



April 8, 2016

Memorandum

To: Members of the Board

*Robin M. Gilliam*

From: Robin Gilliam, Assistant Director

*Wendy M. Payne*

Through: Wendy M. Payne, Executive Director

Subject: **Insurance Programs: Comment Letters Received through March 29, 2016<sup>1</sup> – Tab B-1**

**MEETING OBJECTIVE**

The meeting objective is to review responses to the exposure draft, Insurance Programs and to make decisions on issues raised.

**BRIEFING MATERIAL**

**Staff Summary:** This memorandum provides the staff summary. The staff's summary is intended to support your consideration of the comments and not to substitute for reading the individual letters. The summary presents:

A. Tally of Responses By Question .....	4
B. Quick Table of Responses By Question .....	8
C. Full Text of Answers and Comments by Question and by Respondent .....	14
D. Listing Of Additional Comments from Respondents .....	50

**Attachment 1** provides the full text of each comment letter.

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<sup>1</sup> The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of FASAB are determined only after extensive due process and deliberations.

**NOTE: Staff will provide the following 2 attachments next week in TAB B-2:**

**Attachment 2** provides an overall summary of responses and a list of issues identified with staff analysis and recommendations.

**Attachment 3** provides the original exposure draft with suggested edits based upon comments received and staff recommendations.

## **BACKGROUND**

### **SUMMARY OF OUTREACH EFFORTS**

The exposure draft, Insurance Programs, was issued [insert date] with comments requested by [insert date]. Upon release of the exposure draft, notices and press releases were provided to:

- a) The Federal Register;
- b) *FASAB News*;
- c) *The Journal of Accountancy, AGA Today, the CPA Journal, Government Executive, and the CPA Letter*;
- d) The CFO Council, the Council of the Inspectors General on Integrity and Efficiency, and the Financial Statement Audit Network; and
- e) Committees of professional associations generally commenting on exposure drafts in the past.

The board announcement was followed by direct emails of the exposure draft to the following relevant congressional committees:

- a) House Agriculture Committee
- b) House Appropriations Committee:
  - Subcommittee on Agriculture, Rural Development, Food and Drug Administration and Related Agencies
  - Subcommittee on Oversight and Government Reform
  - Subcommittee on Homeland Security
- c) House Budget Committee
- d) House Committee on Veterans' Affairs
- e) House Committee on Homeland Security - Subcommittee on Emergency Preparedness, Response, and Communications, Majority
- f) House Committee on Financial Services
- g) Senate Agriculture Committee
- h) Senate Appropriations Committee:
  - Subcommittee on Agriculture, Rural Development, Food and Drug Administration and Related Agencies
  - Subcommittee on Homeland Security

- i) Senate Committee on Banking, Housing, and Urban Affairs -Subcommittee on Securities, Insurance, and Investment
- j) Senate Budget Committee
- k) Senate Committee on Finance
- l) Senate Committee on Health, Education, Labor & Pensions (HELP)
- m) Senate Committee on Homeland Security and Governmental Affairs
- n) Senate Committee on Veterans' Affairs

We also emailed the exposure draft to Stephen Ellis of Taxpayers for Common Sense who provided the following testimony on insurance programs:

- 1/12/2015, Committee on House Financial Services on Housing and Insurance – Opportunities and Challenges Facing the National Flood Insurance Program (NFIP); and
- 9/19/2013, Committee on Financial Services hearing on the Terrorism Risk Insurance Act of 2002.

To encourage responses, a reminder notice was provided on 3/7/2016 and 3/29/2016, to our Listserv. We also contacted professional associations and affected agencies directly if a response had not been received by the date requested.

## RESULT

As of March 29, 2016, we have received 18 responses from the following sources:

	<b>FEDERAL (Internal)</b>	<b>NON-FEDERAL (External)</b>	<b>Other</b>
Users, academics, others		2	1
Auditors	1	1	
Preparers and financial managers	13		

The full text of the comment letters is provided as Attachment 1. Attachment 1 includes a table of contents and identifies respondents in the order their responses were received. The comment letters appear as an attachment to facilitate compilation and pagination. However, staff encourages you to read the letters in their entirety before you read the staff summary below.

## STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

### A. Tally of Responses by Question

QUESTION	AGREE	PARTIAL AGREEMENT	DISAGREE	NO COMMENT N/A
<p>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.</p> <p><b>Do you agree or disagree with the definition of an insurance program? Please provide the rationale for your answer.</b></p>	10	3	1	4
<p>Q2. Additional new terms were introduced (par. 10–25) in order to provide definitions needed to consistently report on insurance programs.</p>				
<p><b>a. Do you agree or disagree with the proposed definition of each term? Please provide the rationale for your answer.</b></p>	8	6	1	3
<p><b>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.</b></p>	11	2	0	5
<p>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.</p> <p><b>Do you agree or disagree with these categories? Please provide the rationale for your answer.</b></p>	11	2	0	5

# STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

QUESTION	AGREE	PARTIAL AGREEMENT	DISAGREE	NO COMMENT N/A
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.	10	2	1	5
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.	9	1	1	7
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.	6	1	0	11

**STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question**

QUESTION	AGREE	PARTIAL AGREEMENT	DISAGREE	NO COMMENT N/A
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.	8	2	1	7
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.	9	1	2	6
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.	9	1	1	7
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.	12	0	0	6
b. Do you agree or disagree with the disclosures for the life insurance programs (par. 65-68)? Please provide the rationale for	10	2	1	6

**STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question**

QUESTION	AGREE	PARTIAL AGREEMENT	DISAGREE	NO COMMENT N/A
<b>your answer.</b>				
<p>Q7. New disclosures were introduced (par. 69) for the consolidated financial report of the U.S. Government.</p> <p><b>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.</b></p>	11	2	0	5
<p>Q8. The Board proposes that the requirements of this Statement are effective for reporting periods beginning after September 30, 2017.</p> <p><b>Do you agree or disagree? Please provide the rationale for your answer.</b></p>	10	1	2	5

## STAFF SUMMARY OF RESPONSES – Table B: Quick Table Of Responses By Question

### B - 1. Quick Table of Responses by Question: Questions Q1 – Q4

A=Agree, PA=Partial Agreement, D=Disagree, NA= No Answer or Comment

COMMENT LETTER	Q1. Definition	Q2.a New Terms	Q2.b Consistent Reporting	Q3. Three Categories	Q4.a Exchange Transaction Recognition	Q4.b Expected Cash Flow	Q4.c Estimating Future losses	Q4.d Exchange Disclosures
#1 SSA-DCFO	A	PA <sup>2</sup>	A	A	NA <sup>3</sup>	NA	NA	NA
#2 USDA, RMA-CFO	A	A	A	A	A	A	A	PA <sup>4</sup>
#3 KPMG <sup>5</sup>	NA	NA	NA	NA	NA	NA	NA	NA
#4 EPA-CFO	A	A	A	A	A	A	NA <sup>6</sup>	A
#5 DOT – Maritime Admin.	PA <sup>7</sup>	A	A	A	A	NA <sup>8</sup>	NA <sup>9</sup>	A
#6 PBGC-CFO <sup>10</sup>	PA <sup>11</sup>	A	A	A	A	A	A	A

<sup>2</sup> Alternative wording suggested for the following definitions: Adverse Event, Expected Cash Flow, In Force, and IBNR.

<sup>3</sup> Respondent would prefer that agencies dealing with these types of transactions weigh in on Q4a-d.

<sup>4</sup> Suggested: 1) adjusting the wording in par. 43 to include liability for losses on remaining coverage; 2) rewording par. 42 to say: “Include an explanation on the amount of claims paid or projected to be paid in relation to the total amount of insurance in force;” and 3) clarifying insurance in force.

<sup>5</sup> Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board’s consideration.

<sup>6</sup> Respondent does not have exchange transaction insurance programs.

<sup>7</sup> Respondent requests that the definition be expanded to encompass all key features and characteristics of an insurance program.

<sup>8</sup> Respondent states that they do not have enough information to answer this question.

<sup>9</sup> Respondent does not currently have an insurance program that requires the estimation of future losses.

<sup>10</sup> For Q3 – Q6b Respondent notes that they agree despite being excluded from these standards because they do not have insurance contracts; Q4b- they caution any one approach that may be too limiting.

<sup>11</sup> Respondent requests exclusion for entitlement like programs with legislatively mandated benefits payable.



## STAFF SUMMARY OF RESPONSES – Table B: Quick Table Of Responses By Question

COMMENT LETTER	Q1. Definition	Q2.a New Terms	Q2.b Consistent Reporting	Q3. Three Categories	Q4.a Exchange Transaction Recognition	Q4.b Expected Cash Flow	Q4.c Estimating Future losses	Q4.d Exchange Disclosures
#7 Joseph Marren <sup>12</sup>	NA	NA	NA	NA	NA	NA	NA	NA
#8 NASA-DCFO	PA <sup>13</sup>	PA <sup>14</sup>	NA <sup>15</sup>	NA	NA	NA	NA	NA
#9 OPIC-CFO	A	A	PA <sup>16</sup>	A	PA <sup>17</sup>	PA <sup>18</sup>	NA <sup>19</sup>	PA <sup>20</sup>
#10 DOL-CFO <sup>21</sup>	NA	D <sup>22</sup>	NA	NA	D <sup>23</sup>	NA	NA	NA
#11 GWSCPA-FISC	A	A	A	A	PA <sup>24</sup>	A	PA	NA <sup>25</sup>
#12 GAO <sup>26</sup>	NA	NA	NA	NA	NA	NA	NA	NA
#13 VA	A	PA <sup>27</sup>	A	A	A	A	A	A

<sup>12</sup> Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration.

<sup>13</sup> Respondent includes revisions to exclusion g. and footnote 6.

<sup>14</sup> Respondent questions the definition of nonexchange (par. 23) in relation to its definition in SFFAS 5, par 24.

<sup>15</sup> For Q3-4 respondent does not operate insurance programs and states that it does not have the experience to agree or disagree.

<sup>16</sup> Respondent requests additional guidance for when the government shares risk with a 3<sup>rd</sup> party.

<sup>17</sup> Respondent is concerned with measurement guidance for liability for losses on remaining coverage characterized by low frequency and difficult to model risk.

<sup>18</sup> Respondent requests clarification per Q4.a comments.

<sup>19</sup> Respondent does not have a cash flow method to estimate future losses and references Q4.a comment.

<sup>20</sup> Respondent requests additional guidance where the government shares risk with a 3<sup>rd</sup> party; and questions what is the appropriate level of disclosure under par. 42.f for extreme uncertainties.

<sup>21</sup> Respondent only provided responses to Q2.a, Q4.a and Q8

<sup>22</sup> Respondent requests additional exclusions.

<sup>23</sup> Respondent notes that this standard should not refer to SFFAS 33 for guidance for selecting discount rates due to the limited scope of SFFAS 33.

<sup>24</sup> For Q4a.-d. Respondent suggests edits for pars. 32, 36, & 37.

<sup>25</sup> Respondent did not provide an answer to 4d.

<sup>26</sup> Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration.

<sup>27</sup> Respondent provided a suggested edit for par. 16.

## STAFF SUMMARY OF RESPONSES – Table B: Quick Table Of Responses By Question

COMMENT LETTER	Q1. Definition	Q2.a New Terms	Q2.b Consistent Reporting	Q3. Three Categories	Q4.a Exchange Transaction Recognition	Q4.b Expected Cash Flow	Q4.c Estimating Future losses	Q4.d Exchange Disclosures
#14 HHS	A	PA <sup>28</sup>	A	PA <sup>29</sup>	A	A	NA <sup>30</sup>	D <sup>31</sup>
#15 NCUA	A	PA <sup>32</sup>	PA	PA	A	A	A	A
#16 HUD	A	A	A	A	A	A	A	A
#17 Treasury	A	A	A	A	A	A	NA <sup>33</sup>	A
#18 AGA	D <sup>34</sup>	PA <sup>35</sup>	A	A	A	D <sup>36</sup>	NA <sup>37</sup>	A

<sup>28</sup> Respondent requests more guidance on “insurance contract” and “whose missions are not by statute to provide insurance in par 10. listed in exceptions e, f, and g par 11.

<sup>29</sup> Respondent requests more descriptive information for the non-exchange transaction category.

<sup>30</sup> Respondent is currently reviewing their programs for applicability of this stand and what methods are used for estimating losses.

<sup>31</sup> Respondent that there is too much disclosure required for this standard.

<sup>32</sup> For Q2.a. Q2.b.& Q3 respondent expressed concerned with categories when an insurance program receives both exchange and nonexchange transactions.

