

December 31, 2017

Telephone (202) 874-6850

ANNUAL LETTER TO EXECUTIVE OFFICERS OF COMPANIES RECOGNIZED BY THE TREASURY AS ADMITTED REINSURERS OF SURETY COMPANIES DOING BUSINESS WITH THE UNITED STATES GOVERNMENT:

PLEASE NOTE:

- **This letter and all forms are available on our website:**
http://www.fiscal.treasury.gov/fsreports/ref/suretyBnd/surety_home.htm
- **Automated Treasury Schedule F posted on our website:**
http://www.fiscal.treasury.gov/fsreports/ref/suretyBnd/surety_home.htm

Your company is currently listed as an Admitted Reinsurer (except on excess risks running to the United States) of surety companies doing business with the United States, in accordance with 31 CFR Part 223 (Treasury Circular No. 297).

A copy of the 2017 NAIC UPLOAD FILE (s.txt file only) for your Company and all insurance company subsidiaries, and all supporting information must be sent via email to the Treasury Department no later than March 1, 2018. This enables companies holding a Treasury Certificate of Authority to receive credit for reinsurance reported on Schedule F which may be in force with your Company. The Annual Financial Statement Jurat Page should be **signed** and sworn to by two qualified officers of the Company, and notarized (facsimile signatures and notary seals are acceptable). **A checklist of items to be submitted with the annual filing is posted on our website at: http://www.fiscal.treasury.gov/fsreports/ref/suretyBnd/surety_home.htm. Please make one complete filing of all documents, to assist us in accounting for all filings accurately and expeditiously.**

The NAIC Upload File (s.txt file only) must be in accordance with the NAIC Annual Statement Filing Specifications. Please note this Department should be notified if the Company's NAIC Upload File (s.txt file only) is rejected by the NAIC or is faulty in any way.

All of our forms, including the Treasury Schedule F (Treasury Form No. TFS 6314) that lists the companies, pools and associations which are recognized by the Treasury, **are available online at: http://www.fiscal.treasury.gov/fsreports/ref/suretyBnd/surety_home.htm.** It is requested that the information reflected in Schedule F of the company's annual statement be reported on the Treasury form in accordance with instructions on the Schedule. The Schedule F is a spreadsheet that contains all formulas in the worksheet and automatically transfers data to the appropriate summary pages. Companies must simply enter their data and totals and data transfer between sections will occur automatically. All companies are reminded that the summary page of Schedule F should be included and be accurately completed. Companies are required to submit the Treasury Schedule F as a MS Excel document. However, if errors are found in the document, Treasury will notify the appropriate staff members from the company.

Questions or comments on the Schedule F can be directed to the Surety Bond Section at the following email address "surety.bonds@fiscal.treasury.gov". Please indicate in the subject line: Treasury Schedule F Comments/Suggestions.

Copies of the **Letters of Credit and Trust Agreements and Trust Account balances as of year-end** should be submitted to support the largest amounts reported on the Treasury Schedule F, Part 2, Cols. B and C. If such LOC's are issued by more than one bank, the LOC should specify how the funds are to be drawn on. Treasury does not accept LOC's with multiple beneficiaries. Please forward the supporting documents to this Department. All companies are cautioned that the summary page of Schedule F should be completed accurately, also.

Letters of Credit should be in U.S. currency and should be valid for a period of not less than one year, with an option to renew thereafter, and must be clean, irrevocable, unconditional letters of credit issued by any of the banks on NAIC's current list of "Banks Meeting Credit Standards for Issuing Letters of Credit."

Reinsurance payables , i.e., ceded (premium) balances payable as would be reported for the cessions on statutory statement Schedule F, Part 3, Column 16, are allowed as offsets for Treasury rating purposes provided there is a legal right of offset. Credit may also be taken, with prior approval from this Department, for multi-beneficiary trust agreements established and maintained in the United States by overseas accredited or trusted reinsurers, to the extent the unauthorized ceded business is covered by those accounts.

Companies with annual statements results which show materially adverse reserve development may wish to make plans to obtain confirmation, satisfactory to the Treasury, from a CPA firm, independent actuary or State Insurance Department, that its reserves are adequate at December 31. **If adverse development continues to appear, such confirmation may not be accepted from the same person (CPA firm, actuary, etc.) for two consecutive years.** However, if the development of the reserves is not adverse, an actuarial opinion provided by a "qualified actuary" employed by the company will suffice.

In order to be satisfied that Treasury recognized Admitted Reinsurers are solvent and able to keep and perform their contracts, Treasury requires that such companies **maintain an adjusted surplus, in excess of capital, equal to 50 percent of capital. Adjustments are made to a company's surplus based on the guidelines contained in Treasury's "Annual Letter to Executive Officers of Surety Companies Reporting to the Treasury" (refer to "Annual Letter to Surety Companies" on our web site at <http://www.fiscal.treasury.gov/fsreports/ref/suretyBnd/correspondence.htm>.)** Companies which fail to meet this requirement will be contacted regarding possible removal from the list of approved Admitted Reinsurers.

