

**SUPPORTING STATEMENT FOR  
PAPERWORK REDUCTION ACT SUBMISSIONS  
OMB No. 1510-0057**

**“Annual Letters – Certificate of Authority (A) and Admitted Reinsurer (B)”**

**A. Justifications.**

**1. Explain the circumstances that make the collection 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.**

The information is collected so that Treasury can make the appropriate determinations as to the renewal of the Certificates of Authority of currently certified companies and the renewal of companies currently recognized by Treasury as Admitted Reinsurers. Included in the package is the Annual Letter to Executive Officers of Surety Companies Reporting to the Treasury (A) and the Annual Letter to Executive Officers of Companies Recognized by the Treasury as Admitted Reinsurers of Surety Companies Doing Business with the United States Government (B). The Secretary of the Treasury has been given authority pursuant to 31 USC, 9304 – 9308 to certify insurance companies wishing to write or reinsure federal surety bonds. The authority has been further codified at 31 CFR, Part 223.9 which specifies guidelines applicable to companies seeking certification while Part 223.12 specifies requirements applicable to companies seeking recognition as an Admitted Reinsurer.

**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.**

Personnel of the Surety Bond Branch (SBB), Management, Comptroller Directorate, Financial Accounting and Services Division, use the submitted information to make the appropriate determinations as to the financial and otherwise acceptability of insurance companies wishing to have their current Certificates of Authority renewed or their recognition as Admitted Reinsurers renewed. All submitted information is collected to assure that both certified companies and admitted reinsurers are in compliance with federal regulations mentioned above, as well as the guidelines established within the respective portions of the applicable Annual Letter.

Based on the information submitted, the SBB makes the appropriate determinations for renewal of certified companies, sets an underwriting limitation for each certified company and publishes a list of acceptable sureties (Treasury Circular 570) for use by Federal bond approving officers. Similarly, based on the information submitted by companies seeking renewal of their recognition by Treasury as Admitted Reinsurers, the SBB makes the appropriate determinations for renewal and disseminates, via SBB’s website, a separate list of companies that have been accepted as Admitted Reinsurers.

Absent the required information, the SBB would be unable to make the appropriate renewal determinations and, therefore, unable to publish its List of Acceptable Sureties as mandated at 31 CFR, Part 223.16. Similarly, the SBB would be unable to make the appropriate renewal determinations for companies seeking renewal of their recognition by Treasury as Admitted Reinsurers, and, therefore, unable to publish its separate list of companies recognized as Admitted Reinsurers. Federal bond approving officers would have no source to confirm that their surety bonds are underwritten by financially capable insurance companies. Therefore, the Federal Government could conceivably lose a substantial amount of monies, should defaults occur where the bond was underwritten by a questionable insurance company.

**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.**

Insurance companies submit some similar information annually to their respective State Insurance Departments. Annual financial statement CDs are required, along with hard copies of the financial statements. Therefore, most of the information requested is readily available.

Automation techniques are utilized wherever feasible. The two forms mentioned in Paragraph 4 of the Annual Letter, the Schedule of Excess Risks (TFS 285A) and Schedule F (TFS 6314), are currently available on-line on our website. We also provide an automated Microsoft Excel version of Treasury Schedule F for insurance companies to use to facilitate their completion of this form. SBB's use of improved information technology and techniques was further addressed in our prior requests for renewal of OMB No. 1510 – 0004 and OMB No. 1510 – 0012, respectively.

The IRIS ratio results mentioned in the Annual Letter are computer generated. This information is available through the National Association of Insurance Commissioners (NAIC).

**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 Secretary of the Treasury, through the SBB, is the only entity responsible for the accumulation of this type of data and the subsequent publication of Treasury Circular 570 and the separate list of companies recognized by Treasury as Admitted Reinsurers. No other federal governmental agency collects this type of information, therefore, no duplication exists.

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

As indicated in Item 3, insurance companies submit annually essentially identical information to State Insurance Departments, thus minimizing the burden for small companies. Most of the information requested is readily available and does not adversely impact small businesses or other small entities. Any burden that might impact small businesses is minimized through the use of computer generated documents at little or no additional expense to the respondents.

**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 burden.**

These filings are made once a year for renewal purposes. The impact of a less frequent filing would be the same as mentioned in Item 2 above.

Instruction VIII in the Annual Letter to Executive Officers of Surety Companies Reporting to the Treasury (A) requires that certified companies submit quarterly filings of excess risks and financial statements. These quarterly filings are reviewed as part of the SBB's continuing analysis of its certified companies' solvency. A borderline insurance company's financial health could show a quick deterioration in a quarterly report that would alert the SBB of the necessity to take action. Financially strong companies could even show adverse development in any one quarter. It is therefore critical that this filing not be made any less frequent.

**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; etc.**

There would be no special circumstances that would cause the information collected 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, pre-tax records for more than three years;
- in connection with a statistical survey, that is not designated to produce valid and reliable results that can be generalized to the universe of study;

- requiring the use of statistical data classification that has not been reviewed and approved by OMB;
- that includes a pledge of confidentiality that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of 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.

**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.**

A pre-clearance notice was published on September 29, 2011 on pages 60602-60603. No comments were received regarding this information collection. The SBB maintains contact with insurance companies and provides assistance and guidance regarding the items to be submitted.