<sup>33</sup> Respondent does not have any material programs that would be impacted by this ED and they are not using any measurement methods.

<sup>34</sup> Respondent requests clarification on insurance program definition to remove confusion.

<sup>35</sup> Respondent requests FASAB fully explain exclusions and the reason for each.

<sup>36</sup> Respondent requests clarification for par. 37 and the rational for prescribing expected cash flow approach; respondent agreed with proposal from one member in A16f.

<sup>37</sup> No feedback received from FMSB members on this question,

## STAFF SUMMARY OF RESPONSES – Table B: Quick Table Of Responses By Question

### B - 2. Quick Table of Responses by Question: Questions Q5 – Q8

A=Agree, PA=Partial Agreement, D=Disagree, NA= No Answer or Comment

COMMENT LETTER	Q5.a Non Exchange Recognition	Q5.b Non Exchange	Q6.a Life Insurance Recognition	Q6.b Life Insurance Disclosures	Q7. GW Disclosures	Q8. Effective Date
#1 SSA-DCFO	A	A	A	A	A	NA <sup>38</sup>
#2 USDA, RMA-CFO	A	A	A	A	PA <sup>39</sup>	PA <sup>40</sup>
#3 KPMG <sup>41</sup>	NA	NA	NA	NA	NA	NA
#4 EPA-CFO	PA <sup>42</sup>	PA <sup>43</sup>	A	A	A	A
#5 DOT–Maritime Admin.	A	A	A	PA <sup>44</sup>	PA <sup>45</sup>	A

<sup>38</sup> Respondent defers to agencies that have more expertise in this subject matter.

<sup>39</sup> Respondent would like clarification on item par. 69.e.

<sup>40</sup> Respondent did not disagree but asked 1) if early adoption will be permitted, and 2) how will comparative statements be handled? Requested guidance as to whether this is a change in estimate, change in accounting policy, whether the previous year should be re-calculated with the new standard or handled prospectively.

<sup>41</sup> Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration.

<sup>42</sup> Respondent requests that federal entities should report subsequent events to Treasury for the consolidated financial report of U.S. Government (CFR).

<sup>43</sup> Respondent recommends additional guidance on how to provide references to relevant notes elsewhere in Federal government reporting.

<sup>44</sup> Respondent requests discussions about 1) adjustments for revenue that is recognized but not collected in whole or in part; and 2) policy cancellations and accounting for related revenue that has already been recognized.

<sup>45</sup> Respondent suggests including the cost/expense of the insurance programs as part of the disclosures to provide important summary information to stakeholders, especially taxpayers and the general public.

## STAFF SUMMARY OF RESPONSES – Table B: Quick Table Of Responses By Question

COMMENT LETTER	Q5.a Non Exchange Recognition	Q5.b Non Exchange	Q6.a Life Insurance Recognition	Q6.b Life Insurance Disclosures	Q7. GW Disclosures	Q8. Effective Date
#6 PBGC-CFO	A	A	A	A	A	D <sup>46</sup>
#7 Joseph Marren <sup>47</sup>	NA	NA	NA	NA	NA	NA
#8 NASA-DCFO	NA <sup>48</sup>	NA	NA	NA	NA	NA
#9 OPIC-CFO	NA <sup>49</sup>	NA	NA	NA	A	A
#10 DOL-CFO <sup>50</sup>	NA	NA	NA	NA	NA	D <sup>51</sup>
#11 GWSCPA-FISC	A	A	A	A	A	A
#12 GAO <sup>52</sup>	NA	NA	NA	NA	NA	NA
#13 VA	A	A	A	A	A	A
#14 HHS	D <sup>53</sup>	D <sup>54</sup>	A	D <sup>55</sup>	A	A

<sup>46</sup> Respondent recommends the effective date begin after September 30, 2018 due to the magnitude and complexity of this standard despite noting that they would be excluded since they do not have insurance contracts.

<sup>47</sup> Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration.

<sup>48</sup> For Q5-Q8 respondent does not operate insurance programs and states that therefore does not have the experience to agree or disagree.

<sup>49</sup> For Q5-6 respondent does not provide this type of coverage and states that it therefore has no opinion.

<sup>50</sup> Respondent only provided responses to Q2.a, Q4.a and Q8

<sup>51</sup> Respondent recommends a later implementation date with no early implementation permitted.

<sup>52</sup> Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration.

<sup>53</sup> Respondent requests more detailed information regarding the nature of non-exchange transaction insurance programs.

<sup>54</sup> Respondent wants disclosures reduced.

<sup>55</sup> Respondent believes disclosures are excessive.

# STAFF SUMMARY OF RESPONSES – Table B: Quick Table Of Responses By Question

COMMENT LETTER	Q5.a Non Exchange Recognition	Q5.b Non Exchange	Q6.a Life Insurance Recognition	Q6.b Life Insurance Disclosures	Q7. GW Disclosures	Q8. Effective Date
#15 NCUA	A	A	A	A	A	A
#16 HUD	A	A	A	A	A	A
#17 Treasury	A	A	A	A	A	A
#18 AGA	D <sup>56</sup>	NA <sup>57</sup>	A	A	A	A

<sup>56</sup> Respondent requests an adequate explanation for what is a nonexchange insurance program or provide examples.

<sup>57</sup> Respondent did not provide an answer.

## STAFF SUMMARY OF RESPONSES – Table C: Full Text of Answers and Comments by Question

### C. Full Text of Answers and Comments by Question and by Respondent

<b>QUESTION #1:</b> 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.	
#1 SSA-DCFO	<p>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.</p> <p>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.</p>
#2 USDA, RMA-CFO	Agree, it should be authorized by law, not a loan, and assume at least part of the risk but not necessarily the entire risk.
#3 KPMG	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board’s consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i>
#4 EPA-CFO	<b>Agree.</b> The Board has worked with the task force members since 2014 on a revision to the definition of an insurance program. The definition in paragraph 9 is presented within the scope of a risk assumed subject.
#5 DOT – Maritime Admin.	MARAD believes the definition should be expanded to encompass all the key features and characteristics of an insurance program or arrangement, namely, (a) one party providing protection against another party’s financial loss in a variety of (specified) situations, (b) the principle of parties sharing losses, (c) the insured party agreeing to make regular payments (called premiums) to the party that provides insurance against said loss and (d) the issuance of a contract commonly referred to as the insurance policy. As it is the definition uses the word “insurance” to define the term. It is way too brief and/or high level.

## STAFF SUMMARY OF RESPONSES – Table C

<b>QUESTION #1:</b> 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.	
#6 PBGC-CFO	<p>While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree with the definition and suggest FASAB provide context and explanation in the ED paragraph 10 for listed exclusions, such as information useful for entities similar to PBGC that act and perform like entitlement programs, e.g., benefits payable are legislatively mandated, budgets and funding are provided without the use of contracts. This type of enhanced guidance would be helpful for entities similar to PBGC and their stakeholders to fully understand the rationale for exclusion.</p>
#7 Joseph Marren	<p>Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i></p>
#8 NASA-DCFO	<p>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.</p> <p>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 51U.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:</p> <p>g. Programs that provide <u>contractors and agreement partners</u> security against <u>claims</u> for loss or damage <u>suffered by third parties</u> through indemnification <u>clauses within such contracts or agreements</u> <del>another party</del>, but whose missions are not by statute to provide</p>

## STAFF SUMMARY OF RESPONSES – Table C

<b>QUESTION #1:</b> 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.	
	<p>insurance<sup>6</sup></p> <p>Footnote 6: These are administrative settlements for transactions with contractors under Federal Acquisition Regulation authorized indemnification clauses, and <u>authorized indemnification clauses within other legally binding agreements</u>, or first responders within programs that do not have a statutory insurance or guarantee mission.</p>
#9 OPIC-CFO	OPIC response – We agree with the definition of an Insurance Program.
#10 DOL-CFO	The U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO) provided responses to the following questions: 2a, 4a, and 8. DOL/OCFO has no responses to the other questions at this time.
#11 GWSCPA-FISC	The FISC agrees with the definition of an insurance program, as outlined in paragraph 9.
#12 GAO	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i>
#13 VA	Agree. The definition adequately captures the key characteristics of insurance programs. Since the definition is broad, the exclusions listed in paragraph 10 provide helpful clarification.
#14 HHS	HHS agrees with the definition but recommends that the Board provide more information on the phrase “whose missions are not be statute to provide insurance,” listed in exceptions e, f and g in par 11.
#15 NCUA	NCUA agrees with the definition of an insurance program. We believe that the definition is explicit to include any federal insurance program by the substance of its operation and/or mission, while not making any substantial departure in the previous definition as stated in current FASAB standards.
#16 HUD	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.



## STAFF SUMMARY OF RESPONSES – Table C

<b>QUESTION #1:</b> 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.	
#17 Treasury	The Department of the Treasury agrees with the definition of an insurance program, as outlined in paragraph 9.
#18 AGA	The definition of an Insurance Program is confusing in paragraph 9 of the exposure draft. The definition includes the term being defined “insurance program is a general term used to refer to an insurance . . .” FASAB should consider adding a general definition of insurance at the outset of the proposed standard to help simplify the definition. We also recommend the following changes to the wording in paragraph 9 “Insurance Program — “insurance program” is a general term used to refer to an insurance or non-loan guarantee program that is authorized by law to financially compensate a designated population of beneficiaries by accepting all or part of the risk for losses incurred as a result of an adverse event.” Since paragraph 10 excludes loan guarantee programs we believe removing non-loan wording clears up the definition.

<b>QUESTION #2:</b> 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.	
#1 SSA-DCFO	a. 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 <u>an unfavorable, unintended, or untoward</u> 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 <u>currently valid, in effect</u> , and are

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #2:</b> Additional new terms were introduced (par. 10–25) in order to provide definitions needed to consistently report on insurance programs.</p> <p>a. Do you agree or disagree with the proposed definition of each term? Please provide the rationale for your answer.</p> <p>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.</p>	
	<p>unexpired as of a given date.</p> <p>Incurred But Not Reported (IBNR): Claims “incurred but not reported (IBNR) are estimated <u>covered</u> claims <u>owed by an insurer</u> from adverse events ...</p> <p>b. 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.</p>
#2 USDA, RMA-CFO	<p>a. Agree, especially important is the definition for Liabilities for Losses on Remaining Coverage, this is much better language than our agency had previously been using (Premium Deficiency Reserve). This should assist readers of the financial statements with understanding what this line item represents.</p> <p>b. Agree, the definitions will assist agencies and readers with understanding and comparing results and line items across different agencies.</p>
#3 KPMG	<p>Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board’s consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i></p>
#4 EPA-CFO	<p>a. Agree. In June 2013, the Board decided to separate risk assumed into three phases: I-Insurance Programs, II-Entitlement Programs, and III-Other risk areas. The EPA believes the definitions explain the meaning of important accounting terms and, in paragraphs 10–25, helps users understand the meaning of Phase I-Federal insurance programs.</p> <p>b. Agree. Financial statements issued by federal entities must be reliable and fully disclose all relevant and significant information. The additional terms help agencies to</p>

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<p><b>QUESTION #2:</b> Additional new terms were introduced (par. 10–25) in order to provide definitions needed to consistently report on insurance programs.</p> <p>a. Do you agree or disagree with the proposed definition of each term? Please provide the rationale for your answer.</p> <p>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.</p>	
	<p>comply with reporting requirements and produce consistent reporting.</p>
#5 DOT – Maritime Admin.	<p>a. MARAD agrees with the definitions of the terms because they bear a direct relationship to or association with the nature of insurance programs and provide clarity in the practice and execution of insurance programs.</p> <p>b. MARAD agrees. The additional terms provide concise, meaningful and useful information that are easy to understand and as such should contribute to consistent reporting by federal insurance programs.</p>
#6 PBGC-CFO	<p>a. We agree, see our suggestion in Q1 regarding additional context and explanation for the ED paragraph 10 which defines appropriate exclusions from the ED's definition of insurance programs.</p> <p>b. We agree, the terms will facilitate accuracy and completeness.</p>
#7 Joseph Marren	<p>Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i></p>
#8 NASA-DCFO	<p>a. <b>Definition 23. Nonexchange Transaction. Insurance Programs -</b> "nonexchange transaction insurance programs" cover the risk of loss from adverse events through nonexchange transactions, as defined in SFFAS 7.</p> <p>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</p>

