From: Simpson, Cynthia - OCFO
Sent: Tuesday, March 29, 2016 4:31 PM
To: FASAB
Cc: Brown, Kevin L - OCFO; Tekleberhan, Karen - OCFO; Sacchetti, Dylan M - OCFO; Balin, Robert - OCFO; Simpson, Cynthia - OCFO; DiGiantommaso, Jen - OCFO; Wyes, Tesfaye T - OCFO
Subject: US DOL/OCFO Comments on Exposure Draft, "Insurance Programs (December 30, 2015)"

This e-mail is sent on behalf of Mr. Kevin L. Brown.

Below please find comments from the U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO), on the exposure draft of proposed Statement of Federal Financial Accounting Standards, "Insurance Programs (December 30, 2015)." Comments were requested by March 29, 2016.

DOL/OCFO provided responses to the following questions: 2a, 4a, and 8. DOL/OCFO has no responses to the other questions at this time. DOL/OCFO appreciates the opportunity to provide comments. If there are any questions, please contact:
Jen DiGiantommaso or
Cynthia Simpson,
Both may be reached at 202-693-6800.

Regards,

Kevin L. Brown
Associate Deputy Chief Financial Officer for Fiscal Integrity
U.S. Department of Labor
Office of the Chief Financial Officer

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U.S. Department of Labor
Office of the Chief Financial Officer
Comments on Exposure Draft, "Insurance Programs (December 30, 2015)"
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Q2. Additional new terms were introduced (par. 10–25) in order to provide definitions needed to consistently report on insurance programs.

a. Do you agree or disagree with the proposed definition of each term? Please provide the rationale for your answer.

US DOL/OCFO Response: In paragraph 10, **please add to the list of exclusions:**

(**1) Programs treated as fiduciary funds**

Rationale: US GAAP for fiduciary funds are covered under SFFAS 31. The assets and liabilities of a fiduciary fund are not the assets and liabilities of the component reporting entity and are excluded from the financial statements; fiduciary funds are reported as disclosures. For fiduciary funds that produce their own audited financial statements, the component reporting entity is required to disclose information on how the reader can obtain a copy of the financial statements and the audit opinion. The Federal government, in its fiduciary role, may not be liable for payments in an amount greater than the money or property deposited/belonging to the fiduciary fund. Fiduciary funds should be excluded from the accounting standard for insurance programs.

(2) Workers' compensation programs for Federal employees (and Federal contractors and subcontractors)

Rationale: Workers' compensation programs pay for medical costs, lost income and/or work-related injury/illness incurred by Federal employees (and Federal contractors and subcontractors in some programs) while performing work for the Federal government. In some cases, the spouse and dependent children may receive benefits. These programs support DOL's strategic goal to "Secure retirement, health, and other employee benefits and, for those not working, provide income security."

The Federal Employees' Compensation Act (FECA) provides workers' compensation coverage to three million federal and postal workers around the world for employment-related injuries and occupational diseases. DOL receives appropriations for the administration of the FECA program and the unreimbursed portion of FECA benefits; DOL is reimbursed for actual FECA benefits by other Federal Agencies. DOL follows the accounting standard covering other post-employment benefits in SFFAS 5, paragraphs 94—96, to record/report DOL's portion of the FECA actuarial liability; DOL also computes the actuarial liability of Federal Agencies so that the Federal Agencies may record/report their portion of the actuarial liability for their financial statements. Within DOL, the FECA program has three separate audits/examinations (SSAE 16; attestation of the schedule of actuarial liability by Agency, net intra-governmental accounts receivable by Agency, and benefits expense by Agency; and as part of the consolidated financial statements of the DOL component entity). As an other-post-employment benefit, the FECA program, or a program with similar characteristics, should be excluded from the accounting standard for insurance programs.

