§ 50.33 Entities that do not share profits and losses with private sector insurers.

(a) Treatment. A State residual market insurance entity or a State workers’ compensation fund that does not share profits and losses with a private sector insurer is deemed to be a separate insurer under the Program.

(b) Premium calculation. A State residual market insurance entity or a State workers’ compensation fund that is deemed to be a separate insurer should follow the guidelines specified in §50.5(d)(1) or 50.5(d)(2) for the purposes of calculating the appropriate measure of direct earned premium.

[68 FR 59720, Oct. 17, 2003]

§ 50.35 Entities that share profits and losses with private sector insurers.

(a) Treatment. A State residual market insurance entity or a State workers’ compensation fund that shares profits and losses with a private sector insurer is not deemed to be a separate insurer under the Program.

(b) Premium and loss calculation. A State residual market insurance entity or a State workers’ compensation fund that is not deemed to be a separate insurer should continue to report, in accordance with normal business practices, to each participant insurer its share of premium income and insured losses, which shall then be included respectively in the participant insurer’s direct earned premium or insured loss calculations.

[68 FR 59720, Oct. 17, 2003]

§ 50.36 Allocation of premium income associated with entities that do share profits and losses with private sector insurers.

(a) Servicing Carriers. For purposes of this Subpart, a servicing carrier is an insurer that enters into an agreement to place and service insurance contracts for a State residual market insurance entity or a State workers’ compensation fund and to cede premiums associated with such insurance contracts to the State residual market insurance entity or State workers’ compensation fund. Premiums written by a servicing carrier on behalf of a State residual market insurance entity or State workers’ compensation fund that are ceded to such an entity or fund shall not be included as direct earned premium (as described in §50.5(d)(1) or 50.5(d)(2)) of the servicing carrier.

(b) Participant Insurers. For purposes of this Subpart, a participant insurer is an insurer that shares in the profits and losses of a State residual market insurance entity or a State workers’ compensation fund. Premium income that is distributed to or assumed by participant insurers in a State residual market insurance entity or State workers’ compensation fund (whether directly or as quota share insurers of risks written by servicing carriers), shall be included in direct earned premium (as described in §50.5(d)(1) or 50.5(d)(2)) of the participant insurer.

Subpart E—Self-Insurance Arrangements; Captives

Reserved

Subpart F—Claims Procedures

§ 50.50 Federal share of compensation.

(a) General. (1) The Treasury will pay the Federal share of compensation for insured losses as provided in section 103 of the Act once a Certification of Loss required by §50.53 is deemed sufficient. The Federal share of compensation under the Program shall be:

(i) 90 percent of that portion of the insurer’s aggregate insured losses that exceed its insurer deductible during each Program Year through Program Year 4, and

(ii) 85 percent of that portion of the insurer’s aggregate insured losses that exceed its insurer deductible during Program Year 5 and any Program Year thereafter.

(2) The percentages in paragraphs (a)(1)(i) and (ii) are both subject to any adjustments in §50.51 and the cap of $100 billion as provided in section 103(e)(2) of the Act.

(b) Program Trigger amounts. Notwithstanding paragraph (a) or anything in this Subpart to the contrary, no Federal share of compensation will be paid by Treasury unless the aggregate industry insured losses resulting from a certified act of terrorism occurring
after March 31, 2006 exceed the following amounts:

(1) For a certified act of terrorism occurring after March 31, 2006 and before January 1, 2007: $50 million;

(2) For a certified act of terrorism occurring in 2007 and any Program Year thereafter: $100 million.

(c) Insured losses after March 31, 2006. For all purposes of subpart F, insured loss or insured losses or aggregate insured losses resulting from acts of terrorism after March 31, 2006 shall be limited to those insured losses resulting from Program Trigger events.

(d) Conditions for payment of Federal share. Subject to paragraph (e) of this section, Treasury shall pay the appropriate amount of the Federal share of compensation to an insurer upon a determination that:

(1) The insurer is an entity, including an affiliate thereof, that meets the requirements of §50.5(f);

(2) The insurer’s insured losses, as defined in §50.5(e) and limited by §50.50(c) (including the allocated dollar value of the insurer’s proportionate share of insured losses from a State residual market insurance entity or State workers’ compensation fund as described in §50.35), have exceeded its insurer deductible as defined in §50.5(g);

(3) The insurer has paid or is prepared to pay an underlying insured loss, based on a filed claim for the insured loss;

(4) Neither the insurer’s claim for Federal payment nor any underlying claim for an insured loss is fraudulent, collusive, made in bad faith, dishonest or otherwise designed to circumvent the purposes of the Act and regulations;

(5) The insurer had provided a clear and conspicuous disclosure as required by §§50.10 through 50.19 and a cap disclosure as required by §50.15;

(6) The insurer offered coverage for insured losses and the offer was accepted by the insured prior to the occurrence of the loss;

(7) The insurer took all steps reasonably necessary to properly and carefully investigate the underlying insured loss and otherwise processed the underlying insured loss using appropriate insurance business practices;

(8) The insured losses submitted for payment are within the scope of coverage issued by the insurer under the terms and conditions of the policies for commercial property and casualty insurance as defined in §50.5(n); and

(9) The procedures specified in this Subpart have been followed and all conditions for payment have been met.

(e) Adjustments. Treasury may subsequently adjust, including requiring repayment of, any payment made under paragraph (d) of this section in accordance with its authority under the Act.

(f) Suspension of payment for other insured losses. Upon a determination by Treasury that an insurer has failed to meet any of the requirements for payment specified in paragraph (d) of this section for a particular insured loss, Treasury may suspend payment of the Federal share of compensation for all other insured losses of the insurer pending investigation and audit of the insurer’s insured losses.

(g) Aggregate industry losses. Treasury will determine the amount of aggregate industry insured losses resulting from a certified act of terrorism. If such aggregate industry insured losses exceed the applicable Program Trigger amounts specified in paragraph (b) of this section, Treasury will publish notice in the Federal Register that the act of terrorism is a Program Trigger event.

§50.51 Adjustments to the Federal share of compensation.

(a) Aggregate amount of insured losses. The aggregate amount of insured losses of an insurer in a Program Year used to calculate the Federal share of compensation shall be reduced by any amounts recovered by the insurer as salvage or subrogation for its insured losses in the Program Year.

(b) Amount of Federal share of compensation. The Federal share of compensation shall be adjusted as follows:

(1) No excess recoveries. For any Program Year, the sum of the Federal share of compensation paid by Treasury to an insurer and the insurer’s recoveries for insured losses from other sources shall not be greater than the insurer’s aggregate amount of insured