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #2:</b> Additional new terms were introduced (par. 10–25) in order to provide definitions needed to consistently report on insurance programs.</p> <p>a. Do you agree or disagree with the proposed definition of each term? Please provide the rationale for your answer.</p> <p>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.</p>	
	<p>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.</p> <p>The definition of nonexchange insurance programs appears to ignore the requirement in SFF AS 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 <u>nonexchange</u> that is cited in SFFAS 5 then that should be made clear in this proposed standard.</p> <p><b><i>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.</i></b></p> <p><b><i>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.</i></b></p> <p>b. NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.</p>
#9 OPIC-CFO	<p>a. 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.</p> <p>b. 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</p>

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #2:</b> Additional new terms were introduced (par. 10–25) in order to provide definitions needed to consistently report on insurance programs.</p> <p>a. Do you agree or disagree with the proposed definition of each term? Please provide the rationale for your answer.</p> <p>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.</p>	
	additional clarification and guidance.
#10 DOL-CFO	<p>a. US DOL/OCFO Response: In paragraph 10, <b><u>please add to the list of exclusions:</u></b></p> <p><b>(1) Programs treated as fiduciary funds</b></p> <p><u>Rationale:</u> US GAAP for fiduciary funds are covered under SFFAS 31. The assets and liabilities of a fiduciary fund are not the assets and liabilities of the component reporting entity and are excluded from the financial statements; fiduciary funds are reported as disclosures. For fiduciary funds that produce their own audited financial statements, the component reporting entity is required to disclose information on how the reader can obtain a copy of the financial statements and the audit opinion. The Federal government, in its fiduciary role, may not be liable for payments in an amount greater than the money or property deposited/belonging to the fiduciary fund. Fiduciary funds should be excluded from the accounting standard for insurance programs.</p> <p><b>(2) Workers’ compensation programs for Federal employees (and Federal contractors and subcontractors)</b></p> <p><u>Rationale:</u> Workers’ compensation programs pay for medical costs, lost income and/or work-related injury/illness incurred by Federal employees (and Federal contractors and subcontractors in some programs) while performing work for the Federal government. In some cases, the spouse and dependent children may receive benefits. These programs support DOL’s strategic goal to “Secure retirement, health, and other employee benefits and, for those not working, provide income security.”</p> <p>The Federal Employees' Compensation Act (FECA) provides workers' compensation coverage to three million federal and postal workers around the world for employment-</p>

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<p><b>QUESTION #2:</b> Additional new terms were introduced (par. 10–25) in order to provide definitions needed to consistently report on insurance programs.</p> <p>a. Do you agree or disagree with the proposed definition of each term? Please provide the rationale for your answer.</p> <p>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.</p>	
	<p>related injuries and occupational diseases. DOL receives appropriations for the administration of the FECA program and the unreimbursed portion of FECA benefits; DOL is reimbursed for actual FECA benefits by other Federal Agencies. DOL follows the accounting standard covering other post-employment benefits in SFFAS 5, paragraphs 94–96, to record/report DOL’s portion of the FECA actuarial liability; DOL also computes the actuarial liability of Federal Agencies so that the Federal Agencies may record/report their portion of the actuarial liability for their financial statements. Within DOL, the FECA program has three separate audits/examinations (SSAE 16; attestation of the schedule of actuarial liability by Agency, net intra-governmental accounts receivable by Agency, and benefits expense by Agency; and as part of the consolidated financial statements of the DOL component entity). As an other-post-employment benefit, the FECA program, or a program with similar characteristics, should be excluded from the accounting standard for insurance programs.</p> <p>The Energy Employees Occupational Illness Compensation Program Act (EEOICPA) was enacted in October 2000. Part B of the EEOICPA, effective on July 31, 2001, compensates current or former employees (or their survivors) of the U.S. Department of Energy (DOE), its predecessor agencies, and certain of its vendors, contractors and subcontractors, who were diagnosed with a radiogenic cancer, chronic beryllium disease, beryllium sensitivity, or chronic silicosis, as a result of exposure to radiation, beryllium, or silica while employed at covered facilities. The EEOICPA also provides compensation to individuals (or their eligible survivors) awarded benefits by the Department of Justice under Section 5 of the Radiation Exposure Compensation Act (RECA). Part E of the EEOICPA (enacted October 28, 2004) compensates DOE contractor and subcontractor employees, eligible survivors of such employees, and uranium miners, millers, and ore transporters as defined by RECA Section 5, for any occupational illnesses that are causally linked to toxic exposures in the DOE or mining work environment. DOL follows the accounting standard applicable to contingent</p>

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<p><b>QUESTION #2:</b> Additional new terms were introduced (par. 10–25) in order to provide definitions needed to consistently report on insurance programs.</p> <p>a. Do you agree or disagree with the proposed definition of each term? Please provide the rationale for your answer.</p> <p>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.</p>	
	<p>liabilities which are probable and measurable per SFFAS 5, paragraphs 38–42, to record/report an actuarial liability for the EEOICPA program; the DOE records/reports a corresponding imputed cost/imputed financing source on its financial statements. As a program with an actuarial value recognized on the financial statements of two component reporting entities (as a liability for DOL and as an imputed cost/imputed financing source for DOE), the EEOICPA program, or a program with similar characteristics, should be excluded from the accounting standard for insurance programs.</p> <p><b>(3) Programs established to pay claims based on adverse events that occurred many years ago and for which there will be no additional claimants and has been a closed population for many years.</b></p> <p>Rationale: Insurance programs should include characteristics about the timing of adverse events; for example, the adverse event has not yet occurred (and for which insurance coverage will be provided) or if the adverse event has already occurred, that it is reasonably possible that there may be additional claims. For the Special Benefits for Disabled Coal Miners program, Title IV of the Federal Mine Safety and Health Act authorizes monthly benefits to coal miners disabled due to coal workers' pneumoconiosis (black lung), and to their widows and certain other dependents. Part B of the Act assigned the processing and paying of claims filed between December 30, 1969 (when the program originated) and June 30, 1973 to the Social Security Administration (SSA). P.L. 107–275 transferred Part B claims processing and payment operations from SSA to the Department of Labor's Office of Workers' Compensation Programs. This change was implemented on October 1, 2003. The adverse event leading to the claims filed between December 30, 1969 and June 30, 1973 occurred more than 40 years ago; as a program for which there will be no new claims and for</p>

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #2:</b> Additional new terms were introduced (par. 10–25) in order to provide definitions needed to consistently report on insurance programs.</p> <p>a. Do you agree or disagree with the proposed definition of each term? Please provide the rationale for your answer.</p> <p>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.</p>	
	<p>which has a closed population that is declining due to attrition, the Special Benefits for Disabled Coal Miners program, or a program with similar characteristics, should be excluded from the accounting standard for insurance programs.</p> <ul style="list-style-type: none"> <li>The U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO) provided responses to the following questions: 2a, 4a, and 8. DOL/OCFO has no responses to the other questions at this time.</li> </ul>
#11 GWSCPA-FISC	The FISC agrees with the definitions provided in paragraphs 10-25.
#12 GAO	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board’s consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i>
#13 VA	<p>a. Agree with definitions. Suggested edit for 16. Expected Cash Flow: add “income/disbursement amounts” at the end of the sentence.</p> <p>b. Having a standard set of definitions will promote consistent interpretation and, therefore, application.</p>
#14 HHS	<p>a. HHS agrees with the majority of definitions defined in pars. 10-25 but recommends that the Board provide more guidance on “Insurance Contract.” For example, does the Board require all insurance programs have an insurance contract?</p> <p>b. HHS agrees that the additional terms will assist insurance programs in producing consistent reporting.</p>
#15 NCUA	NCUA generally agrees with the proposed definitions provided in paragraphs 10-25. We believe that consistency in terminology will promote transparency and consistency in reporting for both agency general purpose federal financial reports (GPFFRs) and the



## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #2:</b> Additional new terms were introduced (par. 10–25) in order to provide definitions needed to consistently report on insurance programs.</p> <p>a. Do you agree or disagree with the proposed definition of each term? Please provide the rationale for your answer.</p> <p>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.</p>	
	<p>consolidated financial report of the U.S. Government for insurance programs.</p> <p>We did find a potential conflict in the application of the ED with an insurance program that receives funding both by exchange and nonexchange transactions. This conflict could affect Exchange Transaction Insurance Programs Other Than Life Insurance (para 15) and Nonexchange Transaction Insurance Programs (para 23). This potential conflict is addressed in the response to Q3.</p> <p>Additionally, we suggest that the definition of Insurance Claim and Insurance Contract be inclusive of claims that are statutory-based rather than explicitly contract-based. For instance, deposit insurance claims from a failed financial institution are based on a function of the Federal Credit Union Act rather than a formal contract. Consider adding the following to the Insurance Contract paragraph: “A contract may be created directly in an exchange transaction or indirectly by statute.”</p> <p>We agree that no other additional terms are needed in the ED that would add additional consistency and clarity to insurance program financial reporting.</p>
#16 HUD	<p>a. HUD agrees with the proposed definition of each term because these are intended to have a specific meaning when applying the standards.</p> <p>b. 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.</p>
#17 Treasury	<p>a. &amp; b. 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.</p>
#18 AGA	<p>c. We agree the list of exclusions is necessary; however, we believe under the current format it is confusing and at times vague. No doubt the exclusions are meaningful to those who run the relevant programs but they are not to others. We</p>

## STAFF SUMMARY OF RESPONSES – Table C

<b>QUESTION #2:</b> 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.	
	recommend FASAB fully explain each exclusion and why are they excluded from this proposed standard. d. Including the additional items and providing clarifications as noted above will assist in producing consistent reporting.

<b>QUESTION #3:</b> 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.	
#1 SSA-DCFO	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.
#2 USDA, RMA-CFO	Agree, Life Insurance needs to be split out because the accounting for liabilities is different than the other two programs, and Non-exchange transaction need to be split out because they account for revenue differently than the other two programs.
#3 KPMG	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents..</i>
#4 EPA-CFO	<b>Agree.</b> The three categories of insurance under the proposal provide concise and clear information about the operating performance of insurance programs and the risk of loss to the federal government from adverse events.
#5 DOT – Maritime Admin.	MARAD agrees with the categorization of insurance programs into three (3) distinct groups. This approach provides a clear differentiation of one program from the other and clarity on revenue, loss and liability recognition procedures/requirements for each type of insurance program.

## STAFF SUMMARY OF RESPONSES – Table C

<b>QUESTION #3:</b> 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.	
#6 PBGC-CFO	While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree, the three categories appear to be comprehensive and complete.
#7 Joseph Marren	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i>
#8 NASA-DCFO	NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.
#9 OPIC-CFO	OPIC Response – We agree with the defined classifications of Insurance Programs.
#10 DOL-CFO	The U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO) provided responses to the following questions: 2a, 4a, and 8. DOL/OCFO has no responses to the other questions at this time.
#11 GWSCPA-FISC	The FISC agrees with the three categories included within paragraphs 15, 22, and 23.
#12 GAO	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i>
#13 VA	Agree. These categories have unique characteristics, and the accounting standards for each should be addressed separately.
#14 HHS	HHS agrees with these categories. HHS recommends that the Board provide more descriptive information regarding the non-exchange transaction category. It may be helpful to provide situational examples.
#15 NCUA	Generally, NCUA agrees in concept with the use of the predefined categories presented in the ED. While we agree that life insurance programs should have their own category, the nomenclature of the other two proposed categories is potentially conflicting. The naming convention appears to focus on the method of revenue recognition rather than the type of

## STAFF SUMMARY OF RESPONSES – Table C

<b>QUESTION #3:</b> 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.	
	<p>insurance provided.</p> <p>When applying the ED following its revenue recognition categories (i.e., Exchange Transaction Insurance Programs versus Nonexchange Transaction Insurance Programs), a potential conflict exists for an insurance program where funding comes from both exchange and nonexchange transactions.</p> <p>NCUA's main insurance program is the National Credit Union Share Insurance Fund (Share Insurance Fund). The program reports using FASAB reporting standards and recognizes revenue in accordance with SFFAS No. 7, <i>Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</i>.</p> <p>The Share Insurance Fund has multiple sources of funding that include both exchange and nonexchange funding. Each insured credit union is required to deposit and maintain in the Share Insurance Fund one percent (1%) of its insured deposits, which is deemed a nonexchange transaction. The fund has other funding sources that have been deemed exchange transactions in applying SFFAS No. 7. While the overall insurance product is the same (e.g., deposit insurance), a potential conflict may exist on which revenue recognition, liability and disclosure requirements to apply (i.e., Exchange Transaction Insurance Programs versus Nonexchange Transaction Insurance Programs) from the ED.</p> <p>This potential conflict may exist with other insurance programs where their enabling legislation allows funding by exchange and nonexchange transactions. Accordingly, additional clarity may be provided with a statement such as, "The majority source of funding designates an insurance program as an Exchange Transaction Insurance Program or Nonexchange Transaction Insurance Program."</p>
#16 HUD	<p>HUD agrees with these categories as the standards found in SSFAS 7, <i>Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</i>, which provided information to help the Board determine what type of</p>

## STAFF SUMMARY OF RESPONSES – Table C

<b>QUESTION #3:</b> 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.	
	transactions to include in each of the three insurance program categories.
#17 Treasury	The Department of the Treasury agrees with the three categories defined in paragraphs 15, 22 and 23.
#18 AGA	We have no disagreements with the three categories. They are consistent with FASAB's concepts.

