

# **SUPPORTING STATEMENT**

**OMB Number 1530-0008**

## **Annual Financial Statements of Surety Companies – Schedule F**

### **A. Justifications.**

#### **Summary of Changes for renewal in 2023:**

Q8: Current Federal Register citation was added.

Q12: The estimated Annual Respondent Cost was updated using current data available from the U.S. Bureau of Labor Statistics.

Q14: The cost to the Federal Government was updated using current pay tables available from OPM.

Q15: Explanation of change to the cost to the Federal Government.

### **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.**

The information in the Schedule F is collected pursuant to 31 CFR, Part 223.9 and Instruction VII of Treasury’s “Annual Letter to Executive Officers of Surety Companies Reporting to the Treasury” and “Annual Letter to Executive Officers of Companies Recognized by the Treasury as Admitted Reinsurers.” The Schedule F provides a listing of Treasury authorized and unauthorized reinsurers for purposes of determining an amount of unauthorized ceded reinsurance that may be offset against a company’s net worth in determining that company’s Treasury underwriting limitation.

Treasury has been mandated at 31 USC, Sections 9304 – 9308, to ensure that companies so certified by Treasury are solvent and able to carry out their contracts. The information contained in the Schedule F assists the staff of the Surety Bond Branch (SBB) in this analysis and determination.

### **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.**

As indicated above, the purpose of the collection is to assure the SBB staff that a currently certified company is solvent and able to carry out its contracts. Auditors of the SBB perform an analysis of the Schedule F to compute an amount of ceded reinsurance recoverable that Treasury would consider as unauthorized. Unauthorized ceded reinsurance may be defined as any cessions made to companies not holding Treasury Certificates of Authority, not recognized by Treasury as Admitted Reinsurers, or cessions with inadequate offsets, as shown in Part 2 of the Schedule F. This amount of unauthorized ceded reinsurance is then deducted from a company’s net worth in determining its Treasury underwriting limitation. A company with a material amount of unauthorized ceded reinsurance may not meet Treasury’s minimum financial requirements, or its solvency may be put into question.

### **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, e.g., permitting electronic submission of responses, and**

**the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.**

The SBB provides annually an electronically automated updated version of Treasury Schedule F (FS Form 6314) on the SBB website. Companies simply need to access the website and review the Schedule F, along with the hard paper copy that SBB provides of supplemental changes made to the Schedule F, which is sent to all companies in SBB's annual mailing for renewal of Treasury Certificates of Authority. Further, companies may utilize independent vendors who have developed a Schedule F format, or alternatively their own internally computerized developed version of the Schedule F format. In either case however, companies must verify that the information contained in any independent vendor version or internally generated version of Schedule F matches precisely to the information contained in the official SBB version of Schedule F. The SBB confirms that the computations submitted are accurate. When Schedule F is completed, the company may forward the data to the SBB as an e-mail file attachment.

**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.**

No information of this type or format is known to be accumulated elsewhere in the Federal Government. However, insurance companies must report their cessions to reinsurers to the state insurance department in the state in which the company is domiciled. These reinsurance cessions may be authorized or unauthorized in the domiciliary state of the reporting company, since each state has different listings of acceptable and unacceptable reinsurers. Some companies' statutory Schedule F run multiple pages in length and may be in small print. Conceivably, cessions could have been made to hundreds of companies. If SBB auditors were to analyze the statutory Schedule F forms for each of its current 257 Certified companies and 60 companies recognized as Admitted Reinsurers, the SBB would be unable to meet its requirement for the publication of its list of acceptable sureties within the timeframe available. The SBB has only 4 months in which to review all companies plus subsidiaries, to formulate and publish its Circular 570. In fact, 31 CFR, Part 223.16 states that the list must be published as of July 1<sup>st</sup>. The earliest that companies can submit their annual financial statements is March 1<sup>st</sup>. The analytical work required could not be accomplished within this timeframe without the reporting companies submitting the information in the Treasury Schedule F format. Therefore, failure to collect this information in the requested Treasury Schedule F format would result in an enormous increase in time the SBB would have to devote to the analysis of statutory Schedule F submissions and possibly prevent the SBB from meeting its required July 1<sup>st</sup> publication date for Circular 570.

**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.**

Small companies reporting to the Treasury generally have minimal reinsurance cessions and therefore minimal entries to be made on the Schedule F. For those companies, the SBB may make exceptions to the reporting requirement. Further, the burden is minimized through the use of a standard form to be submitted once a year. The submission date for this form has been adjusted so that the companies may submit the data with their annual financial statement filing to the SBB. A separate filing is therefore avoided.

