

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

Name: **Carla A. Krabbe, Deputy Chief Financial Officer**

Organization: **Social Security Administration (SSA)**

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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.**

**SSA response: We agree with the FASAB definition of an insurance program. The definition is broad and inclusive and the exceptions listed are specific enough for an entity to make the determination if the standard is applicable to their agency.**

**Paragraph 10 excludes social insurance (as defined in SFFAS 17) and entitlement programs from the definition of “insurance programs”. Therefore, this standard is not applicable to our agency.**

- 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.**

**SSA Response: We agree with most of the proposed definitions and believe the definitions are easy to follow, and provide added clarity to readers that will result in consistent reporting and disclosure practices. We provide for your consideration, suggestions/alternative wording for some of the definitions, as presented below:**

**Adverse Event: An “adverse event” may be an unfavorable, unintended, or untoward single-occurring event or series of events ...**

**Expected Cash Flow: Add the word “values” at the end of the sentence.**

**In-Force: “In-force” refers to contracts that are currently valid, in effect, and are unexpired as of a given date.**

**Incurred But Not Reported (IBNR): Claims “incurred but not reported (IBNR) are estimated covered claims owed by an insurer from adverse events ...**

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- 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.

**SSA Response: We agree the provided definitions will assist insurance programs in producing consistent, standard, and uniform reporting as all involved entities will be working from the same definition for disclosure and reporting purposes.**

- 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.**

**SSA Response: The three categories, as portrayed, appear logical and account for how to recognize the various types of liabilities, revenues, and expenses based on the nature of each type of insurance program.**

- 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)

**SSA Response: We would prefer the agencies dealing with these types of transactions weigh in on whether the cash flow model or other methods currently in use are best suited to calculate liability for losses on remaining coverage and whether the disclosures convey the proper amount of information to aid the reader in understanding the overall fiscal health of the insurance programs.**

- 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.

**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.**

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- b. **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.**
- c. **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.**

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.**

**SSA Response: The recognition guidance for nonexchange insurance programs appears reasonable and easy to follow.**

- 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.**

**SSA Response: The information provided in the disclosures appears to aid the reader in gaining a better understanding of the overall fiscal health of the nonexchange transaction insurance programs.**

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.**

**SSA Response: The recognition guidance for life insurance appears reasonable and clear.**

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

**SSA Response: The information provided in the disclosures for life insurance appears to aid the reader in gaining a better understanding of the nature and current status of the entity's life insurance policies.**

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

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**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.**

**SSA Response: We agree with reporting disclosures at a high level on the financial report of the US Government and directing readers to component level reporting for information that is more detailed.**

- 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.**

**SSA Response: With regard to the implementation date, we defer to those agencies that have expertise in this subject matter and would have a better understanding of the amount of time needed to implement the reporting requirements and the disclosures necessary to comply with this standard within the given timeframe.**