

**SUPPORTING STATEMENT FOR  
PAPERWORK REDUCTION ACT SUBMISSION UNDER 5 CFR PART 1320  
INFORMATION COLLECTION: 2133-0517  
Approval of Underwriters for Marine Hull Insurance**

**Introduction:** This is to request the Office of Management and Budget's (OMB) renewed three-year approved clearance for the information collection entitled, Approval of Underwriters for Marine Hull Insurance, OMB Control No. 2133-0517, which is currently due to expire on May 31, 2009.

**Justification**

- 1. Explain the circumstances that make the collections of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.**

46 CFR Part 249, published as a final rule on June 20, 1988, prescribes regulations for approval of underwriters for marine hull insurance on vessels built or operated with subsidy or covered by vessel obligation guarantees issued pursuant to Chapter 537 of Title 46, United States Code. The regulations provide for approval of foreign underwriters on the basis of an assessment of their financial condition, the regulatory regime under which they operate, and a statement attesting to a lack of discrimination in their country against U.S. hull insurers. The regulations also require that American underwriters be given an opportunity to compete for every placement, thereby necessitating in some cases certification that such opportunity was offered. The Maritime Administration (MARAD) will require such a report if any placements involve less than 50 percent American market placement.

This information collection enhances the economic growth strategic goal.

- 2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.**

The data obtained from foreign underwriters would be used by MARAD as the basis for approval or rejection of an application by that foreign underwriter to participate in writing hull insurance on MARAD program vessels. Reports from brokers in some cases would ensure that American underwriters are being given an opportunity to compete for the business.

If the information were not collected, MARAD would not be able to evaluate foreign applicants. This would deny U.S. owners the opportunity for any savings which might result from being able to place their insurance with non-British foreign underwriters. Without reports from brokers, when such reports are required, MARAD would not know if the requirements of the regulation were being met.

3. **Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology. Also, describe any consideration of using information technology to reduce burden.**

MARAD provides a total electronic option for this collection.

4. **Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in item 2 above.**

In order to minimize the reporting burden of respondents, the rule has been structured to make use of existing data to the maximum extent possible. Additional data not already available would only be required if initial submissions were inadequate. Proposals by some participants in the rulemaking that financial information be recast into the standard format used in this country have been rejected, largely because it would create a duplication of effort which MARAD does not consider necessary to accomplish the purpose for which the information collection is required.

5. **If the collection of information involves small businesses or other small entities, describe the methods used to minimize burden.**

It is not expected that the information collection would involve small businesses.

6. **Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing the burden.**

Since the review of financial statements would form the basis for continuing approval of foreign underwriters authority to write hull insurance on MARAD program vessels, and since the typical hull insurance policy is for a one year duration, the major consequence of collection less frequently than annually would be the risk that a significant change in financial condition could go unnoticed for some time, thereby increasing the risk that insurance on vessels in which MARAD has an interest would be inadequate. Since MARAD plans to accept financial statements already in use in the foreign insurer's country of domicile, the annual collection of the required statements would create no appreciable burden upon any of the respondents.

7. **Explain any special circumstances that would cause an information collection to be conducted in a manner:**

- requiring respondents to report information to the agency more often than quarterly;
- requiring respondents to prepare a written response to a collection of information

in fewer than 30 days after receipt of it;

- requiring respondents to submit more than an original and two copies of any document;
- requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;
- in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;
- requiring the use of a statistical data classification that has not been reviewed and approved by OMB;
- that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing data with other agencies for compatible confidential use; or
- requiring respondents to submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

There are no special circumstances that require this collection of information to be conducted in a manner described above.

- 8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.**

**Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and record-keeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.**

**Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every three years - even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.**

MARAD published a 60-day notice and request for comments on this information collection in the Federal Register (73 F.R., No. 200, dated October 15, 2008, at 61191, indicating comments should be submitted on or before December 15, 2008. No comments were received.

In addition, a marine insurance inquiry was held in connection with the regulatory Docket. It focused in considerable depth upon the available data, the standard format used in this country for reporting and analyzing such data developed by the National Association of Insurance Commissioners (NAIC). Excellent presentations were given on the differences in accounting systems and practices between the various countries, noting those areas in which the U.S. and foreign data are inconsistent. The standard formats developed for use in this country by the NAIC were not adopted for this information collection because of the additional burden required to recast financial statements prepared in accordance with foreign regulatory regimes.

A standard reporting format is essential in this country because regulation is by the individual states and most insurance companies operate in more than one state. However, MARAD's goal in its review of foreign insurers is not the comparison of results, but the determination of the financial strength of the foreign insurer. MARAD feels that this can be accomplished from the regular financial reports of the company without creating any additional burden.

**9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.**

No payments or gifts are provided to respondents.

**10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.**

Some of the data submitted is likely to be public information, being a part of the normal published financial reports of the foreign insurers seeking to obtain authorization to write hull insurance on MARAD program vessels. Other financial data would be business sensitive and treated as confidential by MARAD.

