

SUPPORTING STATEMENT

1. Circumstances Necessitating Collection of Information

The Bank Secrecy Act, Titles I and II of Pub. L. 91-508, as amended, codified at 12 U.S.C. 1829, 12 U.S.C. 1951-1959, and 31 U.S.C. 5311-5330, authorizes the Secretary of the Treasury to issue regulations requiring records and reports that are determined to have a high degree of usefulness in criminal, tax, and regulatory matters, or in the conduct of intelligence or counter-intelligence activities, including analysis, to protect against international terrorism, and to implement anti-money laundering programs and compliance procedures. Regulations implementing Title II of the Bank Secrecy Act (codified-at 31 U.S.C. 5311-5330) appear at 31 CFR Part 103. The authority of the Secretary of the Treasury to administer the Bank Secrecy Act regulations has been delegated to the Director of the Financial Crimes Enforcement Network.

Under 31 U.S.C. 5318(g), the Secretary of the Treasury is authorized to require financial institutions, including insurance companies, to report suspicious transactions. Section 5318(g) was added to the Bank Secrecy Act by section 1517 of the Annunzio-Wylie Anti-Money Laundering Act, Title XV of the Housing and Community Development Act of 1992, Pub. L. No. 102-550.

Regulations implementing the suspicious activity-reporting requirement with respect to certain insurance companies are codified at 31 CFR 103.16. A transaction must be reported under section 103.16 if the transaction is conducted or attempted by, at, or through these insurance companies, involves or aggregates funds of at least \$5,000 and the insurance company knows, suspects, or has reason to suspect that the transaction or the pattern of transactions of which the transaction is a part:

- (i) involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity;
- (ii) is designed to evade a recordkeeping or reporting requirement of a regulation promulgated under the Bank Secrecy Act; or
- (iii) serves no business or apparent lawful purpose.

Section 103.16(e) requires reporting insurance companies to retain a copy of the any Suspicious Activity Report filed and supporting documentation for five years. These documents are necessary for criminal investigations and prosecutions.

2. Method of Collection and Use of Data.

Information about suspicious transactions conducted or attempted by, at, through, or otherwise involving reporting insurance companies will be collected through the filing of these forms in a central location to be determined by the Financial Crimes Enforcement Network. We, in conjunction with the law enforcement agencies, will use the information on the report for criminal investigation and prosecution purposes.

3. Use of Improved Information Technology To Reduce Burden.

The new form involves the use of automated electronic or other technological collection

techniques on a limited basis. The Financial Crimes Enforcement Network currently operates a system that permits financial institutions to electronically file reports required by the Bank Secrecy Act. This form will be added to that system once the form is approved and provided to the public.

4. Efforts to Identify Duplication.

No other similar information exists.

5. Methods To Minimize Burden on Small Businesses or Other Small Entities.

The information collection will not have a significant economic impact on a substantial number of small entities. Insurance companies, rather than their agents or brokers, must file the reports, and most insurance companies are larger businesses. All insurance companies, in order to remain viable, have in place policies and procedures and internal controls to prevent and detect fraud. Such anti-fraud measures should assist insurance companies in reporting suspicious transactions. Finally, certain small companies may have an established and limited customer base whose transactions are well known to the company.

6. Consequences to the Federal Government of Not Collecting the Information.

Suspicious activity reporting by insurance companies will assist both law enforcement and the industry, providing improved detection of financial crime, analysis of trends, and coordination of investigative efforts. Failure to collect this information would limit law enforcement's ability to investigate and prosecute money laundering and other financial crimes conducted at or through these businesses.

7. Special Circumstances Requiring Data Collection Inconsistent with Guidelines.

Respondents must report a suspicious transaction within 30 days but not later than 60 days after the transaction, which may result in reporting more frequently than quarterly. Prompt reporting is vital to the detection of money laundering and other financial crime, including the financing of terrorism.

8. Consultation with Individuals Outside of the Agency on Availability of Data, Frequency of Collection, Clarity of Instructions and Forms, and Data Elements.

On January 21, 2009, we published in the Federal Register a notice inviting comment for 60 days on renewal of the form. See 74 FR 3670. No comments were received.

9. Payments or Gifts.

No payments or gifts will be made to respondent.

10. Assurance of Confidentiality of Responses.

Information provided to the government on the Suspicious Activity Report by Insurance Companies form is expressly prohibited from disclosure under 31 U.S.C. 5318(g) (2), and the participating agencies' Privacy Act notice makes clear that the system of records is intended for the official use of law enforcement. Appropriate system security safeguards will be put in place to protect against unauthorized access.

11. Justification of Sensitive Questions.

No sensitive questions are asked.

12. Estimated Annual Hourly Burden.

Estimated number of record keepers reports: 1,200 respondents times 3 responses = 3,600.

Estimated recordkeeping and filing per response: 3 hours.

Estimated report completion time: 2 hours

Total estimated report and recordkeeping time: 4 hours. (Note: One hour of recordkeeping for the rule and the form are duplicative)

Estimated total annual burden hours¹: 14,400 hours.

13. Estimated Annual Cost to respondents for Hour burdens:

Not applicable.

14. Estimated Annual Cost to the Federal Government:

Not applicable.

15. Reasons for Change in Burden:

New form completion requirement.

16. Plans for Tabulation, Statistical Analysis and Publication:

Not applicable.

17. Request Not to Display Expiration Date of Office of Management and Budget Control Number:

To avoid having to reprint the form to show a new date, we are requesting permission not to display the Office of Management and Budget expiration date on the Suspicious Activity Report by Insurance Companies form. Similarly, to avoid having to revise the regulation every three years, we are requesting permission not to display the Office of Management and Budget expiration date in 31 CFR 103.16.

18. Exceptions

Not applicable.

¹ Insurance companies will report on the SAR-SF until database updates are completed for the SAR-IC. Both forms are substantially the same and carry the same burden.