

SUPPORTING STATEMENT

Securing Financial Obligations under the Longshore and Harbor Workers' Compensation Act and its Extensions

OMB No. 1240-0005

A. Justification.

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

The Longshore and Harbor Workers' Compensation Act requires covered employers to secure the payment of compensation under the Act and its extensions by purchasing insurance from a carrier authorized by the Secretary of Labor to write Longshore Act insurance, or by becoming authorized self-insured employers (33 U.S.C. § 932). Each authorized insurance carrier (or carrier seeking authorization) is required to establish annually that its Longshore Act obligations are fully secured either through an applicable state guaranty (or analogous) fund, a deposit of security with the Division of Longshore and Harbor Workers' Compensation (DLHWC), or a combination of both. Similarly, each authorized self-insurer (or employer seeking authorization) is required to fully secure its Longshore Act obligations by depositing security with DLHWC. These requirements are designed to assure the prompt and continued payment of compensation and other benefits by the responsible carrier or self-insurer to injured workers and their survivors.

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.

Forms associated with this information collection obtain information used for determining appropriate security deposit amounts and insuring compliance with the security deposit requirements are described below.

LS-276, Application for Security Deposit Determination.

Each currently authorized carrier and any carrier seeking such authorization must apply annually for a determination of the amount of security it must deposit with DLHWC by completing Form LS-276. DLHWC will use the information collected on Form LS-276 to determine the required security deposit amount for each carrier in light of the applicable state guaranty fund coverage. Regulations establishing this requirement are set forth at 20 C.F.R. §§ 703.2, 703.203, 703.209, 703.210, and 703.212.

LS-275 IC, Agreement and Undertaking (Insurance Carrier); LS-275 SI, Agreement and Undertaking (Self-Insured Employer).

After DLHWC determines the amount of the required security deposit, the insurance carrier or self-insured employer executes Form LS-275 IC or LS-275 SI, respectively, to: 1) report the security it has deposited and grant the Department a security interest in the collateral; 2) agree to abide by the Department's rules; and 3) authorize the Department to bring suit on any deposited indemnity bond, draw upon any deposited letters of credit, or to collect the interest and principal or sell any deposited negotiable securities when it deems it necessary to assure the carrier's or self-insurer's prompt payment of compensation and any other Longshore Act obligations it has. DLHWC reviews the information collected and verifies that the carrier or self-insurer has deposited the correct amount of security. DLHWC uses this information if it takes action on the security deposited to assure that the carrier or self-insurer meets its Longshore Act obligations. Regulations establishing these requirements are set forth at 20 C.F.R. §§ 703.2, 703.204, 703.205, 703.303 and 703.304.

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, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.

Form LS-276. This form is not suitable for electronic submission because it requires corporations to affix their corporate seal. For the industry's convenience, however, OWCP has made it available on the Internet in an electronically interactive format that allows insurance carriers to fill it in and then print the completed form for signature and mailing. In addition, insurance carriers may submit information regarding their outstanding Longshore Act payment obligations (block no. 6 on Form LS-276) in electronic form as an attachment to its application (e.g., by providing it on a CD or diskette).

Forms LS-275 IC and LS-275 SI. These forms are short, concise legal documents that must be notarized. Because they require a raised notary seal and signature, they are not suitable for electronic submission. For the industry's convenience, however, OWCP has made these forms available on the Internet in an electronically interactive format that allows insurance carriers and self-insurers to fill them in and then print the completed forms for signature, notarization and mailing.

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.

The information collected on these forms is not duplicative of any information available elsewhere.

5. If the collection information impacts small businesses or other small entities (Item 5 of 014B Form 83-1), describe any methods used to minimize burden.

These information collections do not have a significant economic impact on a substantial number of small entities.