<b>QUESTION #4</b>	
<p><b>QUESTION #4:</b> 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):</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	
#1 SSA-DCFO	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

## STAFF SUMMARY OF RESPONSES – Table C

QUESTION #4	
	health of the insurance programs.
#2 USDA, RMA-CFO	<p>a. Agree.</p> <p>b. No, par. 36 and 37 seems to give some leeway on other methods and would allow us to continue to use the same methodology for predicting losses.</p> <p>c. Yes, we would be able to continue using our current methodology for predicting losses.</p> <p>d. Overall agree.</p> <ul style="list-style-type: none"> <li>▪ There is some confusion about whether or not par. 43 includes liabilities for losses on remaining coverage since recognition and measurement for exchange transaction insurance programs other than life insurance are divided up into liability for unpaid insurance claims (par. 29) and liability for losses on remaining coverage (par. 33). RMA believes par. 43 to calculate the liability balance for unpaid insurance claims should also include the liability for losses on remaining coverage but due to the wording, this may not be clear. Please consider adjusting the wording to include liability for losses on remaining coverage.</li> <li>▪ Par 42, item g - Agree in theory overall, but would like clarification.</li> <li>▪ Is the amount of insurance in force the balance at end of the period or in effect during the period? If a full claim was paid on a policy, the insurance period ends once paid so the insurance may not be in force as of 9/30. It would be more meaningful and easier to determine the amount in force during the period. The sentence regarding the explanation is confusing and may be missing the word “not” more than a remote likelihood. Suggest rewording to say: “Include an explanation on the amount of claims paid or projected to be paid in relation to the total amount of insurance in force.”</li> </ul>

## STAFF SUMMARY OF RESPONSES – Table C

QUESTION #4	
#3 KPMG	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i>
#4 EPA-CFO	<p>a. <b>Agree.</b> The exchange revenue insurance programs collect premiums through contracts/agreements to cover loss risks from adverse events. Thus, agencies should record premiums when earned as revenue and a liability in the account unearned premium revenue over the contract term. Furthermore, SFFAS 7 identifies whether a transaction is exchange or non-exchange including the related timing and recognition of revenue, and SFFAS 5 governs when the associated loss becomes a liability.</p> <p>b. The EPA supports the proposed mode in the ED. The expected cash flow approach, differs from the discounted cash flow (DCF) method. The DCF utilizes a single set of estimated cash flows and a single discount rate, which attempts to adjust the estimate of future results to reflect the many varied inherent risks and uncertainties. Moreover, the FASB introduces the expected cash flow approach focusing on explicit assumptions about the range of possible estimated cash flows and their respective probabilities in its Concepts Statement No. 7- Using Cash Flow Information and Present Value in Accounting Measurements.</p> <p>c. An expected cash flow method to estimate future losses does not apply to the EPA. EPA does not have exchange transaction insurance programs.</p> <p>d. <b>Agree.</b> Accrual accounting requires entities to record transactions in the time period in which financial events occur. The EPA believes disclosures would focus materiality that should be presented regarding exchange transaction insurance programs. The EPA also believes other factors should be considered in making judgments about related exposure to risk. This information should be in the footnotes and agencies should include short and long-duration contracts in separate portfolios according to their similar characteristics.</p>
#5 DOT – Maritime Admin.	<p>a. MARAD agrees. The guidance on revenue, loss and liability recognition is clear and appropriate and is not any different from the general accounting guidance on the</p>

## STAFF SUMMARY OF RESPONSES – Table C

QUESTION #4	
	<p>recognition of income, expense, gain, loss and liability.</p> <p>b. MARAD does not have enough information to answer this question.</p> <p>c. This question does not apply to MARAD because it does not currently have an insurance program that requires the estimation of future losses.</p> <p>d. MARAD agrees. The disclosure requirements include consideration for materiality (both qualitative and quantitative) and the presentation of information that is concise, meaningful and transparent.</p>
#6 PBGC-CFO	<p>a. While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree with the guidance and find it clear and appropriate.</p> <p>b. Since PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we have no opinion related to this expected cash flow approach; however, we caution any one approach that may be too limiting.</p> <p>c. Same response as provided above for Q4.b.</p> <p>d. While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree, the disclosures are appropriate for the exchange transaction insurance programs.</p>
#7 Joseph Marren	<p>Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i></p>
#8 NASA-DCFO	<p>a.&amp; d. NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.</p> <p>b. &amp; c. NASA does not operate insurance programs and therefore we do not have the experience to comment.</p>



## STAFF SUMMARY OF RESPONSES – Table C

QUESTION #4	
#9 OPIC-CFO	<p>a. 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?</p> <p>b. 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 above.</p> <p>c. OPIC Response – We currently do not have a cash flow method to estimate future losses. Reference Q4 a) above.</p> <p>d. 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)?</p>
#10 DOL-CFO	<p>a. US DOL/OCFO Response: Paragraph 38 refers to SFFAS 33 for guidance on discount rates. The scope of SFFAS 33 is limited to pensions, other retirement benefits, and other postemployment benefits (except for the Federal Employees' Compensation Act [FECA workers' compensation] program which was specifically excluded per SFFAS 33, paragraph 14). If an Agency applied some aspects of SFFAS 33 in a methodology for selecting a discount rate for activity that is outside the scope of the activities covered in SFFAS 33, then the Agency would be applying the SFFAS 33 standard by analogy only. The insurance accounting standard should not refer to SFFAS 33 as guidance for selecting discount rates because SFFAS 33 is limited in scope to pensions, other retirement benefits, and certain other postemployment benefits.</p>

## STAFF SUMMARY OF RESPONSES – Table C

QUESTION #4	
#11 GWSCPA-FISC	<p>a. .-d. The FISC generally agrees with the recognition guidance for exchange transaction insurance programs other than life insurance. However, we offer the following observations for consideration by the Board:</p> <p>A. We suggest that the Board replace the phrases “not practical and appropriate” and “single most-likely amount” in paragraph 37. These phrases are not sufficiently precise enough to provide for consistent implementation by reporting entities. The first phrase (“not practical and appropriate”) does not provide for the scenarios that the Board envisions when a reporting entity would not be required to adopt the expected cash flows or other comparable method. The second phrase (“single most-likely amount”) could be subject to different interpretations depending upon the objective of the stakeholder, preparer, or financial statement user. If the Board chooses to include these phrases in the final Standard, we suggest that the Board add definitions of these phrases to the “Definitions” section in order to clarify the Board’s intent.</p> <p>B. We support the inclusion of paragraph 36, which 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. We agree with the views of the Board member, as discussed in paragraph A17, that the expected cash flows method may be too limited in some circumstances. The latitude provided by the Board in paragraph 36 adequately addresses this concern.</p> <p>C. We suggest that the Board limit its discussion of subsequent events in paragraph 32 to only refer to the requirements in SFFAS 39, such as replacing the current paragraph with “Subsequent events should be recognized in accordance with SFFAS 39.” The current ED includes an extended discussion that may give rise to circumstances in which this language could be interpreted as an expansion of the requirements in SFFAS 39. (This same comment applies to the Board’s discussion of subsequent events in paragraphs 49 and 64 in the ED.)</p>
#12 GAO	<p>Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board’s consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i></p>
#13 VA	<p>The recognition guidance seems clear and appropriate, however, like SSA, we would defer to the recommendations of the subject matter experts in the agencies who</p>

## STAFF SUMMARY OF RESPONSES – Table C

QUESTION #4	
	administer exchange transaction insurance programs for comments on specific approaches.
#14 HHS	<p>a. HHS agrees with the recognition guidance.</p> <p>b. HHS is not currently aware of a valid method that would be excluded.</p> <p>c. HHS is reviewing its programs for applicability of this standard; this review will include the methods used for estimating future losses.</p> <p>d. The required disclosure narrative is very detailed. For example, attempting to explain the nature and magnitude of uncertainty, could add a layer of confusion for the reader. HHS believes that overall there is too much disclosure required by this proposed standard.</p>
#15 NCUA	<p>NCUA agrees in concept with the revenue recognition model presented in the ED. The definition for this category appears to focus on revenue recognition concepts based on the existence of a contract with an expressed time period, as described in paragraphs 26 (“through contracts”) and 27 (“earned over the period of the contract”). This does not appear to be inconsistent with SFFAS 7, paragraph 36(d).</p> <p>The expected cash flow approach proposed in paragraphs 35 – 37 should not hinder NCUA’s current approach to the estimation of its current or future credit union losses. For example, the Share Insurance Fund uses an internal econometric model that applies estimated failure and loss rates and takes into account the historical loss history, insuree risk ratings, insuree financial ratios, and other conditions. In addition, specific reserves are established for those credit unions where failure is imminent or where additional information is available that may affect the estimate of losses.</p> <p>The proposed disclosures for exchange transaction insurance programs other than life insurance appear to be adequate. Based on our current GFFPR, we do not anticipate any substantial changes to the type of insurance program information presented in our GFFPR. NCUA welcomes the option to reference relevant notes rather than duplicate</p>

## STAFF SUMMARY OF RESPONSES – Table C

QUESTION #4	
	information provided in other areas that are necessary to comply with specific disclosure requirements in OMB Circular A-136, Financial Reporting Requirements.
#16 HUD	<p>a. 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.</p> <p>b. 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.</p> <p>c. 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.</p> <p>d. 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.</p>
#17 Treasury	<p>a. The Department of the Treasury agrees that the recognition guidance for exchange transaction insurance programs other than life insurance is clear and appropriate.</p> <p>b. 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</p>

## STAFF SUMMARY OF RESPONSES – Table C

QUESTION #4	
	<p>provided by the Board in paragraph 36 adequately addresses this concern.</p> <p>c. 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.</p> <p>d. 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.</p>
#18 AGA	<p>a. We agree with the recognition guidance as presented. In Paragraph 33 it talks about estimating amounts to be paid to settle future claims. Our assumption when reading this is that it means the preparer would include insured events that haven't happen yet but that the preparer anticipates will happen. If this is not the case, then we recommend FASAB make the distinction in paragraph 33.</p> <p>b. We recommend FASAB provide its rationale for prescribing the expected cash flow approach. Since the rationale was not provided it was hard for us to adequately evaluate whether this approach is the best one. We were also confused that FASAB did not agree with the proposal from one of its members to "use any method that provides a reasonable estimate of cash flows" since the exposure draft in paragraphs 37 and A16f allows an agency to select another approach "if using an expected cash flow method is not practical and appropriate", which we believe could lead a preparer to use any cash flow method they deemed reasonable. The potential conflict needs to be addressed and clarified.</p> <p>c. We did not receive any feedback from members of the FMSB that are members of a Federal entity.</p> <p>d. The proposed disclosures seem appropriate and we believe the reconciliation as called for in paragraph 43 will be informative and useful.</p>

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #5:</b> New standards were introduced (par. 44–53) for nonexchange transaction insurance programs.</p> <p>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.</p> <p>Do you agree or disagree with the disclosures for the nonexchange transaction insurance programs (par. 50-53)? Please provide the rationale for your answer.</p>	
#1 SSA-DCFO	<p>a. The recognition guidance for nonexchange insurance programs appears reasonable and easy to follow.</p> <p>b. 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.</p>
#2 USDA, RMA-CFO	<p>a. Agree with theory as presented, RMA does not do this type of insurance.</p> <p>b. Agree with theory as presented, RMA does not do this type of insurance.</p>
#3 KPMG	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i>
#4 EPA-CFO	<p>a. <b>Agree.</b> The EPA believes that non-exchange transactions need to be tracked separately because losses are only recognized when they occur. However, the Board needs to add that Federal entities should report the subsequent events to Treasury for the consolidated financial report (CFR) of the U.S. Government.</p> <p>b. <b>Agree.</b> The accompanying footnotes are an integral part of the consolidated financial statements and the information provided should be useful to users and stakeholders. Nevertheless, the EPA recommends additional guidance on how to provide references to relevant notes elsewhere in Federal government reporting would be helpful.</p>

