

PART A - JUSTIFICATION

Supporting Statement

OMB 1530-NEW

Complementary Reinsurers and Alien Reinsurers

A. Justification

1. Circumstances Making the Collection of Information Necessary.

Proposed changes to 31 CFR, Part 223 add two new categories of companies that can receive recognition from Treasury as a complementary reinsurer or alien reinsurer and create a new collection of information. The collection of information will be necessary when a company applies for recognition by Treasury as a complementary or alien reinsurer or annual renewal of such recognition.

Companies applying for initial recognition as a complementary reinsurer will submit to Treasury all information provided by the company or by the supervisory authority of the company's domiciliary jurisdiction to any U.S. state regulator in the two most recently completed calendar years. For renewal of such recognition, companies will submit all semi-annual and annual filing information provided by the company or by the supervisory authority of the company's domiciliary jurisdiction to any U.S. state regulator in the most recently completed calendar year.

Companies applying for initial recognition as an alien reinsurer will submit to Treasury all information provided to any U.S. state regulator in the two most recently completed calendar years. For renewal of such recognition, companies will submit all annual filing information provided to any U.S. state regulator in the most recently completed calendar year.

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. Section 223.2 specifies guidelines applicable to companies seeking certification while Section 223.12 specifies requirements applicable to companies seeking recognition as a reinsurer and sections 223.12(i) and 223.12(j) specify requirements applicable to companies seeking recognition as a complementary and alien reinsurer respectively.

2. Purpose and Use of the Information Collection.

The information is used by the Bureau of the Fiscal Service, Surety Bond Branch (SBB) to determine if the applicant company meets the requirements for recognition as a complementary reinsurer or alien reinsurer as outlined in § 223.12 of the revised regulations and in supplemental guidance published by Treasury on its website.

3. Consideration Given to Information Technology.

The information for complementary and alien reinsurers described in question 1 is the same information provided to the supervisory authority of the company's domiciliary jurisdiction, or to any U.S. state regulator. Therefore, most of the information requested is readily available and submitted to SBB in electronic form via email. Whenever possible, SBB attempts to convert as many reporting functions as economically feasible from a paper base to an electronic or automated system. An online payment portal is also provided for payment of application fees.

4. Duplication of Information.

No information of this type is known to be accumulated elsewhere in the Federal Government. Even though the same information is provided to the supervisory authority of the company's domiciliary jurisdiction, or to any U.S. state regulator, SBB uses the information to determine if the applicant company meets the requirements for recognition as a complementary reinsurer or alien reinsurer.

5. Reducing the Burden on Small Entities.

As indicated in item 3, insurance companies submit essentially identical information to the supervisory authority of the company's domiciliary jurisdiction, or to any U.S. state regulator license, 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.

6. Consequences of Not Conducting Collection.

The application process is a one-time occurrence per applicant followed by an annual renewal. This information is necessary for the Surety Bonds Branch to recognize two types of reinsurers in the Surety Bonds Program. Failure to collect the information will not allow the program to meet the program modernization goal of adding two new types of reinsurers to the program and support the Bilateral Agreement Between the United States of America and European Union on Prudential Measures Regarding Insurance and Reinsurance as well as the Bilateral Agreement with the United Kingdom commonly called the Covered Agreements.

7. Special Circumstances.

There are no special circumstances. The collection of information is conducted in a manner consistent with the guidelines in 5 CFR 1320.6.

8. Consultations with Persons Outside the Agency.

The proposed rule amendments provide for a 60-day period for the public to comment on the information collection. Comments that are received will be summarized and addressed in any final rulemaking.

Treasury published a Request for Information (RFI) on December 30, 2019. The RFI sought input from the public on a variety of topics relating to Treasury's evaluation of surety companies, as well as the operations of the corporate federal surety bond program. These topics included, among other things, Treasury's financial analysis methodology, its rules regarding credit for reinsurance, and the documentation it requires to perform its review. The RFI closed for comments on February 13, 2020. The comments received informed, in part, Treasury's decision to develop and propose this rulemaking.

The Bureau of the Fiscal Service coordinated closely with Treasury's Federal Insurance Office in developing both the RFI and the proposed regulations.

9. Payment or Gift.

There are no payments or gifts made to respondents.

10. Confidentiality.

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

11. Questions of a Sensitive Nature.

The information collected is necessary to determine if the applicant company is financially solvent and otherwise able to keep and perform any contracts of surety it may make with the Federal Government.

The Bureau of the Fiscal Service conducts a Privacy Impact Assessment (PIA) on information systems collecting personally identifiable information from the public. We do PIAs to ensure that:

- we tell the public the information that we collect about them,
- we adequately address impacts these systems have on personal privacy,
- we collect only enough personal information to administer our programs, and no more

Also, PIAs confirm that we use the information for the purpose intended; that the information remains timely and accurate; that it is protected while we have it, and we hold it only for as long as we need it.

The administration of the Surety Bond Program is included in the PIA for Surety Information Management System (SIMS IV) available at

12. Burden of Information Collection.

A. The annual burden hour estimate is 400 hours per year. An initial response of 100 applicants is estimated for the first year with a time of 4 hours per response. A significant drop in new applicants is anticipated after the first couple of years but an estimate of 150-200 renewals is expected with an estimated time of 2 hours per response. The table below illustrates the relationship of new applications and renewals that is expected for the first three years and will be used for comparison in future renewal requests for the assigned OMB number.

	Applicants (4 hours)	Renewal (2 hours)	Total Burden
Year 1	100	0	400
Year 2	55	80	380
Year 3	30	140	400

B. The estimate of the annualized hour burden cost to responding companies processing the information, assuming the information is computer generated and mailed to the SBB should be about \$35.00 per hour based on rates supplied by responding companies. Therefore, a reasonable estimate for all 400 responding companies would be \$14,000 (400 hours X \$35.00/hour).

Reporting	# Respondents	# Responses Per Respondent	Total annual Responses	Hours per response	Total Burden in Hours	Cost to Respondent (\$35 per hour*)
Initial Application	62	1	62	4	248	\$8,680
Annual Renewal	80	1	80	2	160	\$5,600
TOTAL	142		142		408	\$14,280

13. Annual Cost to Respondents.

There are no other costs to respondents other than the applicable application fee (Item 14). The information requested is of a general nature and is already maintained by the companies in their normal business practices. Therefore, there are no capital or start-up costs; nor are there operational or maintenance costs associated with this information collection.

14. Cost to the Federal Government.

Applicant companies will pay fees of \$3,275 for initial recognition as a reinsurer, and \$2,325 for annual renewal. These fees reflect those currently collected from Admitted Reinsurers, however they have not been updated or changed since 2011. The estimated program costs in CY2022 are \$2,800,107 while the fees collected are anticipated to cover \$1,946,700 of that amount. An examination of the fees collected in recent years supports a multiple year initiative to increase fees for all categories of applicants to more closely align with annual program operating costs. All components, such as personnel costs, paperwork, overhead, etc., have been considered in the determination of the applicable fees. The fees represent the approximate overall costs to the Government for processing the particular application.

15. Reason for Change.

This is a new collection.

16. Tabulation of Results, Schedule, Analysis Plans.

No complex analytical techniques are used in collecting this information. The results of the collection of this information will not be published for statistical use.

17. Display of OMB Approval Date.

The bureau plans to display the expiration date for OMB approval of the information collection on all instruments.

18. Exceptions to Certification for Paperwork Reduction Act Submission.

There are no exceptions to the certification statement.