Exposure Draft: Questions for Respondents due March 29, 2016

Insurance Programs

Name: Kawan Taylor

Organization: Department of the Treasury

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.

A1. The Department of the Treasury agrees with the definition of an insurance program, as outlined in paragraph 9.

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.**

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.**

A2. The Department of the Treasury agrees with the definitions provided in paragraphs 10-25; 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.

A3. The Department of the Treasury agrees with the three categories defined in paragraphs 15, 22 and 23.

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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.

A4a. The Department of the Treasury agrees that the recognition guidance for exchange transaction insurance programs other than life insurance is clear and appropriate.

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.

A4b. The Department of the Treasury does not believe the expected cash flow approach would prevent use of any other methods. Paragraph 36 allows for reporting entities to choose from the expected cash flows method or from a variety of other methods that approximate the expected cash flows method. While we appreciate the views of the Board member, as discussed in paragraph A17, in that the expected cash flows method may be too limiting in certain circumstances, we believe the latitude provided by the Board in paragraph 36 adequately addresses this concern.

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.

A4c. The Department of the Treasury does not currently have any material programs that would be impacted by this exposure draft; there is no measurement method currently used.

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.

A4d. The Department of the Treasury agrees with the disclosures for the exchange transaction insurance programs other than life insurance as defined in paragraphs 40-43.

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.

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.

A5. The Department of the Treasury agrees that the recognition guidance for nonexchange transaction insurance programs provided in paragraphs 45-49 is clear and appropriate. The Department of the Treasury also agrees with the disclosures for nonexchange transaction insurance programs provided in paragraphs 50-53.

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.

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

A6. The Department of the Treasury agrees that the recognition guidance for life insurance programs provided in paragraphs 55-64 is clear and appropriate. The Department of the Treasury also agrees with the disclosures for life insurance programs provided in paragraphs 65-68.

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.

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A7. The Department of the Treasury agrees with the new disclosures introduced in paragraph 69 for 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.

A8. The Department of the Treasury agrees with the requirements of this Statement to be effective with reporting periods beginning after September 30, 2017.