

Supporting Statement
U.S. Department of Commerce
Bureau of Economic Analysis
Benchmark Survey of Insurance Transactions by U.S.
Insurance Companies with Foreign Persons
OMB Control Number 0608-0073

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. 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 are a component of trade in services in the ITAs, accounting for approximately 3 percent of U.S. exports and 13 percent of U.S. imports of private services in 2012.

The proposed information collection, BE-140 Benchmark Survey of Insurance Transactions by U.S. Insurance Companies with Foreign Persons, is necessary to provide baseline information on U.S. trade in insurance services used in connection with the cut-off sample data from BEA's BE-45, Quarterly Survey of Insurance Transactions by U.S. Insurance Companies with Foreign Persons.

The proposed survey would 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 survey will obtain annual data from all U.S. insurance companies that engage in the following international insurance transactions: (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 direct insurance sold to foreign persons; (4) losses incurred on direct insurance sold to foreign persons; (5) premiums paid 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. All respondents are required to report the total dollar amounts by the eight types of insurance transactions. In addition, insurance companies with transactions in at least one of the eight categories listed above that exceed \$2 million must supply country-specific data on the amount of their insurance transactions for each category.

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

As in the case of previous benchmark surveys, the information will be used by BEA in estimating the insurance services component of the U.S. ITAs. For published countries and regions, BEA will estimate U.S. cross-border insurance services. The data will also provide a benchmark for future quarterly insurance estimates and will enable BEA to improve the accuracy and usefulness of these quarterly estimates, which enter the national income and product and input-output accounts in addition to the ITAs.

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

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 the quality of the data before releasing the final estimates. The data are collected and reviewed according to documented procedures including the use of check lists, procedures manuals, and in-depth review by the appropriate supervisor or team leader. The quality of the data are validated using computerized 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., OMB, Department of Commerce, and those of the Bureau of Economic Analysis.

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.

eFile is BEA's electronic filing system and has been used successfully for many of BEA's surveys. The *eFile* system makes use of fillable Adobe PDF forms that can be downloaded, completed, saved, and submitted securely to BEA. The proposed survey will use *eFile* or a similar system for electronic data submission. Use of *eFile* will be at the respondent's option. BEA expects that approximately 80 percent of the total responses will be filed electronically. Additionally, BEA will offer respondents the option to file by mail or email. Twenty percent of the respondents used these methods to file their reports.

4. Describe efforts to identify duplication.

Data on U.S. international insurance services transactions are available only from surveys conducted by BEA. This benchmark survey will provide more comprehensive

information on insurance services than what BEA had collected on a cut-off sample basis on its BE-45, Quarterly Survey of Insurance Transactions by U.S. Insurance Companies with Foreign Persons. The quarterly collection of data is required to provide timely indicators of quarterly movements in transactions. The benchmark collection, conducted on a calendar year basis after the companies have closed their books for the year, is required not only to verify the accuracy of the quarterly data, but also to collect data on transactions that fall below the reporting threshold on the quarterly survey.

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. Although 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 the information reported 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.

This information collection excludes most small businesses from mandatory reporting. Companies that engage in international insurance transactions tend to be quite large. In addition, the reporting threshold for this survey, applied separately to each of the individual types of transactions covered, is set relatively high, so most small businesses will not have to report. In addition, transactions by country in the proposed benchmark surveys will be required only from U.S. insurance companies whose covered transactions with foreign persons for any of the transaction types on the survey exceeded \$2 million for the calendar year. Any small businesses that may be required to report would likely have engaged in only a few covered transactions, and so the burden on them would be relatively small. Finally, to reduce 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.

This survey is intended to yield universe data for the services transactions covered. In non-benchmark years, universe estimates covering these transactions will be derived from the cut-off sample data reported on BEA's quarterly survey by extrapolating forward the universe data collected on the benchmark survey.

Because the quarterly sample surveys are more limited in coverage, a period beyond the normal benchmark interval of five years would require reliance on universe estimates linked to an aging base. The reliability of the estimates becomes increasingly questionable as the base ages. This problem is particularly serious during a period when international trade in services is growing rapidly in size, variety, and complexity, and as the geographic pattern of trade changes, due in part to the expansion of trade with emerging economies.

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

No aspects of the proposed Benchmark 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* (page 47671 of the August 6, 2013 issue). No comments were received. BEA maintains a continuing dialog 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 and are available from existing records, that instructions are clear, and that unreasonable burdens are not imposed.