The Energy Employees Occupational Illness Compensation Program Act (EEOICPA) was enacted in October 2000. Part B of the EEOICPA, effective on July 31, 2001, compensates current or former employees (or their survivors) of the U.S. Department of Energy (DOE), its predecessor agencies, and certain of its vendors, contractors and subcontractors, who were diagnosed with a radiogenic cancer, chronic beryllium disease, beryllium sensitivity, or chronic silicosis, as a result of exposure to radiation, beryllium, or silica while employed at covered facilities. The EEOICPA also provides compensation to individuals (or their eligible survivors) awarded benefits by the Department of Justice under Section 5 of the Radiation Exposure Compensation Act (RECA). Part E of the EEOICPA (enacted October 28, 2004) compensates DOE contractor and subcontractor employees, eligible survivors of such employees, and uranium miners, millers, and ore transporters as defined by RECA Section 5, for any occupational illnesses that are causally linked to toxic exposures in the DOE or mining work environment. DOL follows the accounting standard applicable to contingent liabilities which are probable and measurable per SFFAS 5, paragraphs 38—42, to record/report an actuarial liability for the EEOICPA program; the DOE records/reports a corresponding imputed cost/imputed financing source on its financial statements. As a program with an actuarial value recognized on the financial statements of two component reporting entities (as a liability for DOL and as an imputed cost/imputed financing source for DOE), the EEOICPA program, or a program with similar characteristics, should be excluded from the accounting standard for insurance programs.

(3) Programs established to pay claims based on adverse events that occurred many years ago and for which there will be no additional claimants and has been a closed population for many years.

<u>Rationale:</u> Insurance programs should include characteristics about the timing of adverse events; for example, the adverse event has not yet occurred (and for which insurance coverage will be provided) or if the adverse event has already occurred, that it is reasonably possible that there may be additional claims. For the Special Benefits for Disabled Coal Miners program, Title IV of the Federal Mine Safety and Health Act authorizes monthly benefits to coal miners disabled due to coal workers' pneumoconiosis (black lung), and to their widows and certain other dependents. Part B of the Act assigned the processing and paying of claims filed between December 30, 1969 (when the program originated) and

June 30, 1973 to the Social Security Administration (SSA). P.L. 107–275 transferred Part B claims processing and payment operations from SSA to the Department of Labor's Office of Workers' Compensation Programs. This change was implemented on October 1, 2003. The adverse event leading to the claims filed between December 30, 1969 and June 30, 1973 occurred more than 40 years ago; as a program for which there will be no new claims and for which has a closed population that is declining due to attrition, the Special Benefits for Disabled Coal Miners program, or a program with similar characteristics, should be excluded from the accounting standard for insurance programs.

Q4. New standards were introduced (par. 26-43) for exchange transaction insurance programs other than life insurance. These programs will be required to recognize a liability for losses on remaining coverage. The liability for losses on remaining coverage has been separated from the liability for unpaid claims to address the uncertain nature of losses on contracts open beyond the end of the reporting period. Insurance programs must first use the expected cash flow model to estimate these future losses. However, there are various methods to estimate cash flows and probabilities. To the extent that a method explicitly or implicitly incorporates the characteristics of expected cash flow, then its use is consistent with this Statement. One member expressed concern in that expected cash flow may be too limiting to allow other methods currently in use to continue to be used for estimating future cash flow in. (See Basis for Conclusion par. A17)

a. Do you agree or disagree that the recognition guidance for exchange transaction insurance programs other than life insurance (par. 27-39) is clear and appropriate? Please provide the rationale for your answer.

US DOL/OCFO Response: Paragraph 38 refers to SFFAS 33 for guidance on discount rates. The scope of SFFAS 33 is limited to pensions, other retirement benefits, and other postemployment benefits (except for the Federal Employees' Compensation Act [FECA workers' compensation] program which was specifically excluded per SFFAS 33, paragraph 14). If an Agency applied some aspects of SFFAS 33 in a methodology for selecting a discount rate for activity that is outside the scope of the activities covered in SFFAS 33, then the Agency would be applying the SFFAS 33 standard by analogy only. The insurance accounting standard should not refer to SFFAS 33 as guidance for selecting discount rates because SFFAS 33 is limited in scope to pensions, other retirement benefits, and certain other postemployment benefits.

Q8. The Board proposes that the requirements of this Statement are effective for reporting periods beginning after September 30, 2017.

Do you agree or disagree? Please provide the rationale for your answer.

US DOL/OCFO Response: The effective date for the standard should be later than FY 2018 and early implementation should not be permitted.