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #5:</b> New standards were introduced (par. 44–53) for nonexchange transaction insurance programs.</p> <p>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.</p> <p>Do you agree or disagree with the disclosures for the nonexchange transaction insurance programs (par. 50-53)? Please provide the rationale for your answer.</p>	
#5 DOT – Maritime Admin.	<p>a. MARAD agrees. The guidance on the recognition of revenue for nonexchange transaction insurance programs follows the general guidance on the recognition of resources that result from the receipt of appropriations (SFFAS 7). Recognition of liability for unpaid insurance claims follows general liability recognition principles in accounting and financial reporting.</p> <p>b. MARAD agrees. The disclosure requirements include consideration for materiality (both qualitative and quantitative) and the presentation of information that is concise, meaningful and transparent.</p>
#6 PBGC-CFO	<p>a. While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree with the guidance and find it clear and appropriate.</p> <p>b. While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree, the disclosures are appropriate for the nonexchange transaction insurance programs.</p>
#7 Joseph Marren	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i>
#8 NASA-DCFO	a. & b NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.
#9 OPIC-CFO	a. & b OPIC Response – this type of coverage doesn't apply to OPIC thus we have no opinion.
#10 DOL-CFO	The U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO) provided responses to the following questions: 2a, 4a, and 8. DOL/OCFO has no responses to the other questions at this time.
#11 GWSCPA-FISC	a. & b. The FISC agrees with the new standards introduced in paragraphs 44-53 for non-exchange transaction insurance programs

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #5:</b> New standards were introduced (par. 44–53) for nonexchange transaction insurance programs.</p> <p>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.</p> <p>Do you agree or disagree with the disclosures for the nonexchange transaction insurance programs (par. 50–53)? Please provide the rationale for your answer.</p>	
#12 GAO	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i>
#13 VA	a. & b Agree, but defer to subject matter experts.
#14 HHS	<p>a. HHS disagrees. The recognition guidance for non-exchange transaction insurance programs is not clear. More detailed information regarding the nature of non-exchange transaction insurance programs would be helpful.</p> <p>b. HHS believes that an effort should be made to reduce the amount of disclosure required for non-exchange transaction insurance programs that overall there is already too much disclosure required by the proposed standard.</p>
#15 NCUA	<p>NCUA agrees with FASAB that revenue recognition standards currently prescribed by SFFAS 7 should be used for nonexchange transaction insurance programs. NCUA uses SFFAS 7 for revenue recognition for its FASAB reporting funds and believes that the current revenue recognition model is adequate.</p> <p>The proposed disclosures for nonexchange transaction insurance programs appear to be adequate. The type and amount of insurance program information provided in the proposed disclosures for nonexchange transaction insurance programs appear sufficient to adequately provide information required to present an insurance program in the consolidated financial report of the U.S. Government, as listed in paragraph 69.</p>
#16 HUD	<p>a. 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.</p> <p>b. HUD agrees with the Board that disclosures should be integrated so that concise,</p>



## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #5:</b> New standards were introduced (par. 44–53) for nonexchange transaction insurance programs.</p> <p>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.</p> <p>Do you agree or disagree with the disclosures for the nonexchange transaction insurance programs (par. 50-53)? Please provide the rationale for your answer.</p>	
	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.
#17 Treasury	<p>a. The Department of the Treasury agrees that the recognition guidance for nonexchange transaction insurance programs provided in paragraphs 45-49 is clear and appropriate.</p> <p>b. The Department of the Treasury also agrees with the disclosures for nonexchange transaction insurance programs provided in paragraphs 50-53.</p>
#18 AGA	We disagree since the exposure draft does not adequately explain what is a nonexchange insurance program is or provide any examples. We encourage FASAB to improve its explanation as well provide examples in its final draft.

<p><b>QUESTION #6:</b> New standards were introduced (par. 54–68) for life insurance programs.</p> <p>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.</p> <p>b. Do you agree or disagree with the disclosures for the life insurance programs (par. 65-68)? Please provide the rationale for your answer.</p>	
#1 SSA-DCFO	<p>a. The recognition guidance for life insurance appears reasonable and clear.</p> <p>b. 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</p>

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #6:</b> New standards were introduced (par. 54–68) for life insurance programs.</p> <p>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.</p> <p>b. Do you agree or disagree with the disclosures for the life insurance programs (par. 65-68)? Please provide the rationale for your answer.</p>	
	life insurance policies.
#2 USDA, RMA-CFO	<p>a. Agree with theory as presented, RMA does not do this type of insurance.</p> <p>b. Agree with theory as presented, RMA does not do this type of insurance.</p>
#3 KPMG	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i>
#4 EPA-CFO	<p>a. Agree. The guidance for life insurance programs in (par. 55-64) is clear and appropriate. The EPA acknowledges the Board's efforts to support the general principle to reflect the interaction between revenue and liability for life insurance programs.</p> <p>b. Agree. The disclosures for the life insurance programs (par. 65-68) concerning factors such as materiality and information for changes in the liability balance are crucial to financial reporting. Agencies omission or misstatement of information has the potential to mislead readers and stakeholders.</p>
#5 DOT – Maritime Admin.	<p>a. MARAD agrees that premiums should be recognized as revenue when due from life insurance policyholders. However, there is no discussion of adjustments that may be necessary for revenue that is recognized but not collected either in whole or in part. Also, there is no discussion of policy cancellations and the accounting for any related revenue that has already been recognized.</p> <p>b. MARAD agrees. The disclosure requirements include consideration for materiality (both qualitative and quantitative) and the presentation of information that is concise, meaningful and transparent.</p>
#6 PBGC-CFO	<p>a. While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree with the guidance and find it clear and appropriate.</p>

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #6:</b> New standards were introduced (par. 54–68) for life insurance programs.</p> <p>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.</p> <p>b. Do you agree or disagree with the disclosures for the life insurance programs (par. 65-68)? Please provide the rationale for your answer.</p>	
	<p>b. While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree, the disclosures are appropriate for the life insurance programs.</p>
#7 Joseph Marren	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i>
#8 NASA-DCFO	a. & b. NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.
#9 OPIC-CFO	a. & b. OPIC Response – this type of coverage doesn't apply to OPIC thus we have no opinion.
#10 DOL-CFO	The U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO) provided responses to the following questions: 2a, 4a, and 8. DOL/OCFO has no responses to the other questions at this time.
#11 GWSCPA-FISC	The FISC agrees with the new standards introduced in paragraphs 54-68 for life insurance programs.
#12 GAO	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i>
#13 VA	<p>a. Agree. We foresee no issues in following this guidance in reporting for VA life insurance programs.</p> <p>b. Agree. The information required in the disclosures is readily available and/or is already being provided to parties responsible for reviewing the financial reporting for the VA life insurance programs.</p>
#14 HHS	c. HHS agrees that the recognition guidance for life insurance programs is clear and

## STAFF SUMMARY OF RESPONSES – Table C

<p><b>QUESTION #6:</b> New standards were introduced (par. 54–68) for life insurance programs.</p> <p>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.</p> <p>b. Do you agree or disagree with the disclosures for the life insurance programs (par. 65-68)? Please provide the rationale for your answer.</p>	
	<p>appropriate</p> <p>d. HHS believes that the required disclosures for life insurance programs are excessive. They should be reevaluated and reduced.</p>
#15 NCUA	NCUA does not have any insurance programs that are life insurance programs. We note that the proposed standards for life insurance program appear consistent with proposed standards for the other two categories.
#16 HUD	<p>a. 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.</p> <p>b. 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.</p>
#17 Treasury	<p>a. The Department of the Treasury agrees that the recognition guidance for life insurance programs provided in paragraphs 55-64 is clear and appropriate.</p> <p>b. The Department of the Treasury also agrees with the disclosures for life insurance programs provided in paragraphs 65-68.</p>
#18 AGA	<p>a. We agree with the new standards for the life insurance programs.</p> <p>b. The proposed disclosures seem appropriate and we believe the reconciliation as called for in paragraph 68 will be informative and useful.</p>

## STAFF SUMMARY OF RESPONSES – Table C

<b>QUESTION #7:</b> 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.	
#1 SSA-DCFO	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.
#2 USDA, RMA-CFO	<p>Agree in theory overall, but would like clarification on item e.</p> <p>Is the amount of insurance in force the balance at end of the period or in effect during the period? If a full claim was paid on a policy, the insurance period ends once paid so the insurance may not be in force as of 9/30. It would be more meaningful and easier to determine the amount in force during the period.</p> <p>The sentence regarding the explanation is confusing and may be missing the word “not” more than a remote likelihood. Suggest rewording to say: “Include an explanation on the amount of claims paid or projected to be paid in relation to the total amount of insurance in force.”</p>
#3 KPMG	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board’s consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i>
#4 EPA-CFO	<b>Agree.</b> The board intended to improve financial reporting and to better inform readers about the operating performance of insurance programs. The EPA believes that the details provided in par. 69 provides the necessary guidance for disclosures to the consolidated financial report (CFR) of the U.S. Government.
#5 DOT – Maritime Admin.	MARAD agrees. The disclosures provide a summary of the important components of the insurance program(s). The Board should consider including the cost/expense of the insurance programs as part of the disclosures. Cost/expense of the program(s) will provide important summary information to stakeholders, especially taxpayers and the general public.

## STAFF SUMMARY OF RESPONSES – Table C

<b>QUESTION #7:</b> 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.	
#6 PBGC-CFO	While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree, the disclosures are appropriate for the consolidated financial report of the U.S. Government. PBGC will continue to report its exposure for the consolidated financial report (FR) of the U.S. Government, as shown in the fiscal year 2015 FR <i>Note 15. Insurance and Guarantee Program Liabilities</i> .
#7 Joseph Marren	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents</i> .
#8 NASA-DCFO	NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.
#9 OPIC-CFO	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).
#10 DOL-CFO	The U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO) provided responses to the following questions: 2a, 4a, and 8. DOL/OCFO has no responses to the other questions at this time.
#11 GWSCPA-FISC	The FISC agrees with the new disclosures introduced in paragraph 69 for the consolidated financial report of the U.S. Government.
#12 GAO	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents</i> .
#13 VA	Agree. This information is readily available or already being disclosed for VA life insurance programs.
#14 HHS	HHS agrees with the disclosures applicable to the consolidated financial report of the U.S. Government.
#15 NCUA	NCUA agrees with the new disclosures for the consolidated financial report of the U.S. Government. As noted in the FASAB's basis for conclusions, the required

## STAFF SUMMARY OF RESPONSES – Table C

<b>QUESTION #7:</b> 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.	
	information will be provided to the Department of Treasury at a high level and drawn from disclosures already present in agency GPFFRs.
#16 HUD	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.
#17 Treasury	The Department of the Treasury agrees with the new disclosures introduced in paragraph 69 for the consolidated financial report of the U.S. Government.
#18 AGA	We agree with the new disclosures.

<b>QUESTION #8:</b> 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.	
#1 SSA-DCFO	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.
#2 USDA, RMA-CFO	RMA would like to know if early adoption will be permitted. Also, how will comparative statements be handled? Guidance as to whether this is a change in estimate, change in accounting policy, whether the previous year should be re-calculated with the new standard or handled prospectively would be helpful to the agencies affected by this standard.
#3 KPMG	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D.

## STAFF SUMMARY OF RESPONSES – Table C

<b>QUESTION #8:</b> 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.	
	<i>Listing of Additional Comments from Respondents.</i>
#4 EPA-CFO	Agree. The EPA supports the Board's proposal that this statement be effective September 30, 2017. Most Federal agencies such as FDIC, OPM, PBGC, etc., have existing policy and procedures in place. However, they need to update their policies to comply with the new requirements. The EPA believes that by implementing this ED beginning after September 30, 2017, it provides sufficient time for agencies to resolve any material implementation issues.
#5 DOT – Maritime Admin.	MARAD agrees. This gives federal program agencies enough time to prepare for implementation of the requirements.
#6 PBGC-CFO	While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, given the magnitude and complexity of this standard we believe the reporting effective date should be for periods beginning after September 30, 2018.
#7 Joseph Marren	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i>
#8 NASA-DCFO	NASA does not operate insurance programs and therefore we do not have the experience to agree or disagree.
#9 OPIC-CFO	OPIC Response – We agree with the projected effective date for implementation.
#10 DOL-CFO	US DOL/OCFO Response: The effective date for the standard should be later than FY 2018 and early implementation should not be permitted.
#11 GWSCPA-FISC	The FISC agrees with the proposed effective date of this ED.
#12 GAO	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at Table D. <i>Listing of Additional Comments from Respondents.</i>
#13 VA	Agree. This date should allow for sufficient time for agencies to prepare for the new requirements.



