident.~~

~~Line 23 — Number of Claims Closed Without Payment — Total~~

~~Line 23 should equal Line 21 plus Line 22 for Column 1, Cybersecurity Insurance.~~

~~Provide the total number of claims closed without payment for Column 2, Identity Theft Insurance.~~

CYBERSECURITY INSURANCE COVERAGE SUPPLEMENT
PART 4 – EXCESS CYBERSECURITY POLICIES
POLICY AND CLAIMS DATA

If the reporting entity answers “yes” to Question 1 of Part 1, then Part 4 should be completed. Part 4 should be reported on a direct basis (before assumed and ceded reinsurance).

Column 1 – Cybersecurity Insurance

This column only applies to commercial lines.

Line 7 – Number of Policies in Force

Provide the number of all policies in force as of December 31.

Line 8 – Number of Claims Reported

Provide the number of claims reported per incident.

Line 9 – Number of Claims Open

Provide the number of claims open by incident. These claims should have reserves or payouts greater than zero.

Line 10 – Number of Claims Closed With Payment

Provide the number of closed with payment greater than zero by incident.

Line 13 – Number of Claims Closed Without Payment

Provide the number of claims closed without payment by incident.

ANNUAL STATEMENT BLANK - PROPERTY

CYBERSECURITY AND ~~IDENTITY THEFT~~ INSURANCE COVERAGE SUPPLEMENT

For The Year Ended December 31, 20__
(To Be Filed by April 1)

NAIC Group Code

NAIC Company Code

Company Name

PART 1 – INTERROGATORIES

Cybersecurity Insurance Coverage:

- 1. Does the reporting entity write any stand-alone primary cybersecurity insurance coverage? Yes [] No []
If yes, complete Column 1 for Part 2.
2. Does the reporting entity write any cybersecurity insurance coverage provided as part of a package policy and endorsement? Yes [] No []
If yes, complete Column 1 for Part 3.
3. If the liability portion of a cybersecurity insurance policy is a claims-made policy, is an extended reporting endorsement (tail coverage) offered? Does the reporting entity write any cybersecurity insurance coverage provided as an excess policy? Yes [] No [] N/A []
If yes, complete Part 4.

Identity Theft Insurance Coverage:

- 4. Does the reporting entity write any stand-alone identity theft insurance coverage? Yes [] No []
If yes, complete Column 2 for Part 2.
5. Does the reporting entity write any identity theft insurance coverage provided as part of a package policy? Yes [] No []
If yes, complete Column 2 for Part 3.

CYBERSECURITY AND ~~IDENTITY THEFT~~ INSURANCE COVERAGE SUPPLEMENT

**PART 2 – ~~STAND-ALONE~~ PRIMARY CYBERSECURITY POLICIES
POLICY AND CLAIMS DATA**

| | 1 Cybersecurity Insurance | 2 Identity Theft Insurance |
|---|------------------------------|-------------------------------|
| Direct Premiums | | |
| 1. Written | | |
| 2. Earned | | |
| Direct Losses | | |
| 3. Paid | | |
| 4. Incurred..... | | |
| Direct Defense and Cost Containment | | |
| 5. Paid | | |
| 6. Incurred..... | | |
| Number of Policies in Force | | |
| 7. Claims Made Number of Policies in Force..... | | XXX |
| 8. Occurrence | | XXX |
| 9. Total (7 + 8)..... | | |
| Number of Claims Reported | | |
| 10. First Party Number of Claims Reported | | XXX |
| 11. Third Party Number of Claims Open | | XXX |
| 12. Total (10 + 11)Number of Claims Closed with Payment | | |
| 13. Number of Claims Closed without Payment..... | | |
| Number of Claims Open | | |
| 13. First Party | | XXX |
| 14. Third Party..... | | XXX |
| 15. Total (13 + 14)..... | | |
| Number of Claims Closed with Payment | | |
| 16. First Party | | XXX |
| 17. Third Party..... | | XXX |
| 18. Total (16 + 17)..... | | |
| Number of Claims Closed without Payment | | |
| 19. First Party | | XXX |
| 20. Third Party..... | | XXX |
| 21. Total (19 + 20)..... | | |

CYBERSECURITY AND ~~IDENTITY THEFT~~ INSURANCE COVERAGE SUPPLEMENT

**PART 3 – ~~PART OF A PACKAGE POLICY~~ CYBERSECURITY COVERAGE AS AN ENDORSEMENT
POLICY AND CLAIMS DATA**

| | 1 Cybersecurity Insurance | 2 Identity Theft Insurance |
|---|------------------------------|--|
| Direct Premiums Quantified | | |
| 1. Written | | |
| 2. Earned | | |
| Direct Premiums Estimated Using Reasonable Assumptions | | |
| 3. Written | | |
| 4. Earned | | |
| Direct Losses | | |
| 5. Paid | | |
| 6. Case Reserves | | |
| Direct Defense and Cost Containment | | |
| 7. Paid | | |
| 8. Case Reserves | | |
| Number of Policies in Force | | |
| 9. Claims Made Number of Policies in Force | | XXX |
| 10. Occurrence | | XXX |
| 11. Total (9 + 10) | | |
| Number of Claims Reported | | |
| 12 10. First Party Number of Claims Reported | | XXX |
| 13 11. Third Party Number of Claims Open | | XXX |
| 14 12. Total (12 + 13) Number of Claims Closed with Payment | | |
| 13. Number of Claims Closed without Payment | | |
| Number of Claims Open | | |
| 15. First Party | | XXX |
| 16. Third Party | | XXX |
| 17. Total (15 + 16) | | |
| Number of Claims Closed with Payment | | |
| 18. First Party | | XXX |
| 19. Third Party | | XXX |
| 20. Total (18 + 19) | | |
| Number of Claims Closed without Payment | | |
| 21. First Party | | XXX |
| 22. Third Party | | XXX |
| 23. Total (21 + 22) | | |

CYBERSECURITY INSURANCE COVERAGE SUPPLEMENT

PART 4 – EXCESS CYBERSECURITY POLICIES
POLICY AND CLAIMS DATA

| | <u>1</u> Cybersecurity Insurance | |
|--|-------------------------------------|--|
| <u>Direct Premiums</u> | | |
| 1. Written | | |
| 2. Earned | | |
| <u>Direct Losses</u> | | |
| 3. Paid | | |
| 4. Incurred..... | | |
| <u>Direct Defense and Cost Containment</u> | | |
| 5. Paid | | |
| 6. Incurred..... | | |
| <u>Number of Policies in Force</u> | | |
| 7. Number of Policies in Force..... | | |
| <u>Claims</u> | | |
| 8. Number of Claims Reported | | |
| 9. Number of Claims Open..... | | |
| 10. Number of Claims Closed with Payment..... | | |
| 11. Number of Claims Closed without Payment..... | | |

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