

Supporting Statement
U.S. Department of Commerce
Bureau of Economic Analysis
Benchmark Survey of Insurance Transactions by U.S.
Insurance Companies with Foreign Persons
OMB Control Number: 0608-0073

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

1. Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection method to be used. Data on the number of entities (e.g. establishments, State and local governmental units, households, or persons) in the universe and the corresponding sample are to be provided in tabular form. The tabulation must also include expected response rates for the collection as a whole. If the collection has been conducted before, provide the actual response rate achieved.

The potential respondent universe for the BE-140, Benchmark Survey of Insurance Transactions by U.S. Insurance Companies with Foreign Persons, is all U.S. insurance companies that engage in direct insurance, reinsurance, or other insurance transactions with foreign persons. The survey will obtain annual data from all U.S. insurance companies that engage in the following international insurance transactions: (1) Premiums earned on reinsurance assumed from insurance companies resident abroad; (2) losses incurred on reinsurance assumed from insurance companies resident abroad; (3) premiums earned on direct insurance sold to foreign persons; (4) losses incurred on direct insurance sold to foreign persons; (5) premiums paid on reinsurance ceded to insurance companies resident abroad; (6) losses recovered on reinsurance ceded to insurance companies resident abroad; (7) receipts for auxiliary insurance services; and (8) payments for auxiliary insurance services. All respondents are required to report the total dollar amounts by the eight types of insurance transactions. In addition, insurance companies with transactions in at least one of the eight categories listed above that exceed \$2 million must supply country-specific data on the amount of their insurance transactions for each category.

BEA intends to mail the survey forms to approximately 1,450 U.S. insurance companies. BEA will estimate data for those respondents that do not report their data in a timely manner. Estimates will be based on prior reports and growth in a matched sample of respondents. BEA will allocate the estimated data by country and by type of transaction, based on the distribution of reported transactions, for inclusion in the published totals. Thus, estimates will cover the entire universe of transactions.

The response rate for the 2008 BE-140 data collection was 92 percent. BEA expects that the high response rate will continue for the 2013 BE-140 data collection, providing information of sufficient accuracy and reliability for its intended purposes.

2. Describe the procedures for the collection, including: the statistical methodology for stratification and sample selection; the estimation procedure; the degree of accuracy needed for the purpose described in the justification; any unusual problems requiring

specialized sampling procedures; and any use of periodic (less frequent than annual) data collection cycles to reduce burden.

The survey will be administered to U.S. insurance companies. BEA expects most of the potential respondents to file the survey on a timely basis. In cases where a survey is not filed, or is filed too late to be used for the current estimate, BEA will generate an estimate based upon data previously reported or estimated for the non-respondent, in conjunction with information on changes in the data trends for companies that did respond. No unusual problems have been identified that would require the use of specialized sampling procedures. BEA expects to collect data from the entire universe of firms meeting the reporting criteria.

The list of respondents will be developed from a list of all insurance companies that made statutory filings to the National Association of Insurance Commissioners (NAIC). All respondents are required to report the total dollar amounts by the eight types of insurance transactions specified in B.1. The reporting threshold for country-specific data will be \$2 million for calendar year 2013 based on any one of the eight types of insurance transactions.

A high degree of accuracy is needed for the purposes stated in the justification. The proposed survey is a periodic benchmark survey, conducted once every five years.

3. Describe the methods used to maximize response rates and to deal with nonresponse. The accuracy and reliability of the information collected must be shown to be adequate for the intended uses. For collections based on sampling, a special justification must be provided if they will not yield "reliable" data that can be generalized to the universe studied.

Any U.S. person contacted by BEA must respond in writing by filing a completed form BE-140. Non-respondents will be contacted by BEA staff and, in the event of continued nonresponse, will be referred to the Office of General Counsel for further action. BEA expects that at the time of the final revised estimates, reports will be received from nearly all companies required to report.

4. Describe any tests of procedures or methods to be undertaken. Tests are encouraged as effective means to refine collections, but if ten or more test respondents are involved OMB must give prior approval.

In early 2013, BEA staff visited the National Association of Insurance Commissioners (NAIC) and the Reinsurance Association of America (RAA), and contacted the American Council of Life Insurers (ACLI) to determine whether revised reporting requirements that BEA was planning for the BE-140, Benchmark Survey of Insurance Transactions by U.S. Insurance Companies with Foreign Persons, were reasonable. In addition to seeking general comments on the proposed benchmark survey, BEA asked their comments on three proposed changes to the survey: (1) whether entities could disaggregate transactions on life and nonlife insurance separately. International guidelines recommended treating life and nonlife insurance and reinsurance differently; (2) whether BEA should remove the questions about finite reinsurance contracts assumed and/or ceded from the BE-140. Finite reinsurance is a form of insurance in which very

little risk is transferred. Evidence suggests that finite reinsurance became an obsolete concept in recent years and is no longer relevant to the industry; and (3) Whether entities could provide more information on large, infrequent transactions in reinsurance, defined as those contracts with premiums ceded or assumed in excess of \$1 billion that are at least three times the size of their average regular contract. Such large, infrequent transactions complicate the estimation of insurance services. BEA would like to collect more information about these transactions to better evaluate the reported data. BEA also visited one large insurance company and contacted several other respondents and data users for their feedback on the same issues.

Feedback suggested that entities should be able to report life and nonlife direct insurance separately but may have difficulty in reporting life and nonlife reinsurance separately. Feedback was unanimous that finite reinsurance is an obsolete concept. Feedback also indicated that it would be beneficial to collect more information on the aforementioned large, infrequent transactions in reinsurance, and that the entities with such transactions should be able to provide relevant information. Based on the results of this outreach, BEA decided not to ask entities to report transactions for life and nonlife insurance and reinsurance separately in the survey, and BEA decided to remove the three questions about finite reinsurance from the survey and add three questions and Schedule C about the large, infrequent transactions in reinsurance to the survey.

5. Provide the name and telephone number of individuals consulted on the statistical aspects of the design, and the name of the agency unit, contractor(s), grantee(s), or other person(s) who will actually collect and/or analyze the information for the agency.

The survey is designed and conducted within BEA by the Balance of Payments Division (BPD). For further information, contact Mark Xu, Chief, Services Surveys Branch, Balance of Payments Division via email at mark.xu@bea.gov or by phone at 202-606-9826.