## STAFF SUMMARY OF RESPONSES – Table C

<b>QUESTION #8:</b> 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.	
#14 HHS	HHS agrees.
#15 NCUA	NCUA agrees with the effective date. NCUA would consider early application of this ED once issued if allowed by FASAB. NCUA does not believe that the standard will substantially change the content of its GPFFR to external financial statement users, but the standard may alter the overall format of the information currently presented in our agency GPFFR.
#16 HUD	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.
#17 Treasury	The Department of the Treasury agrees with the requirements of this Statement to be effective with reporting periods beginning after September 30, 2017.
#18 AGA	The effective reporting date of the standard seems reasonable.

## STAFF SUMMARY OF RESPONSES – Table D: Listing of Additional Comments from Respondents

### D. Listing of Additional Comments from Respondents

<u>Respondent</u>	<u>Additional Comments</u>
#3 KPMG	<p>We appreciate the opportunity to respond to the proposed Statement of Federal Financial Accounting Standards, Insurance Programs – the exposure draft (ED). We support the Board’s efforts related to insurance programs. As we understand the Board’s current 3-year plan, this ED is Phase I of the broader Risk Assumed Project, and we anticipate future exposure drafts related to this broader project. We believe the preparer community can best address the recognition and measurement guidance in the ED. We believe there are certain aspects of the ED that are unclear, which will make implementation problematic, and in some instances will impact the auditability. Therefore, we provide the following comments for the Board’s consideration.</p>
	<p><b>1. Definitions</b></p> <p>a. We recommend that the Board avoid defining terms with the term itself. For example, paragraph 9 defines “insurance program” as “a general term used to refer to an insurance or non-loan guarantee program...” Also, paragraph 15 uses the term “exchange transactions” when defining “exchange transaction insurance programs other than life insurance”.</p> <p>b. Paragraph 25 states “Recoveries – ‘recoveries’ include...”. These are examples of recoveries rather than a definition. We recommend that the Board define recoveries in addition to providing examples.</p>

## STAFF SUMMARY OF RESPONSES – Table D

<u>Respondent</u>	<u>Additional Comments</u>
#3 KPMG	<p><b>2. Exchange Transaction Insurance Programs Other Than Life Insurance</b></p> <p>a. Paragraph 30(b) states “[the estimated settlement amount includes] related estimated claim adjustment expenses.” We believe it is unclear whether the Board intends for a reporting entity to accrue at the end of 20X1 for federal employees’ payroll and related costs incurred in future periods (20X2 and beyond) that relate to unpaid insurance claims.</p> <p>b. We recommend that the Board reconsider whether inclusion of paragraph 32 is necessary given that it is paraphrasing, without specific reference to insurance programs, SFFAS 39, Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statements on Auditing Standards. Also, inclusion of paragraph 32 could imply that the Board is providing new or alternative guidance on subsequent events for insurance programs.</p> <p>c. We recommend that the Board remove the last sentence of paragraph 35, which states “Subsequent events should not be recognized but may be disclosed in accordance with SFFAS 39.” This sentence contradicts paragraph 32 and SFFAS 39, paragraphs 11 and 12, which require recognition of certain subsequent events.</p> <p>d. We recommend the Board remove paragraph 36, which states “To the extent that a method explicitly or implicitly incorporates the characteristics of expected cash flow, then its use is consistent with this Statement.” We believe the Board’s use of such broad language may present an audit challenge.</p> <p>e. Paragraph 37 states “If using an expected cash flow method is not practical and appropriate, then an entity may estimate a single most-likely amount to be paid to settle future claims during the remaining open contract period.” Use of “not practical and appropriate” presents a presentation and audit challenge. We are unsure what other criteria management and the auditor would use to determine whether an expected cash flow method was not appropriate. We recommend that the Board remove paragraph 37.</p>

## STAFF SUMMARY OF RESPONSES – Table D

<u>Respondent</u>	<u>Additional Comments</u>
#3 KPMG	<p>f. Footnote 12 states “Portfolios are groupings of insurance programs or contracts that have some meaningful relationship. The groupings may be based on contract period/duration, shared risks, management, customers, geographic regions, or other factors.” We recommend that the Board define portfolios within the “Definitions” section of the Standard rather than a footnote. We further recommend that once defined, the Board consistently use the term within the Standard. For example, paragraphs 30(c)i and 34 include the phrase “group(s) of contracts” rather than insurance portfolio. If the Board meant the phrase “group of contracts” to mean something other than a portfolio, the Board should clarify this.</p> <p>g. We believe paragraphs 40 and 41 are intended to provide guidance for selecting portfolios and/or contracts to be subject to the disclosures in paragraph 42. However, the linkage to paragraph 42 is not clear. We recommend that the Board modify paragraph 42 to link to the guidance in paragraphs 40 and 41 as follows (new content underscored):</p> <p style="padding-left: 40px;">A narrative discussion should be provided to include the following information <u>for each material insurance portfolio, and/or in aggregate for all remaining insurance portfolios, and/or individual insurance contracts:</u></p> <p>h. We recommend that the Board consider whether a reporting entity should disclose certain of the information required in paragraphs 42(a) through (h) in a table or chart rather than in a narrative discussion. In doing so, we recommend that the Board modify paragraph 42 and insert “narrative information relating to...” and/or “balances of...” at the beginning of items (a) through (h).</p>

## STAFF SUMMARY OF RESPONSES – Table D

<u>Respondent</u>	<u>Additional Comments</u>
#3 KPMG	<p>i. Paragraph 42(b) requires a narrative discussion of “The gross cost of..., [and] appropriations used...” We recommend that the Board clarify whether the gross cost and appropriations used balances include federal employees’ payroll and related expenses incurred while federal employees investigated, settled, and/or adjusted claims during the reporting period.</p> <p>j. We recommend that the Board modify paragraph 42(c) to provide additional guidance about what is meant by the term “investing activities.” It is a broad term and without more specific guidance, the Board will not achieve consistency in reporting.</p> <p>k. Paragraph 42(f) states “...trend information including the amounts of liability for losses on remaining coverage during the reporting period(s).” We recommend that the Board modify paragraph 42(f) to provide additional guidance about what is meant by the term “trend information,” or to remove “trend information”. It is a broad term and without more specific guidance, the Board will not achieve consistency in reporting. In addition, there is an audit challenge if a reporting entity discloses information that lacks measurability. We also recommend that the Board specify the number of years for which the required information should be disclosed.</p> <p>l. We recommend that the Board consider whether the information for changes in the liability balance for unpaid insurance claims described in paragraph 43 should include the ‘related estimated claim adjustment expenses’ from paragraph 30(b).</p>

## STAFF SUMMARY OF RESPONSES – Table D

<u>Respondent</u>	<u>Additional Comments</u>
#3 KPMG	<p><b>3. Nonexchange Transaction Insurance Programs</b></p> <ul style="list-style-type: none"> <li>a. Paragraph 47 – Refer to earlier comment number 2a on paragraph 30.</li> <li>b. Paragraph 49 – Refer to earlier comment number 2b on paragraph 32.</li> <li>c. Paragraphs 50 and 51 – Refer to earlier comment number 2f on paragraphs 40 and 41.</li> <li>d. Paragraphs 52(a) through (c) – Refer to earlier comments number 2g through 2i on paragraphs 42(a) through (c).</li> <li>e. Paragraph 53 – Refer to earlier comment number 2k on paragraph 43.</li> </ul> <p><b>4. Life Insurance Programs</b></p> <ul style="list-style-type: none"> <li>a. Paragraph 61 states “The liability is estimated using appropriate financial and/or actuarial methods...” We do not believe that a reporting entity could estimate a liability for future life insurance policy benefits without using an actuarial method as the estimate would need to consider such information as mortality and morbidity rates. We recommend that the Board modify paragraph 61 as follows (deleted content struck-through):  <div style="padding-left: 40px;">The liability is estimated using appropriate financial and/or actuarial methods...</div> </li> <li>b. Paragraph 61 states “(See also SFFAS 33)”. We recommend that the Board clarify the elements of SFFAS 33 to which a reporting entity should refer, as well as clarify whether such referral is required or for informational purposes.</li> <li>c. Paragraph 64 – Refer to earlier comment number 2b on paragraph 32.</li> <li>d. Paragraphs 65 and 66 – Refer to earlier comment number 2f on paragraphs 40 and 41.</li> <li>e. Paragraphs 67(a), (c), (d), and (e) – Refer to earlier comments number 2g through 2j on paragraphs 42(a) through (c) and (f).</li> <li>f. Paragraph 68 – Refer to earlier comment number 2k on paragraph 43.</li> </ul>

## STAFF SUMMARY OF RESPONSES – Table D

<u>Respondent</u>	<u>Additional Comments</u>
#3 KPMG	<p><b>5. Editorial Matters</b></p> <p>a. Paragraph 12 states “Cash Surrender Value – the “cash surrender value” is the sum of money an insurance company will return...” We recommend that the Board replace the term “insurance company” with language applicable to the Federal government, such as “a Federal agency that administers an insurance program.”</p> <p>b. We recommend that the Board revise “estimated” within paragraph 16 to “estimates”.</p> <p>c. We recommend that the Board adjust paragraph 30(a)ii(1) as follows to be consistent with the definition of adverse event from paragraph 11: (new content underscored; deleted content struck-through):</p> <p>A single-occurring event or Aa series of events causing...</p> <p>d. Paragraph 39 states “Adjustments to the liability for losses on remaining coverage should be recognized as a component of [emphasis added] claims expense.” Paragraph 31 states “Adjustments to the liability for losses on remaining coverage should be recognized as claims expense.” We recommend that the Board consider whether paragraph 39 should match paragraph 31.</p> <p>e. We recommend that the Board replace “future costs” with “future claims” in paragraph 42(f).</p>
#7 Joseph Marren	<p>For the sake of space and efficient and effective processing by FASAB, only a brief summary is highlighted. For the entire memorandum please see:</p> <p><a href="http://files.fasab.gov/pdf/insprograms_7_marren.pdf">http://files.fasab.gov/pdf/insprograms_7_marren.pdf</a></p>
	<p>Page 34: The Exposure Draft perpetuates the definition of a liability that is different from the definition of a liability that is used for appropriations purposes. This memorandum describes those different definitions in detail. In addition, the Exposure Draft perpetuates the notion of Nonexchange Transactions, an accounting fiction that has no basis in appropriations law.</p>
	<p>Page 131: The exposure draft perpetuates the definition of a liability that is different from the definition of a liability that is used for appropriations purposes. See Chapters 1 and 5 of this memorandum. In addition, the exposure draft perpetuates the notion of Nonexchange Transactions.</p>

## STAFF SUMMARY OF RESPONSES – Table D

<u>Respondent</u>	<u>Additional Comments</u>
<b>#12 GAO</b>	<p>This letter provides the U.S. Government Accountability Office’s (GAO) comments on the Federal Accounting Standards Advisory Board’s exposure draft (ED) entitled Insurance Programs. The ED defines terms relating to insurance programs and provides guidance for how and when insurance programs should recognize revenue, expenses, and liabilities. The ED also provides guidance for estimating losses for remaining coverage when contracts provide coverage after the financial reporting date. In addition, the ED updates existing disclosure guidance to encourage concise, meaningful, and transparent information.</p> <p>Overall, we support the guidance proposed in the ED. However, we are concerned with the requirement in the ED to first use the expected cash flow method to estimate the amounts that are to be paid to settle future claims during the remaining open insurance contract period. Our concerns focus on paragraphs 35, 36, and 37 as noted below:</p> <ul style="list-style-type: none"> <li>• Paragraph 35 of the ED states 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, and, as appropriate, the views of independent experts.</li> <li>• Paragraph 36 states 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.</li> <li>• Paragraph 37 states that if using an expected cash flow method is not practical and appropriate, then an entity may estimate a single most-likely amount to be paid to settle future claims during the remaining open contract period.</li> </ul>



## STAFF SUMMARY OF RESPONSES – Table D

<u>Respondent</u>	<u>Additional Comments</u>
	<p>We believe that the requirement to first use the expected cash flow method is an approach that is too limited and may inappropriately exclude cash flows calculated under other methods that may better reflect estimated cash flows. For example, it is possible that the most-likely amount will provide a better estimate of the liability. There are a range of alternatives for estimating cash flows and it is our view that the entity should be able to use any method that provides a reasonable estimate of cash flows, based on all available information existing at the balance sheet date, including experience with previous trends, and, as appropriate, the views of independent experts. In addition, the requirement to use a specific method for estimating cash flows is more confining than measurement methods in FASAB standards with regard to other liabilities and that there was not a clear reason expressed in the ED for the different treatment. We believe that the flexibility allowed with regard to measurement options within FASAB standards for measuring liabilities should be consistent. For these reasons, we believe that the ED should be modified to provide flexibility so that the user can use reasonable methods to estimate cash flows.</p>

## STAFF SUMMARY OF RESPONSES – Table D

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# **Insurance Programs**

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**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 ...**

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

- 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.**

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

- 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.**

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

**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.**

**From:** Sander, Shanda - RMA

**Sent:** Friday, March 25, 2016 12:52 PM

**To:** FASAB

**Cc:** Erny, Margo - RMA; Close, Kevin - OCFO; Kindle, Alexandria - OCFO; RMA - RMA-CFO-KC; Gilliam, Robin

**Subject:** Response to FASAB Exposure Draft - Insurance Programs

Attached is USDA - RMA's responses to the Insurance Programs exposure draft. If you have any questions or need additional information, please contact me at 816 926-2654.