**11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.**

Not applicable. There are no questions of a sensitive nature.

**12. Provide estimates of the hour burden of the collection of information. The**

**statement should:**

- Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated burden and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.
- If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in item 13 of OMB Form 83-I.
- Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in item 14.

<u>Number of Respondents</u>	<u>Responses per Respondent</u>	=	<u>Total Responses Annually</u>	x	<u>Hours Per Response</u>	=	<u>Total Hours Annually</u>
(30+32) <sup>1</sup>	x 1	=	62	x	(30 @ 1; 32 @ 0.5) <sup>2</sup>	=	46 <sup>3</sup>

It is expected that applications will be received from approximately 30 foreign insurance companies, those which are able to meet the approval criteria established by MARAD. Because it is expected that the applicants will be able to use their regular financial statements to support their applications, the burden imposed on each applicant would be negligible. One hour per applicant is estimated as the time required to collect the necessary information and prepare the transmittal. Total burden for 30 applicants would be 30 hours. The one exception to this would occur if an English language version of the regulatory regime in place in the applicant's country of domicile is not available. MARAD must have an English language version in order to be able to evaluate the adequacy of the regulatory environment in which the foreign underwriters must operate.

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<sup>1</sup> 30 foreign insurance companies; 32 brokers

<sup>2</sup> 1 hour per foreign insurance company; 0.5 hours per broker

<sup>3</sup> It should be noted that this is not an annual burden since we are no longer requiring annual approval. While annual statements must still be filed, the annual review requirements will be less than at the time of initial approval.

With respect to the requirement for a report from the broker if less than 50 percent of the placement is made in the American market, the information to be reported is simply the names of the American underwriters contacted, information which is being recorded now by the brokers as they attempt to place the currently required 75 percent in the American market. Since MARAD will not require any report unless more than 50 percent of the placement is made in foreign markets, the new procedure involves a lesser burden than the existing procedure.

However, because the report itself is new, we have allowed 1/2 hour per occurrence to prepare the report. There are approximately 130 vessel-owing companies which would be affected by the requirement and it is estimated that broker reports may be required once each year from 25 percent of the companies, or about 32 reports per year. There are approximately 100 brokers regularly involved with MARAD hull insurance requirements. The requirement for broker reports would therefore average about one of every three brokers each year. Even if the required number of reports were to double or triple, the average requirement per underwriter would still be less than one per year.

We do not anticipate that the general waiver provision contained in 46 CFR 249.12 will create more than a negligible amount of additional paperwork. We do not expect to grant waivers on a regular basis. Rather, the general waiver provision exists to cover those exceptional situations when strict application of the regulations might be inappropriate. For example, a company may be unable to file its annual financial statements on time as required by 46 CFR 249.7(g), or a new company might meet all criteria for participation but not have five years of historical data to file as required by 46 CFR 249.6(e)(1).

**13. Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information. (Do not include the cost of any hour burden shown in items 12 and 14).**

- The cost estimate should be split into two components: (a) a total capital and start-up cost component (annualized over its expected useful life); and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining and disclosing or providing the information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record storage facilities.
- If cost estimates are expected to vary widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of purchasing or contracting out information collection services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a

sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.

- Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government, or (4) as part of customary and usual business or private practices.

(a) Total Capital and Start-Up Costs Estimate: There are no capital or start-up costs associated with this information collection.

(b) Total Operation and Maintenance and Purchase of Services Estimate: There are no operational and maintenance or purchase of service costs associated with this information collection.

**14. Provide estimates of annualized cost to the Federal Government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies also may aggregate cost estimates from items 12, 13, and 14 in a single table.**

The total annual cost to the Federal Government for processing the collection is estimated as follows:

**Maximum Total Annual Cost to Federal Government**: \$63,916.57

Review of financial statements and preparation of recommendation:

Submission from foreign insurers:

25 hours, financial analyst @ \$43.75/hr	\$ 1,093.25
Typing, 2 hours clerical @ \$29.20/hr	<u>58.40</u>
Cost per response	\$ 1,151.65
Sub-total Salary Cost (30 responses)	\$34,549.50
Overhead at 85% of salary costs	<u>\$29,367.07</u>
Sub-total Cost (Financial Information)	\$63,916.57

Submission from brokers:

1 hour, analyst @ \$41.23/hr per response	\$ 41.23
Sub-total Salary Cost (32 responses)	\$ 1,319.36
Overhead at 85% of salary costs	<u>\$ 1,121.45</u>

Sub-total Cost (Less than 50% placements) \$ 2,440.81

**15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of OMB Form 83-I.**

Not applicable.

**16. For collections of information whose results are planned to be published for statistical use, outline plans for tabulation, statistical analysis, and publication. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates and other actions.**

There are no plans to publish the results of the information collection for statistical purposes.

**17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.**

Not applicable.

**18. Explain each exception to the certification statement identified in Item 19. "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-I.**

Not applicable. There are no exceptions to the certificate statement.