In early 2013, BEA staff visited the National Association of Insurance Commissioners (NAIC) and the Reinsurance Association of America (RAA) and contacted the American Council of Life Insurers (ACLI) to determine whether new reporting requirements that BEA was planning for the BE-140, Benchmark Survey of Insurance Transactions by U.S. Insurance Companies with Foreign Persons, were reasonable. In addition to seeking general comments on the proposed benchmark survey, BEA asked their comments on three proposed changes to the survey: (1) whether entities could disaggregate transactions on life and nonlife insurance separately. International guidelines recommended treating life and nonlife insurance and reinsurance differently; (2) whether BEA should remove the questions about finite reinsurance contracts assumed and/or ceded from the BE-140. Finite reinsurance is a form of insurance in which very little risk is transferred. Evidence suggests that finite reinsurance became an obsolete concept in recent years and is no longer relevant to the industry; and (3) whether entities could provide more information on large, infrequent transactions in reinsurance, defined as those contracts with premiums ceded or assumed in excess of \$1 billion that are at least three times the size of their average regular contract. Such large, infrequent transactions complicate the estimation of insurance services. BEA would like to collect more information about these transactions to better evaluate the reported data. BEA also visited one large insurance company and contacted several other respondents and data users for their feedback on the same issues.

Feedback suggested that entities should be able to report life and nonlife direct insurance separately but may have difficulty in reporting life and nonlife reinsurance separately. Feedback was unanimous that finite reinsurance is an obsolete concept. Feedback also indicated that it would be beneficial to collect more information on the aforementioned

large, infrequent transactions in reinsurance, and that the entities with such transactions should be able to provide relevant information. Based on the results of this outreach, BEA decided not to ask entities to report transactions for life and nonlife insurance and reinsurance separately in the survey, and BEA decided to remove the three questions about finite reinsurance from the survey and add three questions and Schedule C about the large, infrequent transactions in reinsurance to 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.

Sec.5(c) of the Act (22 U.S.C. 3104) provides that the information collected may 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 the 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 such 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.

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 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.”

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 benchmark survey, as proposed, is expected to result in the filing of approximately 1,042 reports, approximately 521 respondents would report both aggregated and country-specific data on the survey and 521 respondents would report aggregated data only. The average annual burden for completing the survey with both aggregated and country-specific data is estimated at 8 hours and the average annual burden for completing the survey with only aggregated data is one hour, resulting in an overall estimated respondent burden of 4,689 hours. This estimate covers the amount of time for respondents to review the instructions, search existing data sources, gather and maintain data, and complete and review the information collection. The actual burden will vary from reporter to reporter, depending upon the number and amounts of their transactions and the ease of assembling the data.

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 Question 12 above).

The total respondent cost is approximately \$187,560, based on an estimated reporting burden of 4,689 hours (see A.12 above) and estimated hourly cost of \$40. Total capital and start-up costs are insignificant, because new technology or capital equipment would not be needed by respondents in order to prepare their responses to the survey. As a consequence, the total cost of operating and maintaining the technology and capital equipment will 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 \$332,000, which consists of \$252,000 for salaries and related overhead and \$80,000 for equipment, supplies, form design, and computer processing.

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

This request is a no material or nonsubstantive change to a currently approved collection. BEA revised the survey form to remove the three questions about finite reinsurance from the survey. Finite reinsurance became an obsolete concept in recent years and is no longer relevant to the industry. BEA also added three questions and Schedule C about the large, infrequent transactions in reinsurance to the survey to better understand the nature of these transactions. Only very small number of respondents (less than 10) would be affected by these revisions; and the revisions will not affect the respondents/responses/burden hours.

The reevaluation of the survey mailing list added 42 expected responses, which is an increase of 189 burden hours due to an Adjustment in Agency Estimate.

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 private services. These estimates will be published in BEA's monthly journal, *Survey of Current Business*, and on BEA's web site (www.bea.gov). The data will also be used to provide the basis for the reflection of insurance transactions in monthly estimates of international services transactions, which are included in a monthly BEA- U.S. Census Bureau news release on U.S. trade in goods and services.

The benchmark survey will be conducted on a quinquennial basis beginning with data for calendar year 2013 upon completion of the clearance process. The data collected will be used to estimate the universe of international insurance services transactions and to publish revised 2013 and 2014 quarterly estimates in June 2015 and more detailed annual estimates in October 2015.

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 Benchmark Survey of Insurance Transactions by U.S. Insurance Companies with Foreign Persons is consistent with the certification in all aspects.