**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.**

Since the information being reported to the Treasury changes yearly, the annual collection requirement has proven sufficient for Treasury's purposes. A decrease in collection frequency would result in inaccurate information concerning an insurance company's solvency and ability to carry out its contracts. The information collected supports certain assets and liabilities in a company's year-end annual financial statement. Improper matching would occur with less frequent collection.

**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; etc.**

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

**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.**

The Bureau's notice was published in the Federal Register on June 27, 2023, Volume 88, Page 41717. No comments were received regarding this information collection.

**9. Explain any decision to provide any payment or gift to respondents, other than remuneration 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.**

No assurance of confidentiality is provided relative to the official use of the information. The information as presented in the company's annual financial statement is public information. The information on Treasury's Schedule F is basically the same, except that it is formatted for efficient processing and analysis by the SBB.

**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. The Bureau of the Fiscal Service conducts a Privacy Impact Assessment (PIA) on information systems collecting personally identifiable information from the public. PIAs are performed 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 PIA for the Surety Information Management System (SIMS IV) is available at <https://www.fiscal.treasury.gov/files/pia/sims-iv-pcia.pdf>

**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.**

- a. The estimated burden of 6,909 hours from 337 respondents is calculated as follows:

# Respondents	Responses per Respondent	Annual Responses	Time per Response	Total Burden
317	1	317	20.5 hours	6,499 hours

This time per response would vary depending on the complexity of the submission. For insurance groups with many companies ceding significant portions of their business, the processing time could be 40 hours or could be as little as a few hours if generated by their internal computerized accounting systems. For companies with small amounts of reinsurance cessions, processing time could be minimal. Of the 317 currently reporting companies, an estimated average number of hours is assumed at 20.5. Total burden hours would be 6,499.

- b. Estimate of Annual Respondent Cost

No. of Respondents	Number of Responses per Respondent	Average Burden per Response (in hours)	Total Annual Burden (in hours)	Average Hourly Wage Rate <sup>1</sup>	Total Annual Respondent Cost
317	1	20.5 hours	6,499	\$96.03	\$ 624,098.97

The estimate of the annualized hour burden cost to responding companies processing the information assumes the information is computer generated and mailed to the SBB.

**13. Provide an estimate for 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).**

SSB did not receive any public comments about the respondent costs. Therefore, it is estimated that there are no recordkeeping, capital, start-up, or maintenance costs for respondents associated with this information collection.

**14. Provide estimates of annualized costs 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 may also aggregate cost estimates from Items 12, 13, and 14 in a single table.**

SBB incurs personnel expenses for updating and posting the Treasury Schedule F to the SBB website. SBB and others (i.e., Fiscal Service Information Resources staff) perform required tasks (approximately 20 total man hours) at an average hourly rate based on a GS12-5 (\$73.00/hour including wages and benefits). Total estimated annual cost to the Government would be \$1,460.00.

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

The decrease from 6,909 hours to 6,499 burden hours is attributed to an adjustment based on a decrease in the number of respondents since the prior submission.

The estimate for the annualized cost to the Federal government is an increase based on an examination of the hourly rate for the personnel responsible for tasks related to updating and posting the information on the Treasury Schedule F.

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<sup>1</sup> It is expected that respondents to this collection could be from Financial Specialist occupation with an average wage rate of \$40.18 according to the May 2022 National Occupational Employment and Wage Estimates. [https://www.bls.gov/oes/current/oes\\_nat.htm](https://www.bls.gov/oes/current/oes_nat.htm) A benefit multiplier of 1.44 is used to calculate a fully-loaded wage rate of  $\$40.18 \times 2.39 = \$96.03$

Using the BLS Employer Costs for Employee Compensation – March 2020 report <https://www.bls.gov/news.release/pdf/ecec.pdf>, a benefit multiplier of 2.39 was calculated by taking the private industry worker 50<sup>th</sup> (median) wage percentile total compensation rate divided by the wages and salaries rate.  $\$28.37 / \$11.86 = 2.39$

**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.**

No complex analytical techniques are used in collecting this information. Respondents receive a copy of Treasury Schedule F for completion and return submission in mid-January each year. There is no publication of the information contained in the completed Treasury Schedule Fs submitted by the company respondents.

**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.**

The expiration date for the OMB approval will be displayed as appropriate.

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

No exceptions have been made to the certification statement (Item 19, OMB Form 83-I).

**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.