Date: 7/24/20

2020 Summer National Meeting
Virtual Meeting

TERRORISM INSURANCE IMPLEMENTATION (C) WORKING GROUP
Thursday, July 30, 2020
4:30 – 5:30 p.m. ET / 3:30 – 4:30 p.m. CT / 2:30 – 3:30 p.m. MT / 1:30 – 2:30 p.m. PT

ROLL CALL

Martha Lees, Chair              New York          Chlora Lindley-Myers/Jeana Thomas  Missouri
Katie Hegland                  Alaska            Carl Sornson                    New Jersey
Monica Macaluso                California        Timothy Johnson                North Carolina
Rolf Kaumann                   Colorado          Glen Mulready/Cuc Nguyen       Oklahoma
Paul Lombardo/George Bradner   Connecticut      Jan Vitus                      Oregon
Angela King                    District of Columbia Beth Vollucci        Rhode Island
David Altmaier                 Florida           Kent Sullivan/Mark Worman     Texas
Reid McClintock                Illinois          David Provost                  Vermont
Heather Droge                  Kansas            Rebecca Nichols               Virginia
Gary Anderson/Christopher Joyce Massachusetts

NAIC Support Staff: Aaron Brandenburg

AGENDA

1. Consider Adoption of its March 12 Minutes—Martha Lees (NY)            Attachment A

2. Receive an Update on the 2020 Terrorism Risk Insurance Data Call—Martha Lees (NY)

3. Receive an Overview of Data Related to Workers’ Compensation Terrorism Risk
   —Aaron Brandenburg (NAIC)  Attachment B

4. Receive an Overview of Terrorism Data from the 2019 State Supplement—Aaron Brandenburg (NAIC)  Attachment C

5. Discuss Any Other Matters Brought Before the Working Group—Martha Lees (NY)

6. Adjournment

W:\National Meetings\2020\Summer\Agenda\TerrorismWG.docx
The Terrorism Insurance Implementation (C) Working Group met via conference call March 12, 2020. The following Working Group members participated: Martha Lees, Chair (NY); Joanne Bennett (AK); Susan Stapp (CA); Rolf Kaumann (CO); Angela King (DC); Heather Droge (KS); Matthew Mancini (MA); Jeana Thomas (MO); Timothy Johnson (NC); Jan Vitus (OR); Mark Worman and J’ne Bykovski (TX); and David Provost (VT).

1. **Adopted its Feb. 11 Minutes**

Ms. Vitus made a motion, seconded by Ms. Bennett, to adopt the Working Group’s Feb. 11 minutes. The motion passed unanimously.

2. **Adopted the Model Bulletin and Policyholder Disclosures**

Ms. Lees explained that the changes agreed to during the Feb. 11 conference call were made to the most recent draft of the Model Bulletin and Policyholder Disclosures. She said the Background section: 1) changed the description of the reauthorized acts to include 2019; 2) eliminated the 2015 changes in the bullets; and 3) described the few changes in the Terrorism Risk Insurance Program Reauthorization Act of 2019 (TRIPRA).

Ms. Lees noted that under “Submission of Rates, Policy Form Language and Disclosure Notices,” two paragraphs were eliminated describing the lapse in the previous act and the expedited System for Electronic Rate and Form Filing (SERFF) filing transmittal documents. An edit was made to say that SERFF can be used for revised terrorism product filings in support of speed to market initiatives, rather than for expedited review.

Ms. Lees said the Policyholder Disclosures were edited to eliminate references to dates prior to 2020. Ms. Vitus noted that the Policyholder Disclosures inadvertently eliminated the reference to when the current federal share came into effect. She also said the Model Bulletin should note that the 80% federal share is now fixed. Aaron Brandenburg (NAIC) said the Working Group had originally decided to only note the changes that occurred in TRIPRA 2019. Robert Woody (American Property Casualty Insurance Association—APCIA) said that since there is no longer a sliding scale for the federal compensation portion, the Model Bulletin should note that this 80% figure is now fixed. The Working Group agreed to add a bullet indicating that the U.S. government reimbursement level of covered terrorism losses exceeding the statutorily established deductible is now, as of Jan. 1, 2020, a fixed 80%.

Ms. Vitus said she sent in written comments regarding insurers that file in standard fire states. She said if the cause of loss is fire, then limits will be paid up to the limits. She was wondering if there should be a policyholder notice as an example with consistent language for the industry to use. Ms. Lees noted that the Model Bulletin mentions an optional provision for standard fire states.

Stephen C. Clarke (Insurance Services Office—ISO) cautioned against adding a policyholder notice related to standard fire policy states. He said the standard fire policy does present unique issues to consider. He said the ISO has built into its forms with terrorism exclusions policy provisions that deal with the fact that standard fire policies may affect losses caused by fire. He said exceptions do not apply across the entire policy. For example, if the policy covers extra expenses or business income, even under the commercial policy, the standard fire policy does not traditionally extend to those coverages at all. Out of states with standard fire policies, there are many ways it applies. Mr. Clarke said some states have standard fire policies that do not apply to commercial coverage in marine policies.

