

## **I. Exposure of Insurance Lines Not Covered Under Section 102(6) of the Act to Acts of Terrorism Defined in Section 102(1) of the Act**

1.1 What lines of insurance would not be likely to experience potentially significant reductions in availability as a result of the occurrence of future acts of terrorism or the risk of acts of terrorism?

1.2 What lines of insurance would be likely to experience potentially significant reductions in availability as a result of the occurrence of future acts of terrorism or the risk of acts of terrorism?

1.3 What are the attributes of those lines cited in 1.2 that could lead to potentially significant reductions in availability? For example, are there unavoidable concentrations of risk? Is there a particular exposure to certain types of acts of terrorism?

1.4 What is the market structure of those lines of insurance cited in 1.2? In your answer, please describe, as quantitatively as you can, the degree of competition in the markets for those lines, the net premiums to surplus ratios for companies in those lines, and other measures of market structure that you believe are relevant; and compare them to the insurance industry average. What is the distribution of market share (highly concentrated among a few entities, broadly distributed, other)? What types of insurers hold the majority of the market share (local, regional, national, other)?

1.5 What is the current capacity of insurers in those lines cited in 1.2 to bear the risk of acts of terrorism, individually and as affiliates of other companies with support from them?

1.6 Compared to the condition of reinsurance and alternative markets before the attack of September 11, 2001, what is the availability and affordability of reinsurance or of alternatives sources of protection, for insurers offering coverage in lines cited in 1.2? What is the degree to which those insurers can mitigate their exposure through other means? Are there additional loss control programs or mitigation measures that could be undertaken?

1.7 What is the Federal and State regulatory structure applicable to those lines of insurance cited in 1.2? In particular please describe whether exclusions are allowed and for what risks.

## **II. Current Insurance Availability Conditions**

2.1 Please describe current insurance availability conditions in as much detail as possible for customers of

the lines cited in 1.2. If there is reduced availability of a particular line of insurance for some customers, please indicate the line and describe the reduced availability as quantitatively as possible, including, to the extent you can, which customers have been significantly affected, by type and location. Please indicate whether such customers have access to alternative sources of insurance, including the cost and availability of these alternative sources, or whether the customers are not covered.

2.2 What is the impact on community and regional economies and well being, and the national economy of such reduced availability and affordability for those customers?

## **III. Impact of Potential Future Acts of Terrorism**

In this section we solicit comment on the effect of potential future acts of terrorism—single events or aggregation of several events across locale or across a time period—that could cause significant and extended disruptions in availability of insurance lines cited in 1.2.

3.1 In order to facilitate our analysis, please set out the consequences of potential future acts of terrorism for each line of insurance cited in 1.2 within the following broad dimensions:

(1) The relative concentration of the insurance industry exposed to the loss (including the following categories: (a) Loss broadly distributed—share of loss is equivalent to market share; (b) concentration of loss among many small companies—share of loss is greater than market share for large number of small companies and less than market share among market leaders; (c) concentration of loss among market leaders—share of loss is greater than market share for large companies and less than market share among small companies; (d) other distributions deemed of interest; and (2) the size of the loss (including the following categories: net present value of losses of approximately the following sizes: \$5 billion, \$15 billion, \$30 billion, \$60 billion or larger).

Within each “cell” identified by a single concentration and loss category, please describe as specifically as possible:

- Impact on financial capacity of insurers in the line (e.g., as reduction in share of large local, regional or national market), whether and how many insolvencies might be the result, the extent to which state guarantee funds might be affected, any systemic impact on the insurance industry; and the length of time over which the industry might be able to recover.

- Scope of any significant reduction in availability of coverage in the line, including length of time over which coverage is reduced and numbers of customers or subsets of customers potentially affected.

- Scope of impact on the economies and well being of the communities in which the reductions in availability take place, the associated regions, and the national economy. Please be specific as to how the impact is transmitted from the affected community to the regional and national economy.

If you do not believe this format allows you to adequately answer the question, please alter as needed. Please note that descriptions of scenarios of individual events are not likely to be as helpful as broad aggregates.

3.2 If not already identified in the matrix above, please describe the class of events with the “worst” impact for the line of insurance affected, indicating the concentration and the size of the event (or aggregate of events).

3.3 Please describe, to the extent possible, the likelihood of the events included in the matrix above.

3.4 Please indicate whether you believe that the severity and likelihood of these events as you have described them is accurately reflected in current insurance availability conditions. Please be as specific as possible, including citing instances from your answers to questions 2.1–2.4.

Dated: June 6, 2003.

**Mark Warshawsky,**

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## **DEPARTMENT OF THE TREASURY**

### **Internal Revenue Service**

### **Proposed Collection; Comment Request for Form 4626**

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Notice and request for comments.

**SUMMARY:** The Department of the Treasury, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995, Public Law 104–13(44 U.S.C. 3506(c)(2)(A)). Currently, the IRS is soliciting comments concerning Form