A copy of the last **Examination Report** made by a State Insurance Department should accompany the Annual Financial Statement, provided that the Treasury has not already been furnished a copy. Correspondence responding to the recommendations made by the State Examiner should be provided to this Department.

Companies are also required to submit a copy of their **NAIC calculated IRIS ratio results**, as soon as they become available. If a company's results are not calculated by the NAIC, Treasury should be notified by March 1. **Companies recognized as Admitted Reinsurers are expected to maintain results within the usual ranges for these ratios.** If a company does not meet this criteria, Treasury may request additional information from the

Company to substantiate its qualification for continued recognition as an Admitted Reinsurer. **The risk-based capital (RBC) ratio should be maintained at 200% or more at all times.**

Please note that in accordance with Section 223.22 of Treasury Circular 297 (31 CFR 223.22), a **fee of \$2,325** is required for determining the continued qualification of a company as an Admitted Reinsurer. The fee has not changed from last year. **It is due February 16, 2018.** **To pay your fee, go to our internet web site at http://www.fiscal.treasury.gov/fsreports/ref/suretyBnd/surety_home.htm and click on "PAY ONLINE"** (in the right hand column). You may pay online by credit card or ACH Debit. We accept American Express, Discover, Visa, and Master Card. ***If you choose to pay via automatic debit, you must first make sure that there are no restrictions on debit activity for the bank account you plan to use for your renewal fee payment.***

The timely submission of the required data due **March 1, 2018** in support of the annual reporting (e.g., financial statements and related supporting documents of subsidiary companies, real estate appraisal reports, actuarial opinions, NAIC Ratios, explanatory memoranda, etc.) is the responsibility of the reporting company.

EMAIL ALL DOCUMENTATION TO:

surety.bonds@fiscal.treasury.gov
(and/or to the financial analyst assigned to examine your company)

If your Company assumed only a nominal amount of reinsurance or no longer reinsures Treasury Certified companies, and you no longer wish to file the above material to continue your current Admitted Reinsurer Status, please submit a written request to be removed from Treasury's List of Admitted Reinsurers.

Melvin Saunders
Supervisor
Surety Bond Branch

Enclosure

Paperwork Reduction Act Statement

By authority of 31 U.S.C. 9304-9308, 31 CFR, Part 223, the information requested in this letter is required to retain a benefit and to enable the Assistant Commissioner, Management, Bureau of the Fiscal Service, Department of the Treasury, to determine if your company is maintaining compliance with the requirements of the Department of the Treasury in order for your company to remain qualified and acceptable as a surety or reinsurer of Federal bonds. Certified companies are required to file this information with Treasury once each year on March 1. Failure to provide this information will result in non-compliance with Treasury regulations and may result in revocation of your Company's authority.

Burden Estimate Statement

The estimated average burden associated with this collection is 39.75 hours per respondent or record keeper, depending on individual circumstances. Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be directed to the Bureau of the Fiscal Service, Division of Business Integration, Records Management Branch, Room 135, 3700 East-West Highway, Hyattsville, MD 20782. THIS ADDRESS SHOULD ONLY BE USED FOR COMMENTS AND/OR SUGGESTIONS CONCERNING THE AMOUNT OF TIME SPENT TO COLLECT THIS DATA. DO NOT SEND THE COMPLETED PAPERWORK TO THE ADDRESS ABOVE FOR PROCESSING.

**ANNUAL CALENDAR OF FILINGS IN 2018 FOR COMPANIES RECOGNIZED
BY THE TREASURY AS ADMITTED REINSURERS OF SURETY COMPANIES
DOING BUSINESS WITH THE UNITED STATES GOVERNMENT**

Due February 16

Renewal Fee of \$2,325 (email proof of payment to The Surety Bonds Branch)

Due March 1

(Refer also to the Checklist posted on our website.)

- Annual Financial Statement Jurat Page, signed, sealed and notarized for reporting company and all insurance company subsidiaries shown on Schedule D.
- The NAIC File Upload (s.txt file only) for reporting company and all insurance company subsidiaries shown on Schedule D.
- Treasury Schedule F** (ceded reinsurance only). Note: The Schedule F included in the company's Annual Statement reporting assumed reinsurance is sufficient for Treasury rating purposes. However, if Schedule F – Part 1 of the company's Annual Statement showing their assumed reinsurance is not included in the company's Annual Statement filed by March 1, it can be submitted separately no later than April 1.*
- Checklist of items to be furnished (including contact person information and email address)*

>> Please note, we do not require the Insurance Expense Exhibit to be filed or the PDF format of the Annual Financial Statement.

Due May 1

- IRIS Ratio Results (with explanations for unusual results)**

Due December 31

- Request for filing consolidated CPA reports, if applicable

Due Whenever Released by the State

- State Exam Report

Due Whenever Applicable

- Updated Biographical Affidavits on New Officers and Directors (use NAIC format)
- Any additional data requested by Treasury

* All of our forms are now available on-line:

http://www.fiscal.treasury.gov/fsreports/ref/suretyBnd/surety_home.htm

** These items should be sent as early as possible.