

## Draft Pending Adoption

Attachment Two  
Property and Casualty Insurance (C) Committee  
12/15/22

Draft: 12/7/22

Terrorism Insurance Implementation (C) Working Group Virtual Meeting  
*(in lieu of meeting at the 2022 Fall National Meeting)*  
November 30, 2022

The Terrorism Insurance Implementation (C) Working Group of the Property and Casualty Insurance (C) Committee met Nov. 30, 2022. The following Working Group members participated: Martha Lees, Chair (NY); Chad Bennett (AK); Monica Macaluso (CA); Rolf Kaumann (CO); Patrick Drake (CT); Ainsley Hurley (FL); Caleb Huntington (MA); Tim Johnson (NC); Carl Sornson (NJ); Cuc Nguyen (OK); Jan Vitus (OR); Beth Vollucci (RI); J'ne Byckovski and Mark Worman (TX); and Dan Petterson (VT).

### 1. Received an Overview of Data Related to Workers' Compensation Terrorism Risk

Aaron Brandenburg (NAIC) reported on terrorism risk insurance data concerning workers' compensation. He said data for the workers' compensation portion of the state regulator terrorism risk insurance data call was received from the National Council on Compensation Insurance (NCCI) and independent bureaus for the 47 non-monopolistic states. Data for 2019 was due to state insurance regulators by March 1, 2022.

The percentage of workers' compensation policies that have an explicit terrorism charge has fallen slightly, from a little more than 84% in 2011 to about 82.5% in 2019. This means about 17% to 18% of policies cover workers' compensation terrorism coverage for no charge. The Northeast Zone had the highest percentage of workers' compensation policies with an explicit charge for terrorism risk.

The analysis next looked at the percentage of the terrorism premium as compared to the total earned premium for policies indicating an explicit terrorism charge. This has remained steady at around 1.4%. The District of Columbia had the highest percentage, with more than 13% of the premium being a terrorism charge in 2019. The Northeast Zone had the highest percentage of terrorism premium compared to the total earned premium for policies indicating an explicit terrorism charge.

The average terrorism premium per policy has fallen slightly, from \$177 in 2011 to \$174 in 2019. The average terrorism premium when there is an explicit charge has stayed steady at around \$211 in 2019, though this is a decrease from the past few years. The Northeast Zone had the highest average terrorism premium in the period 2011 to 2019.

When looking at payroll categories, only the lowest payroll category had fewer than 89% of policies with an explicit terrorism charge. The terrorism premium moved up substantially as the payroll category grew higher. Terrorism premium for insureds with a payroll category greater than \$5 million experienced a drop in average premium of over 15% from 2011 to 2019.

### 2. Received an Update on the Joint Terrorism Risk Insurance Data Call

Brandenburg provided an overview of the data received in the joint U.S. Department of the Treasury (Treasury Department)/state insurance regulator terrorism risk insurance data call. This data is received in mid-May every year. He said there are some caveats within the data in terms of companies not filing or filing incorrect data. He said the NAIC has put the data into a Tableau tool for state insurance regulators so they can access and analyze the data.

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Brandenburg said in terms of nationwide premium eligible for the Terrorism Risk Insurance Program (TRIP), \$107.4 billion premium was reported in 2021 compared to \$102.2 billion in 2020, \$100.7 billion in 2019, and \$111.2 billion in 2018. The largest lines of business with TRIP-eligible premium were other liability and commercial multi-peril – non-liability. He said \$67 billion, or 62%, of the \$107.4 billion in total premium eligible nationwide for federal Terrorism Risk Insurance Act (TRIA) coverage had terrorism coverage in 2021. This is similar to prior years, with 59% and 62% of total eligible premium with terrorism coverage in 2020 and 2019, respectively.

The analysis found the lines of business with the largest percentage of total premium with terrorism coverage countrywide were boiler and machinery at 85% and commercial multi-peril (liability and non-liability) at 79%. Products liability and aircraft had the lowest percentage of total premium with terrorism coverage at 46% and 51%, respectively.

A take-up rate was calculated by policy, which can only be done for non-small insurers' premiums. The analysis found 71% of policies nationwide had terrorism coverage in 2021 compared to 82% and 83% in 2020 and 2019, respectively. Brandenburg noted that when looking at only filers that reported in all years, the percentage of policies with terrorism coverage actually rose to 73% in 2021 from 66% and 70% in 2020 and 2019, respectively. Commercial multi-peril – liability had the highest percentage of policies with terrorism coverage nationwide in 2021 at 82%.

All but two states had take-up rates of at least 60% in 2021. Four states had take-up rates of at least 80%. Eight states had at least 55% of their policies with an implicit charge for terrorism coverage. Five jurisdictions had over 70% of their policies with an explicit charge for terrorism coverage.

About 2% of the total premium for terrorism coverage was allocated to terrorism risk in 2021. Premium explicitly allocated to terrorism risk nationwide was \$1.3 billion in 2021, representing 1.9% of total premium for terrorism coverage. For non-small insurers, commercial multi-peril had 3.4% of its premium allocated to terrorism risk. For small insurers, 1.1% of premium was allocated to terrorism risk in 2021. The average total premium for policies where terrorism coverage exists was \$3,011 nationally in 2021, compared to \$2,847 in 2020. The average premium for terrorism coverage was \$115 nationally in 2021, compared to \$109 in 2020.

Brandenburg said the data could be made available to state insurance regulators in a Tableau tool upon request.

### 3. Discussed the 2023 Terrorism Risk Insurance Data Call

Lees said the request for workers' compensation data will be submitted to the NCCI and independent bureaus in early 2023. For the remaining data, states will work with Treasury Department to determine if any changes will be made to the data requested to be submitted in mid-May. Lees reminded the Working Group that the State Supplement that had asked for ZIP code-level data in prior years was paused in 2022.

Having no further business, the Working Group adjourned.

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