During 1987 the Program Review Branch under the Program Review Division, Comptroller, FMS conducted a review of the SBB's operations. They made contact with at least five of the respondents (Aetna Group, Travelers Group, "USF&G, Bond Safeguard Insurance Company, and Statewide Insurance Company) and five associations representing the respondents or their interests, (Surety & Fidelity Association of America, American Insurance Association, National Association of Surety Bond Producers, Association of General Contractors, and American Subcontractors Association). General comments were supportive of the method by which the SBB operates as the respondents realize that the Federal Government must be cautious in filling its insurance needs.

Since the above study the SBB has been open to questions from the respondents and has discussed any problems that the respondents have encountered regarding the submission of data. Generally, any problems have been quickly resolved.

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

There are no payments or gifts made to respondents.

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

The bulk of the submissions requested are a matter of public record, therefore, no assurance of confidentiality is given. Any of the documents submitted may be requested by an outside entity pursuant to the Freedom of Information Act. However, within the constraints of this law, omissions may be made from any item requested.

**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.**

Limited personal information is listed on the biographical affidavits submitted by the companies. This is a standard state-mandated form and is subject to public disclosure. However, no personal questions of the nature under this question are contained on this form.

**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.**

Number of Respondents: 261 current certified companies  
80 current admitted reinsurers  
Total: 341

Frequency of Response: Annual

Annual Burden: 13,554.75 Hours; Estimated 39.75 hours per Respondent (See Attachment)  
(Burden hours were taken from estimations furnished by a major insurance group having both certified companies and admitted reinsurers.)

Respondent Cost: Estimated at \$2,225 per Respondent (See Attachment)  
(Cost estimates were furnished by a major insurance group having both certified companies and admitted reinsurers.)

The information requested does not impose any start-up or capital costs, nor does it generate maintenance or additional operational costs. The information is available from financial documents maintained by the companies.

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

N/A

**14. Provide estimates of annualized costs 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 may also aggregate cost estimates from Items 12, 13, and 14 in a single table.**

Federal Government Costs: User fees of \$5,450 and \$2,325, respectively, have been established to cover the cost of processing renewals of certified companies and admitted reinsurers. These fees are based upon an analysis of the SBB operating budget and expenses, which includes such components as personnel costs, paperwork, overhead, etc.

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

The adjustment reported in Item 13 reflects a reduction in the number of burden hours due to a decrease in the number of respondents.

**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 of information, completion of report, publication dates, and other actions.**

A financial and analytical review of the information collected is performed annually, from March 1<sup>st</sup> through the month of June, according to Treasury regulations. A list of surety companies which are certified by the Treasury will then be published in the July 1<sup>st</sup> Federal Register (Circular 570) and a separate list of companies recognized by Treasury as Admitted Reinsurers will be made available to the public via SBB's website.

**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.**

N/A

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

N/A

**B. Collections of Information Employing Statistical Methods**

**The agency should be prepared to justify its decision not to use statistical methods in any case where such methods might reduce burden or improve accuracy of results. When Item 17 on the Form OMB 83-I is checked, “Yes,” the following documentation should be included in the Supporting Statement to the extent that it applies to the methods proposed:**

The information collected was not accomplished using statistical methods. The result of the collection of this information is not for statistical use.

## ATTACHMENT

BURDEN HOUR AND COST CALCULATION  
ANNUAL LETTER-CERTIFICATE OF AUTHORITY

ITEM	LOCATION	OMB #	BURDEN HR (MIN)	COSTS (EST)
Financial Statement	Annual Letter (AL) Supplemental Info	N/A	45	125
	Auditor Requests	N/A	120	150
Excess Risk Schedule (4 Quarters)	AL Ins. VIII	0004	240	300
Schedule F	AL Ins. VII	0012	1200	705
License Sheet	AL Ins. XIV	0013	60	50
Mgmt. discussion & Analysis	AL Ins. XVII	N/A	10	25
IRIS Ratios	AL Ins. XXI	N/A	20	25
Renewal Fee	AL	N/A	40	35
Valuation of Securities	AL Ins. II	N/A	40	50
Subsidiary Statements Ins.	AL Ins. III	N/A	45	150
Subsidiary Balance Sheet Non-Insurance	AL Ins. III	N/A	45	150
Appraisal Reports	AL Ins. IV	N/A	60	25
Valuation Assets	AL Ins. V	N/A	30	50
Bail Schedule	AL Ins. VI	N/A	50	60
Capital Changes	AL Ins. IX	N/A	60	50
Stock Changes	AL Ins. X	N/A	40	35
Mergers, Transfers, Assumptions, Etc.	AL Ins. XI	N/A	40	35

BURDEN HOUR AND COST CALCULATION  
ANNUAL LETTER-CERTIFICATE OF AUTHORITY

ITEM	LOCATION	OMB #	BURDEN HR (MIN)	COST (EST)
Charter Amendments	Al Ins. XII	N/A	40	35
Memoranda	AL Ins. XIII	N/A	60	50
Exam Reports	AL Ins. XV	N/A	40	35
CPA, SEC Reports	AL Ins. XVI	N/A	40	35
Penal Sum Bond Form (4 Quarters)	Annual Letter (AL)	N/A	60	50
TOTAL BURDEN HOURS			2,385 MIN	
			39.75 HRS	
TOTAL COSTS			\$2,225	

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ITEMS ORIGINATED FROM SBB, US TREASURY:

EXCESS RISK SCHEDULES	TFS 285A
TREASURY SCHEDULE F	TFS 6314
LICENSE SHEET	TFS 2208
PENAL SUM BOND FORM	N/A

ALL OTHER ITEMS LISTED ABOVE ARE GENERATED FROM THE RESPONDENT.