

**From:** Bergin, Christopher C  
**Sent:** Thursday, March 31, 2016 10:25 AM  
**To:** FASAB  
**Cc:** Guilford, William E  
**Subject:** HUD's Comments on FASAB's proposed Statement of Federal Financial Accounting Standards (SFFAS) entitled Insurance Programs

Federal Accounting Standards Advisory Board  
441 G. Street, NW, Suite 6814  
Mailstop 6H19  
Washington, DC 20548

Hello,

I am pleased to send you the attached file which is the response from the Department of Housing and Urban Development to the request for comment on FASAB's proposed Statement of Federal Financial Accounting Standards (SFFAS) entitled *Insurance Programs*.

Thank you for the opportunity to comment. If you have any questions, please do not hesitate to call me.

Chris Bergin, CMA, CTP  
Financial Policy and Procedures Division  
Office of the Assistant CFO for Financial Management

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

Organization: Response - Department of Housing and Urban Development (HUD)

- 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.**

HUD agrees with the definition of an insurance program as it would help to identify and classify insurance programs and related financial activities for financial reporting purposes.

- 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.**

HUD agrees with the proposed definition of each term because these are intended to have a specific meaning when applying the standards.

**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.**

HUD agrees that this proposal seeks to adopt the most current concepts so that the accounting principles for insurance and non-loan guarantee liabilities provide comprehensive guidance for 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.**

HUD agrees with these categories as the standards found in SSFAS 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, which provided information to help the Board determine what type of transactions to include in each of the three insurance program categories.

- 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

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

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.**

HUD agrees that the recognition guidance for exchange transaction insurance programs other than life insurance is clear and appropriate as premiums are collected through contracts to cover the risk of loss from adverse events other than death of individuals.

- 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.**

HUD agrees with the Board that an entity should estimate the amounts to be paid to settle future claims during the remaining open contract period using expected cash flow based on all available information existing at the balance sheet date, including experience with previous trends.

- 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.**

HUD agrees with the Board that 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.

- 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.**

HUD agrees with the Board that materiality is an overarching consideration in financial reporting for information that should be presented regarding exchange transaction insurance programs other than life insurance. Materiality considers both quantitative and qualitative factors in selecting insurance portfolios, and/or in aggregate for all remaining insurance portfolios, and/or individual insurance contracts.

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

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

HUD agrees with the Board that the recognition guidance (par. 45-49) for non-exchange transaction insurance programs is clear and appropriate; these programs should apply the general revenue standards as found in SFFAS 7.

- 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.**

HUD agrees with the Board that disclosures should be integrated so that concise, meaningful, and transparent information is provided in a comprehensive note regarding the insurance program and related balances, or by providing references to relevant notes elsewhere in the general purpose federal financial reports (GPFFRs) but which relate to the insurance program.

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.**

HUD agrees with the Board that the recognition guidance for life insurance programs is clear and appropriate as the premiums collected from the life insurance contracts covers the risk of loss from death of individuals.

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

HUD agrees with the Board that the life insurance programs disclosures should be integrated so that concise, meaningful, and transparent information is provided in a comprehensive note regarding the insurance program and related balances, or by providing references to relevant notes elsewhere in the GPFFRs but which relate to the insurance program.

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.**

HUD agrees with the Board that the new disclosures applicable to the consolidated financial report of the U.S. Government should be reported at a high level of detail and also the detailed disclosures should be found at the component reporting entity level.

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

*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.**

HUD agrees with the Board's proposal that the requirements of this Statement are to be effective for reporting periods beginning after September 30, 2017.