

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

Name: Terri Martin / Allan Villabroza

Organization: Overseas Private Investment Corporation

- 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.**

OPIC response – We agree with the definition of an Insurance Program.

- 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.**

OPIC response – We agree with the proposed definition of each term. In respect to paragraph 16 (Expected Cash Flow), we concur with the suggested wording changes from SSA responses.

- 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.**

OPIC response – We do believe additional guidance is necessary where the Government shares risk with a 3rd party. We assume that risk sharing with 3rd parties would be netted into the expected cash flow in paragraph 16 and would ask for additional clarification and guidance.

- 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.

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

OPIC Response – We agree with the defined classifications of Insurance Programs.

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.

OPIC Response – We agree with the Recognition and Measurement guidance for revenue and liability of unearned premiums and liability for unpaid insurance claims, however we have concerns for the measurement guidance for the liability for losses on remaining insurance coverage. OPIC's program is characterized by low frequency and difficult to model risks. Additionally, whether, and if so, how will this liability reflected in the Budget?

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.

OPIC Response – The propose cash flow approach provides a level of flexibility that could be adopted by a variety of Insurance programs, provided the measurement guidance is clarified per paragraph Q4 a) above.

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.

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OPIC Response – We currently do not have a cash flow method to estimate future losses. Reference Q4 a) above.

- 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.**

OPIC Response – We agree with the disclosure as defined, however believe additional guidance is necessary where the Government shares risk with a 3rd party. Should the disclosure report the total insurance coverage gross of the 3rd party share or the net Government's share? For a program such as OPIC, with potentially extreme uncertainties, what is an appropriate level of disclosure under paragraph 42 f)?

- 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.**

OPIC Response – this type of coverage doesn't apply to OPIC thus we have no opinion.

- 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.**

OPIC Response – this type of coverage doesn't apply to OPIC thus we have no opinion.

- 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.**

OPIC Response – this type of coverage doesn't apply to OPIC thus we have no opinion.

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

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OPIC Response – this type of coverage doesn't apply to OPIC thus we have no opinion.

- 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.

OPIC Response – We agree with the consolidated financial report disclosure requirements. We also agree with suggested language change proposed by Shanda Sander for paragraph 69 e).

- 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.

OPIC Response – We agree with the projected effective date for implementation.