Mr. Clarke said a notice may delay release of the Model Bulletin and a notice that does not include all the state differences may add to confusion. He noted that the policyholder notice satisfies the requirement that insurers advise policyholders of government participation and the cost. Ms. Vitus agreed, and she said Oregon will address its specific details in its own Model Bulletin.
Ms. Byckovski noted a grammatical correction noting, “this Annual Report” should be changed to, “the Secretary’s Annual Report.”

Mr. Kaumann made a motion, seconded by Mr. Mancini, to adopt the Model Bulletin and Policyholder Disclosures with the edits agreed to during the meeting.

Having no further business, the Terrorism Insurance Implementation (C) Working Group adjourned.
PRELIMINARY ANALYSIS
OF WORKERS’ COMPENSATION
TERRORISM RISK INSURANCE DATA

2011-2017

July 30, 2020
Exhibit 1A

National Proportion of Workers' Compensation Policies With Terrorism Charge

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of Policies Indicating Yes for Terrorism Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>84.2%</td>
</tr>
<tr>
<td>2012</td>
<td>82.6%</td>
</tr>
<tr>
<td>2013</td>
<td>83.0%</td>
</tr>
<tr>
<td>2014</td>
<td>82.7%</td>
</tr>
<tr>
<td>2015</td>
<td>82.6%</td>
</tr>
<tr>
<td>2016</td>
<td>82.6%</td>
</tr>
<tr>
<td>2017</td>
<td>82.4%</td>
</tr>
</tbody>
</table>
2017 Percentage of Policies With Terrorism Charges for Top 10 States

<table>
<thead>
<tr>
<th>State</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NJ</td>
<td>98.91%</td>
</tr>
<tr>
<td>NY</td>
<td>96.84%</td>
</tr>
<tr>
<td>MN</td>
<td>94.30%</td>
</tr>
<tr>
<td>PA</td>
<td>93.32%</td>
</tr>
<tr>
<td>DE</td>
<td>93.18%</td>
</tr>
<tr>
<td>MA</td>
<td>90.11%</td>
</tr>
<tr>
<td>OK</td>
<td>88.77%</td>
</tr>
<tr>
<td>AZ</td>
<td>88.66%</td>
</tr>
<tr>
<td>MD</td>
<td>88.56%</td>
</tr>
<tr>
<td>IA</td>
<td>88.15%</td>
</tr>
</tbody>
</table>
2017 Percentage of Policies With Terrorism Charges for Bottom 10 States

<table>
<thead>
<tr>
<th>State</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NH</td>
<td>78.89%</td>
</tr>
<tr>
<td>MS</td>
<td>78.78%</td>
</tr>
<tr>
<td>SC</td>
<td>76.70%</td>
</tr>
<tr>
<td>LA</td>
<td>76.29%</td>
</tr>
<tr>
<td>MI</td>
<td>74.67%</td>
</tr>
<tr>
<td>DC</td>
<td>74.46%</td>
</tr>
<tr>
<td>CA</td>
<td>73.89%</td>
</tr>
<tr>
<td>KY</td>
<td>68.30%</td>
</tr>
<tr>
<td>CO</td>
<td>48.65%</td>
</tr>
<tr>
<td>ID</td>
<td>28.43%</td>
</tr>
</tbody>
</table>
Exhibit 1E

Regional Percentage of Policies With Terrorism Charges

- Northeast
- Southeast
- Midwest
- Western
- National

Percentage [%]

Year


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Exhibit 2A

National Terrorism Premium as a Percentage of Total Earned Premium for Policies Indicating Explicit Terrorism Charges

<table>
<thead>
<tr>
<th>Year</th>
<th>Terrorism Premium as a Percentage of Total Earned Premium (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1.45%</td>
</tr>
<tr>
<td>2012</td>
<td>1.36%</td>
</tr>
<tr>
<td>2013</td>
<td>1.33%</td>
</tr>
<tr>
<td>2014</td>
<td>1.29%</td>
</tr>
<tr>
<td>2015</td>
<td>1.26%</td>
</tr>
<tr>
<td>2016</td>
<td>1.28%</td>
</tr>
<tr>
<td>2017</td>
<td>1.32%</td>
</tr>
</tbody>
</table>
Exhibit 2B

2017 Terrorism Premium as a Percentage of Total Premium for Policies With Explicit Terrorism Charges for Top 10 States

- DC: 9.17%
- VA: 2.81%
- MA: 2.77%
- MD: 2.52%
- NY: 2.18%
- TX: 2.12%
- IL: 2.05%
- PA: 1.52%
- NJ: 1.34%
- MN: 1.24%

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Exhibit 2C

2017 Terrorism Premium as a Percentage of Total Premium for Policies With Explicit Terrorism Charges for Bottom 10 States

