

Supporting Statement
U.S. Department of Commerce
Bureau of Economic Analysis
Quarterly Survey of Insurance Transactions by U.S. Insurance
Companies with Foreign Persons (Form BE-45)
OMB Control Number: 0608-0066

A. Justification

1. Explain the circumstances that make the collection of information necessary.

The Bureau of Economic Analysis (BEA) produces the International Transactions Accounts (ITAs) of the United States. These accounts provide a comprehensive and detailed view of economic transactions between the United States and other countries. In addition, they provide input into other U.S. economic measures and accounts, contributing particularly to the National Income and Product Accounts (NIPAs) and Input-Output accounts. The ITAs are used extensively by both government and private organizations for national and international economic policy support and for analytical purposes. The services transactions accounts are contained within the current account of the ITAs and are divided into several major components. Insurance services is a major component of trade in services in the ITAs, accounting for 2 percent of U.S. exports and 9 percent of U.S. imports of services in 2017.

BEA is making one change to the BE-45 survey that will allow BEA to more accurately and reliably collect and publish data on quarterly reinsurance losses, as well as primary and auxiliary insurance transactions. The increased detail will improve the accuracy of BEA's quarterly statistics. The change is intended to address the needs of data users without placing undue burden on survey respondents.

Currently, respondents are required to report annual data on primary insurance premiums and losses, reinsurance losses, and auxiliary insurance services receipts and payments on Schedule B of the BE-45 survey on a mandatory basis in the fourth quarter of the year. Reporters have the option of voluntarily providing data on reinsurance losses on a quarterly basis throughout the year. However, the irregular approach to collecting the other information on Schedule B on an annual basis results in frequent reporting errors and data omissions, which require additional BEA resources to correct.

Beginning with reporting for first quarter 2019, respondents will be required to mandatorily report their primary insurance premiums and losses, reinsurance losses, and auxiliary insurance services receipts and payments on Schedule B every quarter. Many reporters already provide loss information quarterly, on a voluntary basis, since it's readily available in their accounting systems.

For those already providing loss information voluntarily—roughly 25 percent of reporters—we believe there will be minimal impact on their reporting burden for the additional items collected on Schedule B. For those not already providing loss information voluntarily each quarter we

estimate that the quarterly reporting burden for this additional detail, and the information collected for primary and auxiliary insurance, will result in a 1-hour increase in burden per response, from 8 to 9 hours.

The reporting thresholds of the current BE-45 survey will be retained. The effort to keep current reporting thresholds unchanged is intended to minimize respondent burden while considering the needs of data users. Existing language in the instructions and definitions will be reviewed and adjusted as necessary to clarify survey requirements.

The survey will be mandatory under the authority of the International Investment and Trade in Services Survey Act (P.L. 94-472, 22 U.S.C. 3101 through 3108), hereinafter “the Act.” It is the subject of this supporting statement. The BE-45 quarterly survey will be required from U.S. insurance companies whose transactions in any one of the eight categories below exceeded \$8 million (positive or negative) in the prior calendar year or is expected to exceed that amount during the current calendar year: 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 primary insurance sold to foreign persons; 4) losses incurred on primary insurance sold to foreign persons; 5) premiums incurred 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.

In Section 3 of Executive Order 11961, as amended by Executive Orders 12318 and 12518, the President delegated responsibility for performing functions under the Act concerning trade in services to the Secretary of Commerce, who has re-delegated it to the Bureau of Economic Analysis (BEA). The implementing regulations for the international services surveys conducted under the Act can be found in 15 CFR Part 801.

2. Indicate how, by whom, and for what purpose the information is to be used.

The information will be used by BEA in estimating the insurance services component of the U.S. ITAs. For each country and region, BEA will estimate cross-border insurance services. The quarterly collection of data will provide timely indicators of quarterly movements in transactions and provide the basis for quarterly estimates of the universe of insurance transactions covered by the BE-140, Benchmark Survey of Insurance Transactions by U.S. Insurance Companies with Foreign Persons. Some specific uses of the data to be collected are discussed in greater detail below.

