NCCI continues to be proactively engaged at both the state and federal levels of government with the implementation of the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) of 2015.

Working with the Federal Insurance Office (FIO), the Government Accountability Office (GAO), the National Association of Insurance Commissioners (NAIC), and the national insurance trade associations, NCCI has provided workers compensation insights, expertise, and data toward the implementation of TRIPRA’s reporting and study provisions. NCCI has demonstrated its ability to effectively and efficiently provide workers compensation data to both the FIO and the NAIC. In doing so, NCCI has significantly reduced the resources that the workers compensation industry has expended in complying with terrorism coverage data calls.

As NCCI has worked with stakeholder groups on implementation, it has reinforced the unique impact that large-scale terrorist attacks could have on workers compensation, highlighting that:
- Workers compensation (and property) risks have the greatest exposure to terrorism
- The terrorism peril cannot be excluded from workers compensation as opposed to other covered lines
- NCCI determines terrorism rates based on modeling and actuarial principles of expected loss
- NCCI is well positioned to provide workers compensation data in an aggregate format (and by carrier if required) for the entire industry to both the FIO and the NAIC so that they can fulfill their respective duties

Many of the alternatives to the government’s federal backstop approach—subjects that the GAO must study and report to Congress on—may have inherent challenges. Such alternatives have been examined during the development of the Terrorism Risk Insurance Act and past reauthorization debates (e.g., charging carriers/consumers upfront premiums and creating a capital reserve fund).

FIO Engagement
TRIPRA of 2015—Section 111, Reporting of Terrorism Insurance Data, required the US Treasury Department (Treasury), through FIO, to begin collecting terrorism insurance data on January 1, 2016. Section 111 requires FIO to collect insurance carrier data on terrorism insurance coverage information, including premiums earned on terrorism coverage, geographic location of coverage, pricing of coverage, and take-up rates.

In March 2016, FIO released guidance requesting that carriers report 2015 terrorism insurance data for all covered lines through a portal
As NCCI has worked with stakeholder groups on TRIPRA implementation, it has reinforced the unique impact that large-scale terrorist attacks could have on workers compensation.
NCCI is now working on implementing phase two of the data call. The NAIC has asked NCCI to coordinate providing aggregate workers compensation data by carrier to comply with its data call.

on an individual company basis by April 30, 2016. The FIO guidance indicated that Section 111 TRIPRA reporting is voluntary for 2016 but will be mandatory for carriers beginning in 2017. The FIO guidance is informational only and is not part of formal rulemaking. Formal rulemaking is expected by the end of 2016.

In April 2016, NCCI provided workers compensation data for NCCI states to supplement the data that FIO requested from individual carriers, and coordinated with independent bureau states (except California, which reported separately) to include their data. At FIO’s request, NCCI also collaborated with the four monopolistic states to provide FIO a robust set of data for analysis.

In June 2016, FIO released its congressional report on the impact of TRIPRA on insurance markets. The report included an overview of the workers compensation line and discussed the unique impact of terrorism on workers compensation. The report concluded:

- Insurance premiums would likely increase without TRIP
- Given the nature of the terrorism peril and limited historical reference points, premiums are difficult to determine with actuarial precision

Consideration of Private Sector Alternatives
The Advisory Committee on Risk Sharing Mechanisms (ACRSM) is discussing potential approaches to the federal government’s role in terrorism risk. As required under TRIPRA, the ACRSM is working on proposals that could further reduce the federal government’s exposure under TRIP and provide possible alternatives to the current federal backstop mechanism in place since 2003.

Examination of Program Modifications
The GAO is completing a study mandated under TRIPRA regarding possible alternative funding mechanisms that Congress could consider during the next reauthorization debate. The GAO report must examine the efficacy of the federal government charging carriers an upfront premium to participate in the program and the feasibility of creating a capital reserve fund, in
addition to a review of terrorism risk funding approaches taken by other countries. The GAO plans to release the report in the fourth quarter of 2016. NCCI met with the GAO to provide general background on workers compensation and to discuss alternatives to the federal terrorism backstop approach raised during past reauthorization debates.

**State Regulatory Activity**

All states and the District of Columbia issued a data call for terrorism coverage to serve regulatory and oversight objectives related to affordability and availability of insurance coverage for acts of terrorism, and aid in monitoring insurers’ financial exposure to terrorism risk. The states are utilizing NAIC services to aggregate and analyze the information collected. The state data call is separate and distinct from the FIO Data Call. For 2016, the workers compensation portion of the NAIC Data Call is being implemented in two phases.

NCCI completed the first phase of the NAIC workers compensation terrorism insurance coverage data call, which requested Unit Statistical data for Policy Years 2011–2013, aggregated by carrier. As directed by the NAIC and participating states, NCCI provided aggregate workers compensation data by carrier for eight NCCI states (CT, DC, FL, IL, LA, MO, RI, and TX) and two independent bureau states (NY and PA). The California Bureau provided its data directly. The New York State Department of Financial Services received the data on behalf of the NAIC due to its statutory confidentiality provisions covering this type of data.

NCCI is now working on implementing phase two of the data call. The NAIC has asked NCCI to coordinate providing aggregate workers compensation data by carrier to comply with its data call. Because of its statutory confidentiality provisions, the New York State Department of Financial Services will again receive this data call on behalf of the NAIC.

Phase two includes workers compensation data for the remaining 36 nonmonopolistic states, which NCCI and independent state rating bureaus provided in September 2016. In subsequent years, NCCI will coordinate the industry response to the NAIC Data Call each September.

Phase two also includes Unit Statistical data reported for Policy Years 2011–2013 that will be aggregated by carrier to represent total payroll, premium, and counts for policies that include an additional charge for terrorism coverage. It also will represent policies that do not include additional terrorism charges as reported under Statistical Code 9740—Catastrophe Provisions for Terrorism.

**Ongoing Coordination**

NCCI has been actively involved with the trades and other industry stakeholders regarding Section 111 data reporting requirements, and has provided extensive input and guidance on workers compensation issues. NCCI has demonstrated that it can provide the workers compensation data needed by the NAIC and FIO. This has allowed the industry to focus on the more challenging task of data collection for other covered TRIPRA lines of insurance. NCCI will continue to serve as a resource on TRIPRA implementation.

Tim Tucker is NCCI’s Washington affairs executive and is charged with engaging members of Congress and key agencies on issues impacting workers compensation. NCCI’s role in Washington is to serve as an information resource to public policymakers.