Thanks

***Shanda Sander***

*Special Assistant to the CFO  
Risk Management Agency*



All responses are requested by March 29, 2016.

- 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.**

RE: Agree, it should be authorized by law, not a loan, and assume at least part of the risk but not necessarily the entire risk.

- 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.**

RE: Agree, especially important is the definition for Liabilities for Losses on Remaining Coverage, this is much better language than our agency had previously been using (Premium Deficiency Reserve). This should assist readers of the financial statements with understanding what this line item represents.

**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.**

RE: Agree, the definitions will assist agencies and readers with understanding and comparing results and line items across different agencies.

- 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.**

RE: Agree, Life Insurance needs to be split out because the accounting for liabilities is different than the other two programs, and Non-exchange transaction need to be split out because they account for revenue differently than the other two 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.**

RE: Agree.

- 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.**

No, par. 36 and 37 seems to give some leeway on other methods and would allow us to continue to use the same methodology for predicting losses.

- 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.**

Yes, we would be able to continue using our current methodology for predicting losses.

- 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.**

RE: Overall agree. There is some confusion about whether or not par. 43 includes liabilities for losses on remaining coverage since recognition and measurement for exchange transaction insurance programs other than life insurance are divided up into liability for unpaid insurance claims (par. 29) and liability for losses on remaining coverage (par. 33). RMA believes par. 43 to calculate the liability balance for unpaid insurance claims should also include the liability for losses on remaining coverage but due to the wording, this may not be clear. Please consider adjusting the wording to include liability for losses on remaining coverage.

Par 42, item g - Agree in theory overall, but would like clarification.

Is the amount of insurance in force the balance at end of the period or in effect during the period? If a full claim was paid on a policy, the insurance period ends once paid so the insurance may not be in force as of 9/30. It would be more meaningful and easier to determine the amount in force during the period.

The sentence regarding the explanation is confusing and may be missing the word “not” more than a remote likelihood. Suggest rewording to say: “Include an explanation on the amount of claims paid or projected to be paid in relation to the total amount of insurance in force.”

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.**

RE: Agree with theory as presented, RMA does not do this type of insurance.

- 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.**

RE: Agree with theory as presented, RMA does not do this type of insurance.

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.**

RE: Agree with theory as presented, RMA does not do this type of insurance.

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

RE: Agree with theory as presented, RMA does not do this type of insurance.

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.**

RE: Agree in theory overall, but would like clarification on item e.

Is the amount of insurance in force the balance at end of the period or in effect during the period? If a full claim was paid on a policy, the insurance period ends once paid so the insurance may not be in force as of 9/30. It would be more meaningful and easier to determine the amount in force during the period.

The sentence regarding the explanation is confusing and may be missing the word “not” more than a remote likelihood. Suggest rewording to say: “Include an explanation on the amount of claims paid or projected to be paid in relation to the total amount of insurance in force.”

- 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.**

RE: RMA would like to know if early adoption will be permitted. Also, how will comparative statements be handled? Guidance as to whether this is a change in estimate, change in accounting policy, whether the previous year should be re-calculated with the new standard or handled prospectively would be helpful to the agencies affected by this standard.



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March 28, 2016

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

**RE: Proposed Statement of Federal Financial Accounting Standards, *Insurance Programs***

Dear Ms. Payne:

We appreciate the opportunity to respond to the proposed Statement of Federal Financial Accounting Standards, *Insurance Programs* – the exposure draft (ED). We support the Board's efforts related to insurance programs. As we understand the Board's current 3-year plan, this ED is Phase I of the broader Risk Assumed Project, and we anticipate future exposure drafts related to this broader project. We believe the preparer community can best address the recognition and measurement guidance in the ED. We believe there are certain aspects of the ED that are unclear, which will make implementation problematic, and in some instances will impact the auditability. Therefore, we provide the following comments for the Board's consideration.

**1. Definitions**

- a. We recommend that the Board avoid defining terms with the term itself. For example, paragraph 9 defines "insurance program" as "a general term used to refer to an insurance or non-loan guarantee program..." Also, paragraph 15 uses the term "exchange transactions" when defining "exchange transaction insurance programs other than life insurance".
- b. Paragraph 25 states "Recoveries – 'recoveries' include...". These are examples of recoveries rather than a definition. We recommend that the Board define recoveries in addition to providing examples.

**2. Exchange Transaction Insurance Programs Other Than Life Insurance**

- a. Paragraph 30(b) states "[the estimated settlement amount includes] related estimated claim adjustment expenses." We believe it is unclear whether the Board intends for a reporting entity to accrue at the end of 20X1 for federal employees' payroll and related costs incurred in future periods (20X2 and beyond) that relate to unpaid insurance claims.
- b. We recommend that the Board reconsider whether inclusion of paragraph 32 is necessary given that it is paraphrasing, without specific reference to insurance programs, SFFAS 39, *Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statements on Auditing Standards*. Also, inclusion of paragraph 32 could imply that the Board is providing new or alternative guidance on subsequent events for insurance programs.

Ms. Wendy M. Payne  
FASAB Executive Director  
March 28, 2016  
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- c. We recommend that the Board remove the last sentence of paragraph 35, which states “Subsequent events should not be recognized but may be disclosed in accordance with SFFAS 39.” This sentence contradicts paragraph 32 and SFFAS 39, paragraphs 11 and 12, which require recognition of certain subsequent events.
- d. We recommend the Board remove paragraph 36, which states “To the extent that a method explicitly or implicitly incorporates the characteristics of expected cash flow, then its use is consistent with this Statement.” We believe the Board’s use of such broad language may present an audit challenge.
- e. Paragraph 37 states “If using an expected cash flow method is not practical and appropriate, then an entity may estimate a single most-likely amount to be paid to settle future claims during the remaining open contract period.” Use of “not practical and appropriate” presents a presentation and audit challenge. We are unsure what other criteria management and the auditor would use to determine whether an expected cash flow method was not appropriate. We recommend that the Board remove paragraph 37.
- f. Footnote 12 states “Portfolios are groupings of insurance programs or contracts that have some meaningful relationship. The groupings may be based on contract period/duration, shared risks, management, customers, geographic regions, or other factors.” We recommend that the Board define portfolios within the “Definitions” section of the Standard rather than a footnote. We further recommend that once defined, the Board consistently use the term within the Standard. For example, paragraphs 30(c)i and 34 include the phrase “group(s) of contracts” rather than insurance portfolio. If the Board meant the phrase “group of contracts” to mean something other than a portfolio, the Board should clarify this.
- g. We believe paragraphs 40 and 41 are intended to provide guidance for selecting portfolios and/or contracts to be subject to the disclosures in paragraph 42. However, the linkage to paragraph 42 is not clear. We recommend that the Board modify paragraph 42 to link to the guidance in paragraphs 40 and 41 as follows (new content underscored):

A narrative discussion should be provided to include the following information for each material insurance portfolio, and/or in aggregate for all remaining insurance portfolios, and/or individual insurance contracts:

- h. We recommend that the Board consider whether a reporting entity should disclose certain of the information required in paragraphs 42(a) through (h) in a table or chart rather than in a narrative discussion. In doing so, we recommend that the Board modify paragraph 42 and insert “narrative information relating to...” and/or “balances of...” at the beginning of items (a) through (h).
- i. Paragraph 42(b) requires a narrative discussion of “The gross cost of..., [and] appropriations used...” We recommend that the Board clarify whether the gross cost and appropriations used balances include federal employees’ payroll and related expenses incurred while federal employees investigated, settled, and/or adjusted claims during the reporting period.

Ms. Wendy M. Payne  
FASAB Executive Director  
March 28, 2016  
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- j. We recommend that the Board modify paragraph 42(c) to provide additional guidance about what is meant by the term “investing activities.” It is a broad term and without more specific guidance, the Board will not achieve consistency in reporting.
- k. Paragraph 42(f) states “...trend information including the amounts of liability for losses on remaining coverage during the reporting period(s).” We recommend that the Board modify paragraph 42(f) to provide additional guidance about what is meant by the term “trend information,” or to remove “trend information”. It is a broad term and without more specific guidance, the Board will not achieve consistency in reporting. In addition, there is an audit challenge if a reporting entity discloses information that lacks measurability. We also recommend that the Board specify the number of years for which the required information should be disclosed.
- l. We recommend that the Board consider whether the information for changes in the liability balance for unpaid insurance claims described in paragraph 43 should include the ‘related estimated claim adjustment expenses’ from paragraph 30(b).

### **3. Nonexchange Transaction Insurance Programs**

- a. Paragraph 47 – Refer to earlier comment number 2a on paragraph 30.
- b. Paragraph 49 – Refer to earlier comment number 2b on paragraph 32.
- c. Paragraphs 50 and 51 – Refer to earlier comment number 2f on paragraphs 40 and 41.
- d. Paragraphs 52(a) through (c) – Refer to earlier comments number 2g through 2i on paragraphs 42(a) through (c).
- e. Paragraph 53 – Refer to earlier comment number 2k on paragraph 43.

### **4. Life Insurance Programs**

- a. Paragraph 61 states “The liability is estimated using appropriate financial and/or actuarial methods...” We do not believe that a reporting entity could estimate a liability for future life insurance policy benefits without using an actuarial method as the estimate would need to consider such information as mortality and morbidity rates. We recommend that the Board modify paragraph 61 as follows (deleted content struck-through):

The liability is estimated using appropriate financial and~~or~~ actuarial methods...

- b. Paragraph 61 states “(See also SFFAS 33)”. We recommend that the Board clarify the elements of SFFAS 33 to which a reporting entity should refer, as well as clarify whether such referral is required or for informational purposes.
- c. Paragraph 64 – Refer to earlier comment number 2b on paragraph 32.
- d. Paragraphs 65 and 66 – Refer to earlier comment number 2f on paragraphs 40 and 41.
- e. Paragraphs 67(a), (c), (d), and (e) – Refer to earlier comments number 2g through 2j on paragraphs 42(a) through (c) and (f).
- f. Paragraph 68 – Refer to earlier comment number 2k on paragraph 43.

Ms. Wendy M. Payne  
FASAB Executive Director  
March 28, 2016  
Page 4

## 5. Editorial Matters

- a. Paragraph 12 states “Cash Surrender Value – the “cash surrender value” is the sum of money an insurance company will return...” We recommend that the Board replace the term “insurance company” with language applicable to the Federal government, such as “a Federal agency that administers an insurance program.”
- b. We recommend that the Board revise “estimated” within paragraph 16 to “estimates”.
- c. We recommend that the Board adjust paragraph 30(a)ii(1) as follows to be consistent with the definition of adverse event from paragraph 11: (new content underscored; deleted content struck-through):

A single-occurring event or ~~A~~a series of events causing...

- d. Paragraph 39 states “Adjustments to the liability for losses on remaining coverage should be recognized as *a component of* [emphasis added] claims expense.” Paragraph 31 states “Adjustments to the liability for losses on remaining coverage should be recognized as claims expense.” We recommend that the Board consider whether paragraph 39 should match paragraph 31.
- e. We recommend that the Board replace “future costs” with “future claims” in paragraph 42(f).

If you have questions about our response, please contact Ms. Amanda Nelson at 202-533-5560 or [aenelson@kpmg.com](mailto:aenelson@kpmg.com).

