

**SUPPORTING STATEMENT FOR
PAPERWORK REDUCTION ACT SUBMISSIONS
OMB No. 1530-0014**

“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.

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? What consideration is given to use 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 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.

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, what methods are 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. What consequences to Federal program or policy activities and what, if any, technical or legal obstacles to reducing burden will occur if this collection is not conducted or is conducted less frequently?

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. Is this collection of information conducted in a manner consistent with the guidelines of 5 CFR 1320.6?

There are no special circumstances that require the collection of data to be conducted in a manner consistent with the guidelines set forth in 5 CFR 1320.6.

8. What effort was made to notify the general public about this collection of information? 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 notice for comments was published in the Federal Register on December 30, 2014 on page 78572, Vol. 79, No. 249. There were no comments received regarding this information collection.

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.

Aside from protections contained in the Privacy Act, there is no guarantee of confidentiality.

11. What justification is there for questions of a sensitive nature?

A biographical affidavit submitted by the applicant company includes a request for limited personal information including applicant's full name, social security number, address, date of birth, and telephone numbers. This is a standard state mandated form and is subject to public disclosure, subject to and limited by an individual's stated request for confidentiality of specified data. However, no personal questions of the nature under question are contained on the biographical affidavit.

12. What is the estimated hour burden of this collection of information?

Number of Respondents:	261	current certified companies
	<u>80</u>	current admitted reinsurers
Total:	<u>341</u>	

Frequency of Response: Annual

Annual Burden: 6,393.75 Hours; Estimated 18.75 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 \$1,470 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. What is the estimated total annual cost burden to respondents or recordkeepers resulting from this collection of information?

There are no capital/start-up or ongoing operation/maintenance costs associated with this information collection

14. What is the annualized cost to the Federal government?

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. What is the reason for any program changes or adjustments?

Adjustments have been made to the time per respondent to remove duplicate burden cleared under separate OMB numbers and correct calculation errors. The reduction of 7,161 hours is due to an adjustment in agency estimate. A total of 6,394 burden hours is requested.

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 1st 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 1st 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.

It is requested not to display the expiration date of the OMB approval because it may cause confusion as to the due dates(s) identified in the Annual Letters.

18. Explain each exception to the certification statement.

There are no exceptions to the certification statement.

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.

**BURDEN HOUR AND COST CALCULATION
ANNUAL LETTER-CERTIFICATE OF AUTHORITY**

Item	Location	OMB #	Burden (Minutes)	COST (EST.)		
Financial Statement	Annual Letter (AL) Supplement		45	\$125		
	Info. Auditor Request		120	\$150		
Excess risk Schedule (4 Quarters)	AL Ins. VIII		240	\$300		
Schedule F	AL Ins. VII	1530-0008	0	\$0		
License Sheet	AL Ins. XIV	1530-0009	0	\$0		
Mgmt. Discussion & Analysis	AL Ins. XVII		10	\$25		
IRIS Ratio	AL Ins. XXI		20	\$25		
Renewal Fee	AL		40	\$35		
Valuation of Securities	AL Ins. II		40	\$50		
Subsidiary Statements Ins.	AL Ins. III		45	\$150		
Subsidiary Balance Sheet Non-Insurance	AL Ins. III		45	\$150		
Appraisal Reports	AL Ins. IV		60	\$25		
Valuation Assets	AL Ins. V		30	\$50		
Bail Schedule	AL Ins. VI		50	\$60		
Capital Changes	AL Ins. IX		60	\$50		
Stock Changes	AL Ins. X		40	\$35		
Mergers, Transfers, Assumptions, etc.	AL Ins. XIV		40	\$35		
Chapter Amendments	AL Ins. XII		40	\$35		
Memoranda	AL Ins. XIII		60	\$50		
Exam Reports	AL Ins. XV		40	\$35		
CPA, SEC Report	AL Ins. XVI		40	\$35		
Penal Sum Bond Form (4 Quarters)	Annual Letter (AL)		60	\$50		
			MINUTES=	1,125	\$1,470	= COST
			HOURS=	18.75		

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.