

December 31, 2023

## **ANNUAL LETTER TO EXECUTIVE OFFICERS OF SURETY COMPANIES REPORTING TO THE DEPARTMENT OF THE TREASURY AS ADMITTED REINSURERS**

Congress authorized the Secretary of the Treasury (the Secretary) in 31 U.S.C. §§ 9304-9305 to certify a surety company to do business with the United States if the Secretary determines that the company meets certain conditions and is able to carry out its contracts. Treasury has published its requirements for companies applying to underwrite or reinsure federal bonds at 31 C.F.R. Part 223.

Pursuant to 31 C.F.R. 223.12, Treasury also recognizes companies as Admitted Reinsurers on bonds or policies not running to the United States. This Annual Letter describes the documentation companies seeking such recognition must submit.

### PLEASE NOTE:

- This letter and all forms are available on our website:  
<https://www.fiscal.treasury.gov/surety-bonds/downloads.html>

The 2023 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, 2024**.

Annual Statement NAIC File Upload (s.txt file only) should be filed for your company as well as for all insurance company subsidiaries shown on the year-end Schedule D. The Annual Financial Statement Jurat Page must be signed and sworn to by the company's President and Secretary or if being signed by someone other than the President and Secretary, must be signed and sworn in accordance with the state requirements and provide the state provision in support. The form must be notarized (wet or electronic signatures and notary seals are acceptable) for the reporting company and all insurance company subsidiaries shown on Schedule D. A checklist of items to be submitted with the annual filing can be downloaded from the website above. 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, the Surety Bond Branch should be notified if the Company's NAIC Upload File (s.txt file only) is rejected by the NAIC, faulty in any way, or have submitted an amended 2023 annual statement.

**Treasury Schedule F** can be downloaded from the website above. It is required 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 formula driven workbook and automatically transfers data to the appropriate summary pages. All companies are reminded that the summary page of Schedule F must be included and be accurately completed. Companies are required to submit the Treasury Schedule F as a MS Excel document. 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 Branch at [surety.bonds@fiscal.treasury.gov](mailto:surety.bonds@fiscal.treasury.gov). Please indicate in the subject line: Treasury Schedule F Comments/Suggestions.

Pursuant to 31 C.F.R. 223.12 (a)(4) and (c), Treasury requires companies seeking recognition as Admitted Reinsurers to submit annual financial statements.

Copies of **the Letters of Credit and Trust Agreements and Trust Account balances as of year-end** must be submitted to support the largest three 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. Please forward the supporting documents to this Department. All companies are cautioned that the summary page of Schedule F must 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 17, 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 trustee reinsurers, to the extent the unauthorized ceded business is covered by those accounts.

A **statement of actuarial opinion** on the adequacy of all loss reserves of the company must be provided by a "qualified actuary" as defined by the NAIC. The scope, format and opinion of the report should also conform with the requirements of the NAIC Annual Statement Instructions for Property and Casualty Companies. **Where a pooling arrangement exists, an actuarial opinion on the reserve adequacy of the pool should be provided, along with a worksheet showing the percentage participation and reserves allocated to each of the individual pool members.**

Companies with annual statement 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 will rely upon a company's Risk-Based Capital (RBC). RBC is not designed to be used as a stand-alone tool in determining the financial solvency of an insurance company. As such, Treasury uses it in conjunction with its regulations and a company's overall financial results, ratios and trends to evaluate its financial strength and solvency. The RBC ratio should be maintained at 200% or more at all times. If a company's RBC ratio falls below this threshold or otherwise exhibits a concerning trend, Treasury may require the company to take corrective action to maintain its certification.

A copy of the most recent **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.** When a company's ratio results do not fall within the usual ranges, Treasury may notify the company of its concern over the company's financial condition. The company will be afforded an opportunity to respond to Treasury's concern. If a company does not meet these criteria, Treasury may request additional information from the Company to substantiate its qualification for continued recognition as an Admitted Reinsurer.

Please note that in accordance with 31 CFR 223.22, a **fee of \$3,200** is required for determining the continued qualification of a company as an Admitted Reinsurer. **It is due February 15, 2024.** **To pay your fee, go to our internet web site at <https://www.fiscal.treasury.gov/surety-bonds/> and click on "PAY ONLINE".** 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, 2024** 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](mailto: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  
Manager  
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, Fiscal Accounting, 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 a loss of your company's authority to act as a surety or reinsurer of Federal bonds.

**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, Forms Management Officer, Parkersburg, WV 26106-1328. **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 2024 FOR COMPANIES RECOGNIZED  
BY THE TREASURY AS ADMITTED REINSURERS OF SURETY COMPANIES  
DOING BUSINESS WITH THE UNITED STATES GOVERNMENT**

**Due February 15** (or the following business day if the 15<sup>th</sup> falls on a weekend) Renewal Fee of \$3,200 (email proof of payment to The Surety Bonds Branch)

**Due March 1** (or the following business day if the 1<sup>st</sup> falls on a weekend) **(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). The Treasury Schedule F should be submitted as an MS Excel Document. 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.
- Statement of Actuarial Opinion.
- Annual Checklist\* for Filings for Admitted Reinsurer Companies (including contact person information and email address)  
<https://www.fiscal.treasury.gov/surety-bonds/downloads.html>

**>> 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** (or the following business day if the 1<sup>st</sup> falls on a weekend)

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

**Due June 1** (or the following business day if the 1<sup>st</sup> falls on a weekend)

- CPA Audited Financial Statements\*\* (specific to the reporting company – no consolidated statements unless approved by in advance by the Surety Bond Branch)
- CPA Report on Internal Control and the Management Letter as received.
- CPA's Management Letter 10-K Report, if applicable

**Due December 31** (or the following business day if the 31<sup>st</sup> falls on a weekend)

- 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/Others (use NAIC format)
- Information on Changes in Reinsurance Agreements
- Information on Ownership and/or Name Changes
- Any additional data requested by Treasury

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

<https://www.fiscal.treasury.gov/surety-bonds/downloads.html>

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