6. Describe the consequence of 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 burden.

Form LS-276. If this information were not collected, DLHWC would be unable to determine the amount of security an insurance carrier must deposit in order to assure prompt payment of its Longshore Act obligations and to protect the financial integrity of the Longshore special fund (see 33 U.S.C. 944) in the event the carrier defaults or becomes insolvent. Because a carrier's Longshore Act obligations change from year-to-year (e.g., new claims are filed, previously filed claims are paid in full) annual evaluation of the required security deposit amount is necessary.

Forms LS-275IC and LS-275SI. Please refer to Nos. 1 and 2. The information collected from respondents is the minimum needed to adequately assure payment of Longshore Act obligations by the appropriate carrier or self-insurer and to protect the financial integrity of the Longshore special fund (see 33 U.S.C. 944).

7. Explain any special circumstances.

There are no special circumstances for the collection of this information.

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.

A Federal Register Notice inviting public comment on this collection of information was published in the Federal Register on April 13, 2010. 75 Fed. Reg. 18887. No comments were received.

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, regulations, or agency policy.

To the extent records pertaining to specific compensation cases are disclosed, they are protected under the Privacy Act. Otherwise, the information collected is not protected under the Privacy Act.

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.

There is no information of a sensitive nature requested on these forms.

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 make special surveys to obtain information on which to base burden estimates. Consultation with a sample of potential respondents is desirable. If the 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 reason for the variance. Generally, estimates should not include burden hours for customary and usual business practices.

The burden for these forms is as follows:

LS-276. Hour burden for respondents. Currently, there are 365 authorized insurance carriers, 1 more than the last submission. The increase is due to 1 additional insurance carrier entering the market. This figure is expected to increase again over the next few years as carriers, lured by rising interest rates, return to the market. Each carrier is required annually to complete Form LS-276. It takes a respondent approximately one hour to collect the information, complete the form and mail it. Thus, the annualized hour burden is 365 hours (1 hour x 365 forms).

Cost burden for respondents. The annualized cost burden is based on the national average hourly earnings reported by the Bureau of Labor Statistics (BLS) for production or non-supervisory workers on private non-agriculture payrolls. Using the average wage for all these occupations is reasonable because it is not possible to determine the specific occupation of each person who will provide the information covered by this clearance. Claims adjusters, claims managers, administrators, secretaries, claims clerks and other office personnel would complete the form, and wages vary considerably from person to person depending on duties, length of service, and other considerations. The average hourly rate BLS reported for this group of workers in November 2009 was \$18.88 per hour. Thus, the annualized cost burden to respondents is \$6,862.00 ($\$18.80 \times 365 \text{ hours} = \$6,862.00$).

LS-275 IC and LS-275 SI. Hour burden for respondents. Currently, there are 365 authorized insurance carriers and 207 authorized self-insured employers for a total of 572 authorized insurance carriers and self-insurers; based on past experience, DLHWC believes the number of carriers will increase in the foreseeable future. The number of self-insurers may drop as rising interest rates tend to make insurance coverage more attractive and also through consolidation and mergers throughout the industry. Approximately 50% of all authorized carriers and self-insurers ($572 \times 50\% = 286$) are required to complete Form LS-275 IC or LS-275 SI in any given year. It takes a respondent approximately 15 minutes to collect the information, complete the form

and mail it. The form requires only basic information, i.e., bond amount and name of the bonding company; letter of credit amount and name of the issuing financial institution; and a list of negotiable securities and where they are deposited. Thus, the annual hour burden to respondents is 71.5 hours (286 responses x 0.25 hours/response = 71.5 hours).

Cost burden for respondents. The annualized cost burden is based on the national average hourly earnings reported by the Bureau of Labor Statistics (BLS) for production or non-supervisory workers on private non-agriculture payrolls. Using the average wage for all these occupations is reasonable because it is not possible to determine the specific occupation of each person who provides the information covered by this clearance. Claims adjusters, claims managers, financial administrators, secretaries, bookkeepers, and other office personnel would complete the form, and wages can vary considerably from person to person depending on duties, length of service, and other considerations. The average hourly rate BLS reported for this group of workers in November 2009 was \$18.80 per hour. Thus, the annual cost burden to respondents is \$1344.20 (71.5 hours x \$18.80 = \$1344.20).

