



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of the Secretary
Washington, DC 20201

Ms. Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

Dear Ms. Payne:

The Department of Health and Human Services (HHS) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) that sets forth the proposed Statement of Federal Financial Accounting Standards (SFFAS), "*Insurance Programs.*"

HHS has identified only two programs which may be covered by this ED. We would appreciate additional clarification on the phrase "whose missions are not by statute to provide insurance." listed in exclusions section (refer to our response to Question 1).

We have briefly responded to the specific questions for respondents but defer to those agencies that have more expertise in this subject. If you have questions related to our response, please contact Yianting Lee, Director, Division of financial Statements and Audit at Yianting.Lee@hhs.gov or 202-690-6441.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sheila Conley".

Sheila Conley
Deputy Assistant Secretary for Finance

Enclosure

Exposure Draft: Questions for Respondents due March 29, 2016*Insurance Programs*

- 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.

HHS agrees with the definition but recommends that the Board provide more information on the phrase “whose missions are not by statute to provide insurance,” listed in exceptions e, f and g in par. 11.

- 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.

HHS agrees with the majority of the definitions defined in pars. 10-25 but recommends the Board to provide more guidance on “Insurance Contract.” For example, does the Board require all insurance programs have an insurance contract?

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.

HHS agrees that the additional terms will assist insurance programs in producing consistent reporting.

- 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.

HHS agrees with these categories. HHS recommends that the Board provide more descriptive information regarding the non-exchange transaction category. It may be helpful to provide situational examples.

- 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

Exposure Draft: Questions for Respondents due March 29, 2016*Insurance Programs*

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.**

HHS agrees with the recognition guidance.

- 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.**

HHS is not currently aware of a valid method that would be excluded.

- 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.**

HHS is reviewing its programs for applicability of this standard; this review will include the methods used for estimating future losses.

- 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 required disclosure narrative is very detailed. For example, attempting to explain the nature and magnitude of uncertainty, could add a layer of confusion for the reader. HHS believes that overall there is too much disclosure required by this proposed standard.

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.**

HHS disagrees. The recognition guidance for non-exchange transaction insurance programs is not clear. More detailed information regarding the nature of non-exchange transaction insurance programs would be helpful.

Exposure Draft: Questions for Respondents due March 29, 2016*Insurance Programs*

- 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.**

HHS believes that an effort should be made to reduce the amount of disclosure required for non-exchange transaction insurance programs and that overall there is already too much disclosure required by the proposed standard.

- 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.**

HHS agrees that the recognition guidance for life insurance programs is clear and appropriate.

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

HHS believes that the required disclosures for life insurance programs are excessive. They should be reevaluated and reduced.

- 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.

HHS agrees with the disclosures applicable to the consolidated financial report of the U.S. Government.

- 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.

HHS agrees.