



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
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BILL HASLAM
GOVERNOR

JULIE MIX McPEAK
COMMISSIONER

April 10, 2015

Honorable David Lillard, Jr., Chair
Tennessee Workers' Compensation Advisory Council
Treasurer, State of Tennessee
State Capitol, First Floor
Nashville, TN 37243-0225

Dear Chairman Lillard:

Tenn. Code Ann. §50-6-402(d) requires that the Commissioner of Commerce and Insurance report to the Workers' Compensation Advisory Council regarding all workers' compensation filings made by the designated rate service organization and received by this Department.

Attached to this letter, please find a summary of all NCCI filings made in Tennessee for the period January 1, 2015 through March 31, 2015. This Department appreciates the role that the Workers' Compensation Advisory Council provides in the area of workers' compensation regulation.

Should you or any member have questions or comments concerning this report, please do not hesitate in contacting me or a member of my staff.

Sincerely,


Julie Mix McPeak
Commissioner

JMM/ms

NCCI Filing Activity Report:

Summary as of March 31, 2015

(includes filings received January 1, 2015 and later)

1. P-1412 – Terrorism Risk Insurance Program Reauthorization Act of 2015 Endorsements

Filed: January 13, 2015

Proposed Effective Date: January 1, 2015

Status: Approved January 13, 2015

Summary of Filing (see copy of Filing Memorandum for more details)

This item revises and withdraws endorsements in NCCI's Forms Manual of Workers Compensation and Employers Liability Insurance (Forms Manual) as a result of the January enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA of 2015).

- Terrorism Risk Insurance Program Reauthorization Act Disclosure (WC 00 04 22 B)
- Catastrophe (Other than Certified Acts of Terrorism) Premium Endorsement (WC 00 04 21 D)

Background

Recognizing that terrorism is a catastrophe exposure that continues to be a significant risk for insurers of workers' compensation and other lines of business, Congress enacted TRIPRA of 2015. Key provisions follow:

- The Act was extended for six years, expiring December 31, 2020
- An act of terrorism must be certified by the Secretary of the Treasury, in consultation with the Secretary of Homeland Security, along with the Attorney General of the United States

Beginning on January 1, 2016:

- The current 85% Federal government share of compensation under TRIPRA decreases by one percentage point each calendar year until it reaches 80%
- The current Program trigger for aggregate industry insured losses to exceed \$100 million increases by \$20 million for each calendar year until equaling \$200 million.

The current \$27.5 billion insurance marketplace aggregate retention amount increases by \$2 billion each calendar year, beginning in 2015 until reaching \$37.5 billion, subject to further revision thereafter.

Proposed

The above mentioned endorsements were updated to reflect the referenced law changes. Furthermore, the "Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Program Reauthorization Act of 2007 (WC 00 01 14), with the enactment of TRIPRA of 2015, was withdrawn as it was no longer needed.

Impact

There was no statewide premium impact as a result of the changes proposed by this item.

FILING MEMORANDUM

ITEM P-1412—TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION ACT OF 2015 ENDORSEMENTS

PURPOSE

This item revises and withdraws endorsements in NCCI's *Forms Manual of Workers Compensation and Employers Liability Insurance (Forms Manual)* as a result of the recent enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA of 2015).

BACKGROUND

The Terrorism Risk Insurance Act of 2002 ("TRIA" or the "Act") was implemented as a result of the US Congress recognizing that terrorism is a catastrophe exposure that is real and significant for insurers of workers compensation and other lines of insurance. It initially provided a temporary program under which the Federal government would share in the payment of insured losses caused by certain acts of terrorism. TRIA was scheduled to expire on December 31, 2005. It was renewed as the Terrorism Risk Insurance Extension Act (TRIEA) in 2005, and as the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) in 2007. NCCI filed several national items that proposed the necessary miscellaneous values, rules, and policy forms to implement the original TRIA and each of its renewals.

Recognizing that terrorism is a catastrophe exposure that continues to be significant for insurers of workers compensation and other lines of insurance, the US Congress enacted TRIPRA of 2015. The key provisions are as follows:

- The Act was extended for six years and will expire December 31, 2020
- An act of terrorism must be certified by the Secretary of the Treasury, in consultation with the Secretary of Homeland Security, and the Attorney General of the United States

Beginning on January 1, 2016:

- The current 85% Federal share of compensation under the Terrorism Insurance Program (Program) decreases by one percentage point per calendar year until it is equal to 80%
- The current Program trigger for aggregate industry insured losses to exceed \$100 million increases by \$20 million per calendar year until it is equal to \$200 million