- NC: 0.61%
- HI: 0.60%
- DE: 0.60%
- ME: 0.60%
- NV: 0.56%
- OK: 0.53%
- VT: 0.51%
- MT: 0.50%
- NM: 0.46%
- AK: 0.37%
Exhibit 2D

Workers Compensation Earned Terrorism Premium as a Percentage of Total Earned Premium with Explicit Charge

United States of America and U.S. Territories

2017

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Exhibit 2E

Earned Terrorism Premium as a Percentage of Total Earned Premium
(Includes only policies with explicit terrorism charges)

- Northeast
- Southeast
- Midwest
- Western
- National

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### 2017 Average Terrorism Premium Per Policy for Top 10 States

<table>
<thead>
<tr>
<th>State</th>
<th>Average Earned Terrorism Premium ($)</th>
<th>Average Terrorism Premium Per Policy with Explicit Terrorism Charge ($)</th>
<th>Average Terrorism Premium Per Policy ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DC</td>
<td>837</td>
<td>623</td>
<td>432</td>
</tr>
<tr>
<td>NY</td>
<td>432</td>
<td>418</td>
<td>271</td>
</tr>
<tr>
<td>IL</td>
<td>438</td>
<td>360</td>
<td>259</td>
</tr>
<tr>
<td>MD</td>
<td>306</td>
<td>271</td>
<td>259</td>
</tr>
<tr>
<td>NJ</td>
<td>262</td>
<td>259</td>
<td>249</td>
</tr>
<tr>
<td>VA</td>
<td>301</td>
<td>249</td>
<td>242</td>
</tr>
<tr>
<td>PA</td>
<td>259</td>
<td>259</td>
<td>222</td>
</tr>
<tr>
<td>CA</td>
<td>300</td>
<td>222</td>
<td>219</td>
</tr>
<tr>
<td>TX</td>
<td>371</td>
<td>219</td>
<td>183</td>
</tr>
<tr>
<td>MA</td>
<td>203</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Exhibit 3C

2017 Average Terrorism Premium Per Policy for Bottom 10 States

- AR: $71, $88
- RI: $71, $86
- CO: $63, $130
- NH: $56, $71
- NM: $56, $70
- ME: $55, $64
- VT: $54, $68
- NV: $48, $60
- ID: $44, $153
- MT: $36, $44

- Average Terrorism
  Premium Per Policy with Explicit Terrorism Charge
- Average Terrorism
  Premium Per Policy
Exhibit 3D

Workers' Compensation Average Earned Terrorism Premium Per Policy with Explicit Terrorism Charge
United States of America and U.S. Territories
2017

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Exhibit 3E

Average Terrorism Premium Per Policy
(Includes policies with implicit and explicit terrorism charges)

Year

Average Earned Terrorism Premium Per Policy ($)
Exhibit 4A

Percentage of Policies With Explicit Terrorism Charges by Payroll Category

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Exhibit 4B

Earned Terrorism Premium as a Percent of Total Earned by Payroll Category
(Includes only policies with explicit terrorism charges)
Exhibit 5

Policies With Explicit Terrorism Charge by Payroll Category
2017

- 1 - $1 - $100,000: 45%
- 2 - $100,001 - $250,000: 8%
- 3 - $250,001 - $500,000: 8%
- 4 - $500,001 - $1,000,000: 13%
- 5 - $1,000,001 - $5,000,000: 3%
- 6 - Greater Than $5,000,000: 23%
Terrorism Risk Insurance Market Overview

Overview of the Market

Select a state and/or company to view specific details:

- State: NY

- Take-up rate across all lines of business for 2018:
  - 78%

- Take-up rate percentage point change from prior year:
  - -2%

- Percent of premium paid for terrorism coverage:
  - 7.41%

Distribution of Premium for Terrorism Coverage by Line of Business:

- Boiler and Machinery: 2.28%
- Commercial Fire and Allied Lines: 24.36%
- Commercial Multi-Peril: 73.36%

Take-up Rate by Line of Business:

- Dollar and Machinery:
  - 2017: 82%
  - 2018: 83%

- Commercial Fire and Allied Lines:
  - 2017: 69%
  - 2018: 61%

- Commercial Multi-Peril:
  - 2017: 85%
  - 2018: 80%

Distribution of Companies by Take-up Rate in 2018:

- 0-5.99%: 60
- 10-19.99%: 15
- 20-29.99%: 15
- 30-39.99%: 6
- 40-49.99%: 12
- 50-59.99%: 11
- 60-69.99%: 8
- 70-79.99%: 11
- 80-99.99%: 15
- 90-100%: N/A