(a) Compile and improve the U.S. economic accounts:

Data from the BE-45 survey will be used by BEA to estimate the insurance services component of the U.S. ITAs, which also enter the NIPAs and the Input-Output Accounts.

(b) Support U.S. government policy on services trade:

Data from the survey are needed to monitor U.S. trade in insurance services, to analyze the impact on the U.S. economy and on foreign economies, to compile and improve the U.S. economic accounts, to support U.S. commercial policy on trade in services, to conduct trade promotion, and to improve the ability of U.S. businesses to identify and evaluate market opportunities.

The data are used by several U.S. government agencies including the Office of the U.S. Trade Representative, the International Trade Administration of the Commerce Department, the Departments of Treasury and State, the Council of Economic Advisers, and the Federal Reserve Board to support U.S. international economic policy. The data also help identify areas where U.S. trade in services may be restricted.

The United States is a signatory to regional and multilateral commercial agreements that cover trade in services. The data from this and related surveys provide information that can be used both during negotiations and as an aid in monitoring resulting agreements. For example, trade in services are covered both by the General Agreement on Trade in Services, which is the principal World Trade Organization agreement on trade in services, and by the North American Free Trade Agreement among the United States, Canada, and Mexico.

(c) Other government uses:

Several agencies, including the U.S. Commercial Service (Commerce Department), facilitate U.S. trade by providing information and assistance to businesses. They use data from the quarterly survey for this purpose. They also use the data to examine the impact of trade in services on developing countries.

(d) Non-government uses:

International organizations and private researchers also use data from the quarterly survey in assessing the impact of U.S. trade in services on the U.S. and foreign economies. International organizations that regularly make use of BEA data on U.S. trade in services include the United Nations, International Monetary Fund, World Trade Organization, Organization for Economic Cooperation and Development, and World Bank. Numerous private researchers use the data; use by researchers affiliated with the National Bureau of Economic Research has been among the most extensive.

The Section 515 Information Quality Guidelines apply to this information. The information is collected according to documented procedures in a manner that reflects standard practices accepted by the relevant economic/statistical communities. BEA conducts a thorough review of the survey input data using sound statistical techniques to ensure that the quality of the data is high before the final estimates are released. The data are collected and reviewed according to documented procedures, best practice standards, and with on-going review by the appropriate supervisor. The quality of the data is validated using a battery of edit checks to detect potential errors and to otherwise ensure that the data are accurate, reliable, and relevant for the estimates being made. Data are routinely revised as more complete source data become available. The collection and use of this information complies with all applicable information quality

guidelines, i.e., those of the Office of Management and Budget (OMB), the Department of Commerce, and BEA.

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.

BEA offers electronic filing through its eFile system for use in reporting the BE-45 quarterly survey form. The eFile system enables respondents to download the survey forms in PDF format for each reportable U.S. company, enter the required data, and submit the forms securely to BEA. Additionally, BEA utilizes a secure messaging system, accessible through the eFile system, to ensure the confidentiality of correspondence with BE-45 respondents.

In addition, BEA provides links to all its survey forms and reporting instructions on its web site (www.bea.gov). Survey forms may be downloaded, printed, and submitted via fax or mail.

4. Describe efforts to identify duplication.

Data on U.S. international insurance services transactions are available only from surveys conducted by BEA.

The Census Bureau conducts economic surveys of establishments in services industries and includes on those surveys broad questions pertaining to revenues derived from sales to foreign persons. While these surveys do not identify the type of service or the country of the foreign customer, both of which are required by the ITAs, BEA has used information reported on Census Surveys to expand the mailing lists for several of its surveys.

5. If the collection of information involves small businesses or other small entities, describe the methods used to minimize burden.

The reporting threshold for this survey are set at level that will exempt most small businesses from reporting.

A BE-45 survey will be required only from U.S. insurance companies whose covered transactions with foreign persons for any one of the data items on the survey exceeded \$8 million (positive or negative) in the prior calendar year or is expected to exceed that amount during the current calendar year. While the survey does not collect data on total sales or other measures of the overall size of the businesses that respond to the survey, historically the respondents to the existing quarterly survey of insurance transactions have been comprised mainly of major U.S. corporations.