The current \$27.5 billion insurance marketplace aggregate retention amount increases by \$2 billion per calendar year, beginning in 2015, until it is equal to \$37.5 billion, and is subject to further revision thereafter

PROPOSAL

To implement the changes as a result of the enactment of TRIPRA of 2015, this item proposes the following revisions to NCCI's *Forms Manual*:

1. The Terrorism Risk Insurance Program Reauthorization Act Disclosure Endorsement (WC 00 04 22 A) must be revised to:
 - Update the TRIPRA references to TRIPRA of 2015
 - Revise the definitions to conform to TRIPRA of 2015
 - Revise the Insurer Deductible provisions
 - Revise the Program trigger amounts and the Federal share of compensation provisions

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FILING MEMORANDUM

ITEM P-1412—TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION ACT OF 2015 ENDORSEMENTS

2. The Catastrophe (Other Than Certified Acts of Terrorism) Premium Endorsement (WC 00 04 21 C) must be revised to update the references to the Terrorism Risk Insurance Program Reauthorization Act Disclosure Endorsement.
3. The Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Program Reauthorization Act of 2007 (WC 00 01 14) must be withdrawn. The purpose of this endorsement was to notify policyholders of the impending expiration of TRIPRA. However, with the enactment of TRIPRA of 2015, this endorsement is no longer needed.
4. The Florida Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 09 04 03 A) must be revised to:
 - Update the TRIPRA references to TRIPRA of 2015
 - Revise the definitions to conform to TRIPRA of 2015
 - Revise the Insurer Deductible provisions
 - Revise the Program trigger amounts and the Federal share of compensation provisions
5. The Texas Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Program Reauthorization Act of 2007 (WC 42 01 01) must be withdrawn. The purpose of this endorsement was to notify policyholders of the impending expiration of TRIPRA. However, with the enactment of TRIPRA of 2015, this endorsement is no longer needed.

IMPACT

There will be no statewide premium impact as a result of the changes proposed in this item.

EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY

In all states except Hawaii, this item is to become effective for new, renewal, and outstanding policies effective on and after 12:01 a.m. on January 1, 2015.

In Hawaii, the effective date is determined upon regulatory approval of the individual carrier's election to adopt this change.

Exhibit	Current Endorsement Name and Number	Proposed Endorsement Name and Number
1	<ul style="list-style-type: none"> • Terrorism Risk Insurance Program Reauthorization Act Disclosure Endorsement (WC 00 04 22 A) • Does not apply in Florida; refer to Exhibit 4 for state-specific endorsement for Florida. 	<ul style="list-style-type: none"> • Terrorism Risk Insurance Program Reauthorization Act Disclosure Endorsement (WC 00 04 22 B) • Does not apply in Florida; refer to Exhibit 4 for state-specific endorsement for Florida.
2	<ul style="list-style-type: none"> • Catastrophe (Other Than Certified Acts of Terrorism) Premium Endorsement (WC 00 04 21 C) 	<ul style="list-style-type: none"> • Catastrophe (Other Than Certified Acts of Terrorism) Premium Endorsement (WC 00 04 21 D)

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FILING MEMORANDUM

ITEM P-1412—TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION ACT OF
 2015 ENDORSEMENTS

Exhibit	Current Endorsement Name and Number	Proposed Endorsement Name and Number
	<ul style="list-style-type: none"> Does not apply in AK, FL, MO, NM, TX, and VA 	<ul style="list-style-type: none"> Does not apply in AK, FL, MO, NM, TX, and VA
3	<ul style="list-style-type: none"> Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Program Reauthorization Act of 2007 (WC 00 01 14). Does not apply in Florida. Instead, Form 09-Notice—Florida Notice of Pending Law Change to Terrorism Risk Insurance Program Reauthorization Act of 2007 applies in Florida. This nonfiled form was provided for carriers to use at their underwriting discretion. Since it is a nonfiled form, an exhibit to withdraw the form is not included in this item. However, the form will be removed from NCCI's <i>Forms Manual</i> effective January 1, 2015 upon approval of this item. Does not apply in Texas; refer to Exhibit 4 for state-specific endorsement for Texas. 	N/A—Withdrawn
4	<ul style="list-style-type: none"> Florida Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 09 04 03 A) Applies in Florida only 	<ul style="list-style-type: none"> Florida Terrorism Risk Insurance Program Reauthorization Act Endorsement (WC 09 04 03 B) Applies in Florida only
	<ul style="list-style-type: none"> Texas Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Program Reauthorization Act of 2007 (WC 42 01 01) Applies in Texas only 	N/A—Withdrawn

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