13. Annual Costs to Respondents (capital/start-up & operation and maintenance).

These information collections do not require the use of systems or technology for generating, maintaining or disclosing data that would not already be kept as a customary business practice. Respondents incur printing and mailing costs for the 651 responses (365 LS-276 responses + 286 LS-275 responses = 651 responses) filed annually. For those forms respondents print for their own use from the Internet (50% of all responses, or 326 forms) printing costs are \$5.00 per 100 copies for a two-sided form (\$0.05 x 326 forms = \$16.30). Mailing costs are \$0.47 (\$0.44 postage + \$0.03 envelope charge) per response (\$0.47 x 651 forms = \$305.97). Thus, the annual operation and maintenance costs are \$322.27 (\$16.30 + \$305.97 = \$322.27).

14. Provide estimates of annualized cost to the Federal government.

The total cost to the Federal government for these collections of information is \$14,992.52 allocated as follows:

Printing and mailing costs. Because respondents are able to download Forms LS-276, LS-275 IC, and LS-275 SI from the Internet, DLHWC incurs printing and mailing costs for approximately half (or 326) of the responses filed annually. Printing costs are \$5.00 per 100 copies for a two-sided form ($\$0.05 \times 326 \text{ forms} = \16.30). Distribution costs are \$0.47 ($\0.44 postage and $\$0.03$ envelope charge) per form ($\$0.47 \times 326 \text{ forms} = \153.22). Thus, the total printing and mailing costs are \$169.52 ($\$16.30 + \$153.22 = \169.52).

Processing and reviewing costs. LS-276. A GS-13 insurance examiner in the Washington, DC metropolitan area evaluates the information collected on Form LS-276. A mid-range (step 6) examiner, as reported on salary table 2006-DCB issued by the Office of Personnel Management, earns \$49.77 per hour. It takes approximately 45 minutes to review and analyze each form, and determine the amount of security the insurance carrier must post. Based on 365 annual responses, the total annual review time is 274 hours ($365 \text{ responses} \times 0.75 \text{ hours/response} = 274 \text{ hours}$). Thus, the total processing cost is \$13,636.98 ($274 \text{ hours} \times \$49.77 \text{ /hour} = \$13,636.98$).

LS-275 IC and LS-275 SI. A GS-13 insurance examiner in the Washington, DC metropolitan area evaluates the information collected on Forms LS-275 IC and LS-275 SI. A mid-range (step 6) examiner, as reported on salary table 2006-DCB issued by the Office of Personnel Management, earns \$49.77 per hour. It takes approximately 5 minutes to review and analyze each form. Based on 286 annual responses, the total annual review time is 23.83 hours ($286 \text{ responses} \times 5 \text{ minutes/response} = 1,430 \text{ minutes}$; $1,430 \div 60 \text{ minutes/hour} = 23.83 \text{ hours}$). Thus, the total processing cost is \$1,186.02 ($23.83 \text{ hours} \times \$49.77 = \$1,186.02$).

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

There is an increase of 3 hours from previously-established burden hours due to a slight increase in the number of self-insurers. DOL has updated Forms LS-275(IC) and LS-275(SI) to update the OMB Control Number, reflecting a DOL reorganization that dissolved the former Employment Standards Administration into its constituent programs and to enhance the disclosure of the information collection burden and the public protection notice. Similar changes will be made to Form LS-276 upon OMB's clearance of this request when OWCP updates the forms to show the new expiration date.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection information, completion of report, publication dates, and other actions.

There are no plans to publish any data collected in LS-276, LS-275 IC, or LS-275 SI.

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.

This information collection request does not seek a waiver from the requirement to display the expiration date.

18. Explain each exception to the certification statement identified in Item 19 "Certification for Paperwork Reduction Act".

There are no exceptions to the certification statement.

B. Collections of Information Employing Statistical Methods

Statistical methods are not used in these collections
of information.