



AMERICAN ACADEMY of ACTUARIES

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July 30, 2015

Via email to Mary Caswell at mcaswell@naic.org and Calvin Ferguson at cferguson@naic.org

Jake Garn
Chair, Blanks (E) Working Group

c/o Mary Caswell and Calvin Ferguson
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Blanks (E) Working Group Exposure Draft 2015-24BWG

Dear Mr. Garn:

The American Academy of Actuaries¹ Terrorism Risk Insurance Subcommittee is pleased to provide these comments on the Blanks (E) Working Group's July 16, 2015, draft Terrorism Risk Insurance Supplement and Instructions.

The language in the Instructions that concerns us reads as follows:

“If terrorism coverage is explicitly charged, the premium associated with the terrorism coverage should be reported in Columns 1 and 3. If terrorism coverage is offered at no charge, enter zero in Columns 1 and 3. If terrorism coverage is offered with no determined terrorism premium component, but terrorism is an included cost, enter the full premium of the coverage in Columns 2 and 4.

For reinsurance where the cost of the terrorism coverage component may not be separate from the overall cost (e.g. treaty reinsurance), provide an estimate of the cost of the terrorism coverage in Column 9. If an estimate cannot be made, provide an explanation for why that is the case. If terrorism reinsurance coverage is ceded for no charge, zero (0) should be entered in Columns 8 and 9.”

We recommend the next-to-last sentence above be rewritten to state, “If an estimate cannot be made, provide an explanation for why that is the case, and enter the full ceded premium....” This change will match with the direct terrorism premium reporting instructions.

¹ The American Academy of Actuaries is an 18,500+ member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Additionally, if the intent of the Instructions is to provide regulators with the average premium for terrorism coverage, the Instructions may not provide the desired information and may have unintended consequences. Specifically, many policies have terrorism coverage without a specific premium charged for it, and those will distort the average. For example, workers' compensation (WC) insurance covers terrorist attacks, but it is impossible to discern the exact percentage of WC premium allocated toward coverage of terrorism risk. As written, the Supplement appears to require reporting any policy that could include as a cost a claim arising from a terrorist event (e.g., a personal auto crushed by a building when it collapses after a car bomb). We recommend that the language be revised to clarify exactly how companies should report policies in which "terrorism is an included cost."

The Subcommittee appreciates this opportunity to provide comments to the Blanks (E) Working Group. If you have any questions about our comments, please contact Lauren Pachman, the Academy's casualty policy analyst, at pachman@actuary.org or 202-223-8196.

Sincerely,

Terry Alfuth, MAAA, FCAS, FCA
Chairperson, Terrorism Risk Insurance Subcommittee
American Academy of Actuaries