To reduce reporting burden, respondents may provide estimates of their transactions with foreign persons where precise data cannot be obtained without undue burden.

6. Describe the consequences to the Federal program or policy activities if the collection is not conducted or is conducted less frequently.

The data are needed on a quarterly basis to closely monitor U.S. international trade in insurance services, especially in the current economic environment, when such trade is changing rapidly in size, variety, and complexity. The quality and accuracy of the ITAs and the NIPAs, which are quarterly accounts, have been improved by conducting quarterly surveys. In addition to these quarterly estimates, monthly estimates must be prepared from these data for inclusion in the joint BEA-Census Bureau monthly news release on trade in goods and services. The quality of all these estimates would also be seriously impaired if the data were collected less frequently.

Quarterly surveys also provide more accurate and timely information on U.S. trade in insurance services for use in connection with trade policy and promotion and for other economic uses.

7. Explain any special circumstances that require the collection to be conducted in a manner inconsistent with OMB guidelines.

No aspects of the proposed Quarterly Survey of Insurance Transactions by U.S. Insurance Companies with Foreign Persons require a special justification.

8. Provide a copy of the PRA Federal Register notice that solicited public comments on the information collection prior to this submission. Summarize the public comments received in response to that notice and describe the actions taken by the agency in response to those comments. Describe the 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.

This submission follows a public request for comments in the *Federal Register* July 5, 2018 (Vol. 83, page 31366 – 31367). No comments were received.

BEA maintains a continuing dialogue with respondents and with data users, including its own internal users through the Bureau's Source Data Improvement and Evaluation Program, to ensure that, to the extent possible, the required data serve their intended purposes, that the survey instructions are clear, and that unreasonable burdens are not imposed.

To further substantiate the feasibility of collecting the survey's Schedule B data on a mandatory basis each quarter, BEA contacted several of its larger insurance company respondents that have not voluntarily reported their loss information on a quarterly basis to BEA. These companies have indicated they will be able to report Schedule B information on a quarterly basis to BEA and suggested that other insurance companies that are regulated to operate in the United States will be able to report their transactions to BEA on a quarterly basis. These additional details are maintained within the accounting records of all insurance companies and the additional burden associated with reporting is primarily reflective of the time needed to record the additional detail on the BE-45 survey form when prepared for submission by the respondent.

In addition, during 2017 BEA engaged with staff from the Data Collection Methodology and Research Branch (DCMRB) in the Economic Statistical Methods Division (ESMD) of the U.S.

Census Bureau to undertake a cognitive review of the BE-125 Quarterly Survey of Transactions in Selected Services and Intellectual Property with Foreign Persons and the 2017 BE-120 Benchmark Survey of Transactions in Selected Services and Intellectual Property with Foreign Persons. The cognitive review, which aligned with best practices in survey development and pretesting, included an expert review of the BE-120 and BE-125 forms, respondent debriefings, and multiple rounds of cognitive interviews consisting of approximately 30 in-person interviews with survey respondents. BEA will incorporate many of the findings into the design of the BE-45 survey, including improvements to the clarity of the instructions and respondent navigation throughout the survey.

9. Explain any decisions to provide payments or gifts to respondents, other than remuneration of contractors or grantees.

No payments or gifts to the respondents will be made.

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

BEA provides respondents with assurance that it will keep the reported data confidential. The following statement is taken directly from the reporting instructions for the survey:

“**Confidentiality** – The Act provides that your report to this Bureau is **confidential** and may be used only for analytical or statistical purposes. Without your prior written permission, the information filed in your report **cannot** be presented in a manner that allows it to be individually identified. Your report **cannot** be used for purposes of taxation, investigation, or regulation. Copies retained in your files are immune from legal process. Per the Cybersecurity Enhancement Act of 2015, your data are protected from cybersecurity risks through security monitoring of the BEA information systems.”

