

SUPPORTING STATEMENT FOR PAPERWORK REDUCTION ACT SUBMISSIONS  
UNDER 5 CFR PART 1320  
Information Collection: 2133-0011,  
War Risk Insurance, Applications and Related Information

A. Justification

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.**

This information collection supports the Department of Transportation's National Security goal.

As authorized by Section 1202, Title XII, Merchant Marine Act, 1936, as amended, (46 U. S. C. § 53902) (Act), the Secretary of the U.S. Department of Transportation (Secretary) may provide war risk insurance adequate for the needs of the waterborne commerce of the United States, if such insurance cannot be obtained on reasonable terms and conditions from companies authorized to do an insurance business in a state of the United States. This authority was continued in effect by Public Law 111-84, signed by the President. It is effective until December 31, 2015.

The U.S. Government's War Risk Insurance program is an essential standby emergency program. It becomes effective upon and simultaneously with the automatic termination of ocean marine commercial war risk insurance policies. Those policies are automatically terminated upon the outbreak of war, whether declared or not, between any of the five great powers (United States of America, United Kingdom, France, People's Republic of China, the Russian Federation) or upon the hostile detonation of a weapon of war employing atomic or nuclear fission.

The War Risk Insurance program makes it possible for applicants to obtain war risk insurance from the U.S. Government when such insurance is unavailable on reasonable terms from the commercial market. The program is mutually beneficial to the United States and to the ship owner in that it assures continued flow of essential U.S. trade and provides protection for the ship owner from loss by risks of war. It is essential for opening lines of communication in order to meet national defense and foreign policy objectives.

The relevant sections of Title XII of the Act are implemented through regulations contained in 46 CFR Part 308. Sections 308.3 and 309.8 indicate the forms that must be completed and establish the filing procedure and the conditions with which applicants must comply to become eligible for war risk insurance.

Therefore, the Maritime Administration (MARAD) seeks renewed approval for the following forms:

MA-528	APPLICATION FOR WAR RISK INSURANCE
MA-942	INTERIM BINDER OF INSURANCE
MA-355	UNDERWRITING AGENCY AGREEMENT
MA-828	VESSEL DATA (For use in determining war risk insurance valuation)
MA-742	OWNER'S CONTRACT OF COMMITMENT

Form MA-528 is a comprehensive single form, which permits the applicant to apply for insurance to: cover the vessel's hull; provide protection and indemnity insurance; second seaman's insurance; institute optional disbursements coverage; and verify that the vessel complies with the prerequisite condition of ownership and control by U.S. citizens. This single form permits respondents to apply for multifaceted insurance coverage options through the use of a single form. This form, for which continued use is now being requested, eliminates the number of forms a respondent has to file and also reduces the time needed to fill out the forms.

Form MA-528 provides MARAD with the information required to determine whether an applicant's vessel is qualified for participation in the program in respect to the different insurance for which binders are issued. If the information submitted meets the criteria contained in Section 308.3, a binder of insurance form (MA-942) is issued indicating each type of insurance coverage attached to the vessel. Form MA-942, which is the interim binder now issued to an eligible respondent vessel found to be qualified to receive insurance coverage, verifies that insurance is in place and has been attached to the respondent's vessel.

Section 1209(d) of the Merchant Marine Act, 1936, as amended (46 U. S. C. § 53910(d)), provides that the Secretary shall employ agents whenever it is practical to do so. Consequently, there is a contractual underwriter agency agreement between MARAD and an agent,. The duties of the Agent are to act on behalf of the Maritime Administration to receive and process applications, issue binders or policies, keep records, receive money and reports, and process claims. The agency agreement appears in the regulations and is designated form MA-355.

Information reported to the Maritime Administration on form MA-828 is used to obtain the owner's current authenticated data about a vessel's configuration and purchase price inclusive of any special equipment or vessel improvements.

The data is examined to help determine a vessel's commercial market value. This value becomes the stated valuation in the war risk binder for vessel hull insurance. The stated value sets forth the amount of payment for actual or constructive total loss as authorized by 46 U. S. C. § 53906.

The form MA-828 is submitted in conjunction with an application to enter into a war risk insurance binder with MARAD. Regulations describing the filing of form MA-828 with an application for participation in the Title XII program and the information contained therein are found in 46 CFR Section 308.3(a) and 309.8, respectively.

Form MA-742 commits a ship owner to make his vessel available to the United States during national emergencies.

**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.**

Applications for insuring U.S.-flag vessels are received and processed by the MARAD's official Agent). All applications are submitted by either the vessel's owner or charterer.

