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BULLETIN 15-05

Date: February 12, 2015

To: All Property and Casualty Insurers Writing Commercial Lines Insurance Products

Re: Filing Procedures for Form Filings to Comply with the Terrorism Risk Insurance Program Reauthorization Act of 2015

The Terrorism Risk Insurance Program Reauthorization Act of 2015 (“the 2015 Reauthorization Act”) was enacted in January 2015 to: (1) extend the Terrorism Risk Insurance Program until December 31, 2020; and (2) make changes to the terms of Terrorism Risk Insurance Program.

Summary of Changes

The changes made to the Terrorism Risk Insurance Program by the 2015 Reauthorization Act include the following:

- Fixing the Insurer Deductible at 20% of an insurer’s direct earned premium of the preceding calendar year;
- Fixing the federal share of compensation at 85% of insured losses that exceed insurer deductibles until January 1, 2016, at which time the federal share decreases by 1 percentage point per calendar year until equal to 80%.
- Requiring the Secretary of the Treasury certify acts of terrorism in consultation with the Secretary of Homeland Security.
- Amending the program trigger to apply to certified acts with insured losses exceeding:
 - \$100,000,000 for calendar year 2015;
 - \$120,000,000 for calendar year 2016;
 - \$140,000,000 for calendar year 2017;
 - \$160,000,000 for calendar year 2018;
 - \$180,000,000 for calendar year 2019; and
 - \$200,000,000 for calendar year 2020 and any calendar year thereafter;
- Increasing the mandatory recoupment of the federal share through policyholder surcharges to 140 percent (from 133 percent) for terrorism loss risk-spreading premiums without regard to uncompensated insured losses for all insurers being greater than the insurance marketplace aggregate retention amount; and

- Fixing the insurance marketplace retention amount as the lesser of \$27.5 billion, increasing by \$2 billion until it equals \$37.5 billion, and the aggregate amount of insured losses for the calendar year for all insurers until the calendar year following the calendar year in which the marketplace retention amount equals \$37.5 billion; beginning in calendar year 2020 it is revised to be the lesser of the annual average of the sum of insurer deductibles for all insurers participating in the Program for the prior 3 calendar years as such sum is determined by the Secretary of the Treasury by regulation.

Form Filings

On February 4, 2015, the Federal Insurance Office of the U.S. Department of the Treasury issued interim guidance in which it stated that insurers should provide disclosures and offers that comply with the requirements of the 2015 Reauthorization Act not later than April 13, 2015. In light of this guidance, the Maryland Insurance Administration will establish an expedited review process for form filings that are made to comply with the 2015 Reauthorization Act.

To take advantage of the expedited review process, insurers and rating organizations that make form filings to comply with the 2015 Reauthorization Act should include “TRIA2015” in the product name field. Form filings with “TRIA2015” in the product name field will be given priority and reviewed as soon as possible. If objection letters are issued, insurers must respond to the objections within three business days. To ensure approval by April 13, 2015, filings must be made no later than March 31, 2015.

When making a form filing under the expedited review procedures, filers should include all disclosure forms, policy forms, and endorsements that are being amended as a result of the 2015 Reauthorization Act. Changes to forms that may be necessary include:

- Amending the definition of “act of terrorism” to mean “any act that is certified by the Secretary, in consultation with the Secretary of Homeland Security, and the Attorney General of the United States...”;
- Changing the references to “program year” to “calendar year”; and
- Amending explanations of the program trigger provisions to conform to the phased-in aggregate industry insured losses.

Any questions regarding this bulletin should be addressed to Brenda Nelis, Assistant Director of P&C Rates and Forms at brenda.nelis@maryland.gov or 410-468-2317.

Alfred W. Redmer, Jr.
Insurance Commissioner
Signature on original

By: _____

Sandra Castagna
Associate Commissioner
Property & Casualty