Sec. 5(c) of the Act (22 U.S.C. 3104) provides that the information collected can be used only for analytical and statistical purposes and access to the information shall be available only to officials and employees (including consultants and contractors and their employees) of agencies designated by the President to perform functions under the Act. The President may authorize the exchange of information between agencies or officials designated to perform functions under the Act, but only for analytical and statistical purposes. No official or employee (including consultants and contractors and their employees) shall publish or make available any information collected under the Act in such a manner that the person to whom the information relates can be specifically identified. Reports and copies of reports prepared pursuant to the Act are confidential, and their submission or disclosure shall not be compelled by any person without the prior written permission of the person filing the report and the customer of such person, where the information supplied is identifiable as being derived from the records of such customer.

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.

No questions of a sensitive nature are asked.

12. Provide estimates of the hour burden of the collection of information.

The quarterly survey is expected to result in the filing of approximately 550 reports on a quarterly basis or 2,200 per year. BEA expects approximately 515 filed each quarter by respondents that will report mandatory or voluntary data on the survey and 35 filed by respondents that will not report data. The average annual burden for completing the survey with data is estimated at 9 hours and the average annual burden for other responses is one hour, resulting in an overall annual respondent burden of an estimated 18,680 hours.

$$\begin{aligned} 515 \times 4 \text{ (times per year)} &= 2,060 \times 9 \text{ hours per response} = 18,540 \text{ burden hours} \\ 35 \times 4 \text{ (times per year)} &= 140 \times 1 \text{ hour per response} = 140 \text{ burden hours} \end{aligned}$$

This estimate covers the amount of time for respondents to review the instructions, search existing data sources, gather and maintain the data needed, and complete and review the information collection.

Respondent burden is estimated based on the estimated burden in the current BE-45 survey and other BEA surveys, feedback from respondents, and on changes to the form. The actual burden will vary from respondent to respondent, depending on the number and amounts of their transactions and the ease of assembling the data.

The estimated cost to respondents is \$747,200 based on an estimated reporting burden of 18,680 hours and estimated hourly cost of \$40.

13. Provide an estimate of the total annual cost burden to the respondents or record-keepers resulting from the collection (excluding the value of the burden hours in #12 above).

Other than respondent cost associated with the estimated burden of 18,680 hours (see A.12 above), the total additional annual cost burden to respondents is expected to be negligible. Total capital and start-up costs are insignificant because new technology or capital equipment will not be needed by respondents to prepare their responses to the survey. The total cost of operating and maintaining the technology and capital equipment will, therefore, also be insignificant. Purchases of services to complete the information collection are also expected to be insignificant.

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

The annual project cost to the Federal Government for this survey is estimated at \$375,000, which consists of \$300,000 for salaries and related overhead and \$75,000 for equipment, supplies, form design, printing, mailing, and computer processing.

15. Explain the reasons for any program changes or adjustments.

This request is for an extension with change of a currently approved collection. The estimated change in the burden hours is an increase of 3,380 hours (from 15,300 to 18,680). The agency estimate of the average time to complete the survey with data has been increased from 8 to 9 hours as a result of making it mandatory for respondents to report on the survey's Schedule B each quarter (see A.1. for additional information on changes and estimated impact on burden), and from an overall increase (from 500 to 550) in the estimated number of respondents meeting the (unchanged) mandatory requirements for filing on a quarterly basis.

16. For collections whose results will be published, outline the plans for tabulation and publication.

The data from this survey will be used to estimate international insurance services transactions by major world region and selected countries for the quarterly U.S. ITAs and for a more detailed annual tabulation of U.S. trade in services. These estimates will be published on BEA's web site (www.bea.gov). The data will also be used to provide the basis for the estimates of insurance transactions in monthly estimates of international services transactions, which are included in a joint BEA-Census Bureau news release on U.S. trade in goods and services.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons why display would be inappropriate.

The OMB expiration date will be displayed on the forms.

18. Explain each exception to the certification statement.

The BE-45 information collection is consistent with the certification in all aspects.