The information collected is used to determine the eligibility of the applicant and the vessel for participation in the program. The applicant submits the forms for the purpose of declaring to MARAD that both the property and persons to be insured are eligible for insurance; identifying the perils for which the insurance is requested; confirming that the applicant is an eligible U.S. citizen owning or controlling the vessel; and also asserting that the applicant intends to operate the insured property in the U.S. waterborne commerce in compliance with MARAD warranties. Such warranties assure continuing waterborne service in the interests of the national defense or the national economy of the United States.

Form MA-828 is used to obtain the owner's current authenticated cost and condition data about a particular vessel. This information is then used to assist in determining its classification and valuation in the event of a claim. The information is necessary before the applicant can comply with the terms and conditions under which insurance binders are issued.

If the information is not collected, it would be impossible to issue legally valid insurance binders or policies. If the Underwriting Agency Agreement did not exist, we would have

no basis upon which to employ an underwriting agent, as contemplated by 46 U. S. C. 53910(d).

- 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 official Agent has the ability to receive the required forms from the ship owners electronically.

- 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.**

All of the forms previously used for this program have been reviewed and all duplications have been eliminated by means of consolidation. Where there were previously three application forms and a Certificate of Ownership, there is now a single application form (MA-528). Where there were previously three separate binder forms, there is now one (MA-942). Further, the information is not available in any other source.

- 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.**

The information collection seldom involves small business organizations since the applicants are generally large shipping corporations.

- 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.**

The statutory authority for Title XII of the Merchant Marine Act, 1936, as amended, was recently extended by P L. 111-84 until December 31, 2015. All binders issued pursuant to that authority will be effective, unless cancelled, until that date. Consequently, the forms for which approval is being sought herein (except for MA-828) will be used with respect to any given binder or policy only once during the entire currently authorized program. Therefore, it is not possible to conduct the information collection any less frequently than currently anticipated, and furthermore, it is reiterated that without this one-time collection of information, it would be impossible to issue legally valid insurance binders or policies.

Because the information accompanies each application for an insurance binder, as well as changes in the status of the vessel, it is not possible to reduce the frequency of collection of form MA-828. This form is suitable for all situations that develop concerning the valuation of the vessel.

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 the 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 recordkeeping, 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.**

The Maritime Administration published a 60-day notice and request for comments on this information collection in the Federal Register (Vol. 78, No. 245) dated December 20, 2013 at 77203 indicating comments should be submitted on or before February 18, 2014. No comments were received.

In addition, the program has considerable visibility in the industry, and a representative of the Division of Marine Insurance consults periodically with MARAD's Agent and with industry executives on current and long-term problems. Efforts to set forth the information requirements of form MA-828 have been well established over many years.

**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.**

The information requested of participants in connection with their applications is not of a confidential nature, and consequently, no assurance of confidentiality need be given.

Data from form MA-828 is not released to the public unless through a Freedom of Information Act (FOIA) request. Under those circumstances, prior to release of such data, the submitting party is given an opportunity to claim an exemption from release pursuant to the FOIA. Prior to release, careful review of the reasons claimed for not releasing any requested data is done by the agency.

**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 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.**

Hour burden to respondents:

Number of respondents -----	20
Number of responses per respondent -----	1
Hours per response -----	12.8
Total hours per year -----	256
Total cost per hour -----	\$30
Estimated cost -----	\$7680.00

A determination of the estimated number of hours required per response was made after consultation with several respondents.



<u>Number of Respondents</u>		<u>Per Response</u>		<u>Cost Per Hour</u>		<u>Number of Hours</u>	=	<u>Cost Annually</u>	<u>Cost Annually</u>	<u>Total</u>
20	x	1	x	\$30	x	12.8	=	\$7680.00	\$7680.00	

**13. Provide an estimate of 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)**

- **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 operation and maintenance 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 Underwriting Agent is under contract to the U.S. Government at an annual fee of \$64,600 to provide administrative services in connection with receipt and processing of applications, issuance of binders and policies, and recordkeeping. In addition, a professional staff member of the Division of Marine Insurance performs similar functions with respect to applications concerning foreign-flag vessels and also supervises the work of the Agent.

Salaries of the government employees required to manage the War Risk program are:

Specialist	50 hours	@\$35.88	\$ 1,794.00
Typist	40 hours	@\$31.33	\$ 1,253.20
Chief/Director	50 hours	@\$74.51	\$ 3,725.50
SubTotal:			\$ 6,772.70
Overhead @85%			\$5,756.80
Underwriting Agent Contract			\$64,600.00
Total:			\$77,129.50

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

There were no program changes or adjustments reported.

- 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.**

The information in forms MA-355, MA-528, MA-742, and MA 942 is not collected for statistical use. The information collected from form MA-828 is assimilated into the

methodology used to calculate a vessel's stated value for war risk insurance.

- 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.**

MARAD is not seeking such an approval.

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

There are no exceptions to the certificate statement.