Exposure Draft: Questions for Respondents due March 29, 2016

Insurance Programs

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Q1. The definition for an insurance program (par. 9) identifies the fundamental nature of these programs. The substance and not the name of a program will determine if it is an insurance program and therefore subject to these standards.

Do you agree or disagree with the definition of an insurance program? Please provide the rationale for your answer.

Agree. The definition adequately captures the key characteristics of insurance programs. Since the definition is broad, the exclusions listed in paragraph 10 provide helpful clarification.

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.

Agree with definitions.

Suggested edit for 16. Expected Cash Flow: add "income/disbursement amounts" at the end of the sentence.

b. Do you agree or disagree that the additional terms will assist insurance programs in producing consistent reporting? Please provide the rationale for your answer.

Agree. Having a standard set of definitions will promote consistent interpretation and, therefore, application.

Q3. Insurance Programs are to be classified in one of the three categories defined in par.15, 22, and 23: Exchange Transaction Insurance Programs other Than Life Insurance, Life Insurance Programs, and Nonexchange Transaction Insurance Programs.

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

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Insurance Programs

Agree. These categories have unique characteristics, and the accounting standards for each should be addressed separately.

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.

b. Would the expected cash flow approach (par. 35-37) prevent use of any methods you believe should be used? Please provide the rationale for your answer.

c. Would the measurement standard (par. 35-37) allow the method currently used by your entity to estimate future losses continue to be used? Please provide the rationale for your answer.

d. Do you agree or disagree with the disclosures for the exchange transaction insurance programs other than life insurance (par. 40-43)? Please provide the rationale for your answer.

The recognition guidance seems clear and appropriate, however, like SSA, we would defer to the recommendations of the subject matter experts in the agencies who administer exchange transaction insurance programs for comments on specific approaches.

Q5. New standards were introduced (par. 44–53) for nonexchange transaction insurance programs.

a. Do you agree or disagree that the recognition guidance (par. 45-49) for nonexchange transaction insurance programs is clear and appropriate? Please provide the rationale for your answer.

Agree, but defer to subject matter experts.

b. Do you agree or disagree with the disclosures for the nonexchange transaction insurance programs (par. 50-53)? Please provide the rationale for your answer.

Agree, but defer to subject matter experts.

Q6. New standards were introduced (par. 54–68) for life insurance programs.

a. Do you agree or disagree that the recognition guidance (par. 55-64) for life insurance programs is clear and appropriate? Please provide the rationale for your answer.

Agree. We foresee no issues in following this guidance in reporting for VA life insurance programs.

b. Do you agree or disagree with the disclosures for the life insurance programs (par. 65-68)? Please provide the rationale for your answer.

Agree. The information required in the disclosures is readily available and/or is already being provided to parties responsible for reviewing the financial reporting for the VA life insurance programs.

Q7. New disclosures were introduced (par. 69) for the consolidated financial report of the U.S. Government.

Do you agree or disagree with the disclosures applicable to the consolidated financial report of the U.S. Government (par.69)? Please provide the rationale for your answer.

Agree. This information is readily available or already being disclosed for VA life insurance programs.

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.

Agree. This date should allow for sufficient time for agencies to prepare for the new requirements.