



National Aeronautics and Space Administration

**Headquarters**

Washington, DC 20546-0001

March 29, 2016

Reply to Attn of:

Office of the Chief Financial Officer

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

Dear Ms. Payne:

The National Aeronautics and Space Administration (NASA) appreciates the opportunity to provide comments on the exposure draft "Insurance Programs." Enclosed you will find NASA's response to the questions for the respondents.

If you have any questions regarding NASA's response, please contact Kevin Buford, Director for Policy Division, at (202) 358-0405 or by e-mail at [kevin.buford@nasa.gov](mailto:kevin.buford@nasa.gov)

Sincerely,

A handwritten signature in blue ink that reads "Lisa M. Ziehmann".

Lisa M. Ziehmann  
Deputy Chief Financial Officer  
for Finance

Enclosure

Name: Lisa M. Ziehmman, Deputy Chief Financial Officer

Organization: National Aeronautics and Space Administration

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.

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

We recommend that wording of exclusion e. and the associated footnote be revised as shown below in order to avoid different interpretations between statement preparers and auditors.

NASA authorized in 51 U.S.C. 20113 (e) "...to enter into and perform such contracts, leases, cooperative agreements, or other transactions as may be necessary in the conduct of its work..." Also, NASA is authorized in 51 U.S.C. 20138, under certain conditions, to provide liability insurance and indemnification to users of space vehicles against claims by third parties. NASA uses the authority in 51 U.S.C. 20138, in limited cases, by inserting clauses within FAR contracts and other types of agreements permitted under 51 U.S.C. 20113 (e) that are issued to support its missions. NASA does not issued standalone insurance contracts. Therefore we believe limiting exclusion g. to "contracts" and further limiting it in Footnote 6 to "contractors under Federal Acquisition Regulation authorized indemnification clauses" is too restrictive.

We recommend Exclusion g. and footnote 6 be revised as follows:

g. Programs that provide contractors and agreement partners security against claims for loss or damage suffered by third parties through indemnification clauses within such contracts or agreements ~~another party~~, but whose missions are not by statute to provide insurance<sup>6</sup>

Footnote 6: These are administrative settlements for transactions with contractors under Federal Acquisition Regulation authorized indemnification clauses, and authorized indemnification clauses within other legally binding agreements, or first responders within programs that do not have a statutory insurance or guarantee mission.

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.**

***Definition 23. Nonexchange Transaction Insurance Programs –***

"nonexchange transaction insurance programs" cover the risk of loss from adverse events through nonexchange transactions, as defined in SFFAS 7.

Also ED Paragraph 44. - Nonexchange insurance programs collect funds on demand and/or receive appropriations to cover the risk of loss from certain adverse events

The FASAB standards appear to use two interpretations of the term “nonexchange”. In SFFAS 5 the criteria listed is “a one way flows of resources or promises”, while the criteria in SFFAS 7 focuses on the exercise of the Government’s sovereign power to demand payments.

The definition of nonexchange insurance programs appears to ignore the requirement in SFFAS 5 that the transaction represent a one way flow of resources or promises. The ED definition includes both a collection funds and a promise to pay if an adverse event occurs. If it is the Board’s intention to revise the definition of nonexchange that is cited in SFFAS 5 then that should be made clear in this proposed standard.

*SFFAS 5 Paragraph 24 states “A nonexchange transaction arises when one party to a transaction receives value without directly giving or promising value in return. There is a one-way flow of resources or promises.*

*SFFAS 7 Paragraph 2 states: “Nonexchange revenues arise primarily from exercise of the Government’s power to demand payments from the public (e.g., taxes, duties, fines, and penalties) but also include donations.*

**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.**

NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.

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.

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

NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.

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.**

NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.

- 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.**

NASA does not operate insurance programs and therefore we do not have the experience to comment.

- 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.**

NASA does not operate insurance programs and therefore we do not have the experience to comment.

- 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.**

NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.

Q4. 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.**

NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.

- 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.**

NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.

Q5. 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.**

NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.

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

NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.

Q6. New disclosures were introduced (par. 69) for the consolidated financial report of the U.S. Government.

- a. **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.**

NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.

Q7. The Board proposes that the requirements of this Statement are effective for reporting periods beginning after September 30, 2017.

- a. **Do you agree or disagree? Please provide the rationale for your answer.**

NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.