Sincerely,

KPMG LLP



**From:** Osborne, Christopher

**Sent:** Monday, March 28, 2016 2:57 PM

**To:** FASAB

**Cc:** Conklin, Jeanne; O'Connor, John; Washington, Lorna; Westermann, Tai-Fang

**Subject:** EPA Response to Review of Exposure Draft "Insurance Programs"

The EPA is pleased to provide the attached response to questions 1-8 in the Exposure Draft.

Please contact me if you have any questions regarding this response.

Thank you.

Christopher S. Osborne, CPA  
Senior Financial Adviser  
Office of the Controller

**Statement of Federal Financial Accounting Standards**  
**Exposure Draft (ED) – Insurance Programs**  
**Environmental Protection Agency Response to Questions for Respondents**  
**03/28/2016**

**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.

**Agree.**

The Board has worked with the task force members since 2014 on a revision to the definition of an insurance program. The definition in paragraph 9 is presented within the scope of a risk assumed subject.

**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.

**Agree.**

In June 2013, the Board decided to separate risk assumed into three phases: I- Insurance Programs, II-Entitlement Programs, and III-Other risk areas. The EPA believes the definitions explain the meaning of important accounting terms and, in paragraphs 10–25, helps users understand the meaning of Phase I-Federal insurance programs.

- 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.

**Agree.**

Financial statements issued by federal entities must be reliable and fully disclose all relevant and significant information. The additional terms help agencies to comply with reporting requirements and produce 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 Non-exchange Transaction Insurance Programs.**

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

**Agree.**

**Statement of Federal Financial Accounting Standards  
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The three categories of insurance under the proposal provide concise and clear information about the operating performance of insurance programs and the risk of loss to the federal government from adverse events.

**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.

**Agree.**

The exchange revenue insurance programs collect premiums through contracts/agreements to cover loss risks from adverse events. Thus, agencies should record premiums when earned as revenue and a liability in the account unearned premium revenue over the contract term. Furthermore, SFFAS 7 identifies whether a transaction is exchange or non-exchange including the related timing and recognition of revenue, and SFFAS 5 governs when the associated loss becomes a liability.

- 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.

The EPA supports the proposed mode in the ED. The expected cash flow approach, differs from the discounted cash flow (DCF) method. The DCF utilizes a single set of estimated cash flows and a single discount rate, which attempts to adjust the estimate of future results to reflect the many varied inherent risks and uncertainties. Moreover, the FASB introduces the expected cash flow approach focusing on explicit assumptions about the range of possible estimated cash flows and their respective probabilities in its Concepts Statement No. 7- Using Cash Flow Information and Present Value in Accounting Measurements.

**Statement of Federal Financial Accounting Standards  
Exposure Draft (ED) – Insurance Programs  
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03/28/2016**

- 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.

An expected cash flow method to estimate future losses does not apply to the EPA. EPA does not have exchange transaction insurance programs.

- 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.

**Agree.**

Accrual accounting requires entities to record transactions in the time period in which financial events occur. The EPA believes disclosures would focus materiality that should be presented regarding exchange transaction insurance programs. The EPA also believes other factors should be considered in making judgments about related exposure to risk. This information should be in the footnotes and agencies should include short and long-duration contracts in separate portfolios according to their similar characteristics.

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

- a. Do you agree or disagree that the recognition guidance (par. 45-49) for non-exchange transaction insurance programs is clear and appropriate? Please provide the rationale for your answer.

**Agree.**

The EPA believes that non-exchange transactions need to be tracked separately because losses are only recognized when they occur. However, the Board needs to add that Federal entities should report the subsequent events to Treasury for the consolidated financial report (CFR) of the U.S. Government.

- b. Do you agree or disagree with the disclosures for the non-exchange transaction insurance programs (par. 50-53)? Please provide the rationale for your answer.

**Agree.**

The accompanying footnotes are an integral part of the consolidated financial statements and the information provided should be useful to users and stakeholders. Nevertheless, the EPA recommends additional guidance on how to provide references to relevant notes elsewhere in Federal government reporting would be helpful.

**Statement of Federal Financial Accounting Standards  
Exposure Draft (ED) – Insurance Programs  
Environmental Protection Agency Response to Questions for Respondents  
03/28/2016**

**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.

**Agree.**

The guidance for life insurance programs in (par. 55-64) is clear and appropriate. The EPA acknowledges the Board's efforts to support the general principle to reflect the interaction between revenue and liability for life insurance programs.

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

**Agree.**

The disclosures for the life insurance programs (par. 65-68) concerning factors such as materiality and information for changes in the liability balance are crucial to financial reporting. Agencies omission or misstatement of information has the potential to mislead readers and stakeholders.

**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.

**Agree.**

The board intended to improve financial reporting and to better inform readers about the operating performance of insurance programs. The EPA believes that the details provided in par. 69 provides the necessary guidance for disclosures to the consolidated financial report (CFR) 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.

**Agree.**

The EPA supports the Board's proposal that this statement be effective September 30, 2017. Most Federal agencies such as FDIC, OPM, PBGC, etc., have existing policy and procedures in place. However, they need to update their policies to comply with the new requirements. The EPA believes that by implementing this ED beginning after

**Statement of Federal Financial Accounting Standards**  
**Exposure Draft (ED) – Insurance Programs**  
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September 30, 2017, it provides sufficient time for agencies to resolve any material implementation issues.

**From:** Daniel King  
**Sent:** Tuesday, March 29, 2016 6:41 AM  
**To:** Gilliam, Robin  
**Subject:** FASAB Exposure Draft on Insurance Programs

Good morning,

Please see that attached responses provided from the Maritime Administration in relation to the FASAB Exposure Draft on Insurance Programs. Thank you for the opportunity to review and respond and please let me know if you have any questions.

Daniel King  
Associate Director of Financial Reporting and CFO Audits  
Office of the Secretary  
Department of Transportation

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

Name: Office of Financial Operations

Organization: Maritime Administration, Department of Transportation

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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.**

MARAD believes the definition should be expanded to encompass all the key features and characteristics of an insurance program or arrangement, namely, (a) one party providing protection against another party's financial loss in a variety of (specified) situations, (b) the principle of parties sharing losses, (c) the insured party agreeing to make regular payments (called premiums) to the party that provides insurance against said loss and (d) the issuance of a contract commonly referred to as the insurance policy. As it is the definition uses the word "insurance" to define the term. It is way too brief and/or high level.

- 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.**

MARAD agrees with the definitions of the terms because they bear a direct relationship to or association with the nature of insurance programs and provide clarity in the practice and execution of insurance programs.

- 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.**

MARAD agrees. The additional terms provide concise, meaningful and useful information that are easy to understand and as such should contribute to consistent reporting by federal insurance programs.



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

- 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.**

**MARAD agrees with the categorization of insurance programs into three (3) distinct groups. This approach provides a clear differentiation of one program from the other and clarity on revenue, loss and liability recognition procedures/requirements for 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)

- 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.**

**MARAD agrees. The guidance on revenue, loss and liability recognition is clear and appropriate and is not any different from the general accounting guidance on the recognition of income, expense, gain, loss and liability.**

- 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. MARAD does not have enough information to answer this question.**
- 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. This question does not apply to MARAD because it does not currently have an insurance program that requires the estimation of future losses.**

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

- 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.

**MARAD agrees. The disclosure requirements include consideration for materiality (both qualitative and quantitative) and the presentation of information that is concise, meaningful and transparent.**

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.

**MARAD agrees. The guidance on the recognition of revenue for nonexchange transaction insurance programs follows the general guidance on the recognition of resources that result from the receipt of appropriations (SFFAS 7). Recognition of liability for unpaid insurance claims follows general liability recognition principles in accounting and financial reporting.**

- 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.

- c. **MARAD agrees. The disclosure requirements include consideration for materiality (both qualitative and quantitative) and the presentation of information that is concise, meaningful and transparent.**

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.

**MARAD agrees that premiums should be recognized as revenue when due from life insurance policyholders. However, there is no discussion of adjustments that may be necessary for revenue that is recognized but not collected either in whole or in part. Also, there is no discussion of policy cancellations and the accounting for any related revenue that has already been recognized.**

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

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

**MARAD agrees. The disclosure requirements include consideration for materiality (both qualitative and quantitative) and the presentation of information that is concise, meaningful and transparent.**

- 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.**

**MARAD agrees. The disclosures provide a summary of the important components of the insurance program(s). The Board should consider including the cost/expense of the insurance programs as part of the disclosures. Cost/expense of the program(s) will provide important summary information to stakeholders, especially taxpayers and the general public.**

- 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.**

**MARAD agrees. This gives federal program agencies enough time to prepare for implementation of the requirements.**



**Pension Benefit Guaranty Corporation**  
1200 K Street, N.W., Washington, D.C. 20005-4026

March 28, 2016

VIA: Electronic Mail

Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 6814  
Washington, DC 20548

RE: Exposure Draft of a Proposed Statement of Federal Financial Accounting Standards for Insurance Programs – Request for Comments Response

Dear FASAB Board,

The Pension Benefit Guaranty Corporation (PBGC) appreciates the opportunity to comment on the Insurance Program Exposure Draft issued by the Federal Accounting Standards Advisory Board (FASAB) on December 30, 2015. We noted that the Exposure Draft (ED) lists 8 questions in which the FASAB board would like responses from all who use, prepare and audit federal financial information. With respect to these 8 questions, PBGC is providing responses as requested (see attached), but would like to note from the outset that we believe PBGC would be excluded from this standard, given that PBGC does not have insurance contracts.

The Employee Retirement Income Security Act (ERISA) fully establishes the PBGC and PBGC's obligation to certain defined benefit single employer (SE) nonforfeitable benefits and certain defined benefit multiemployer (ME) insolvent plan financial assistance. Accordingly, PBGC programs do not issue insurance contracts; rather, program benefits are automatically obligated pursuant to ERISA. The ED uses an insurance accounting model that does not fit PBGC programs since PBGC benefits are legally mandated and not contractual in nature, i.e., benefits are not negotiated and have no insurance model basis. As a result, PBGC does not have the necessary elements of an insurance-based accounting model, e.g., insurance risks defined and predictability through insurance type experience-based models. PBGC uses a contingent liability accounting model to report program liabilities, and any attempt to fit PBGC's guarantee programs into an experience-based insurance forecasting model is not feasible as it would not generate reliable information because PBGC's loss events are episodic and unrelated in nature. (In contrast, PBGC's Pension Insurance Modeling System (PIMS) is used to create the projections that go into PBGC's annual Projections Report outlining the direction of PBGC's single-employer and multiemployer programs. To make these projections, PBGC uses two stochastic modeling systems; each relies on running many simulations to derive a range of possible future outcomes. The actual results that ultimately occur in future years can, and likely will, vary materially from the projections in the Projections Report.)

In addition, PBGC programs should be viewed akin to “entitlements” pursuant to ED paragraph 10.d *Entitlement Programs*.

PBGC’s SE program provides the following “entitlement” at ERISA 29 U.S. Code section 1322:

***(a) Nonforfeitable benefits***

*Subject to the limitations contained in subsection (b) of this section, the corporation shall guarantee, in accordance with this section, the payment of all nonforfeitable benefits (other than benefits becoming nonforfeitable solely on account of the termination of a plan) under a single-employer plan which terminates at a time when this subchapter applies to it.*

PBGC’s ME program provides the following “entitlement” at ERISA 29 U.S. Code section 1431:

***(a) Authority; procedure applicable; amount***

*If, upon receipt of an application for financial assistance under section 1426(f) of this title or section 1441(d) of this title, the corporation verifies that the plan is or will be insolvent and unable to pay basic benefits when due, the corporation shall provide the plan financial assistance in an amount sufficient to enable the plan to pay basic benefits under the plan.*

The ED *Appendix C: Glossary*, provides the following definition for entitlements:

*Entitlement Program – is a program in which the federal government becomes automatically obligated to provide benefits to members of a specific group who meet the requirements established by law.*

Since PBGC is a wholly owned federal government corporation, the federal government, as the sole owner of PBGC, is obligated under ERISA to provide certain benefits and financial assistance in accordance with the ERISA “entitlements” listed above. PBGC’s benefit payments are treated as mandatory spending in the federal budget, as are the other federal entitlement programs. The structure of PBGC’s obligations illustrate the entitlement nature of PBGC’s SE and ME programs for FASAB accounting purposes:

- **Unilateral Change of Terms:** PBGC’s obligations to pay benefits or provide financial assistance utilize externally set premium rates and guarantee limit terms (U.S. Congress has in the past and will likely in the future make unilateral changes to premium rates and guarantee limit terms), and plan participation (plans may unilaterally terminate).
- **Benefits Covered Regardless of Plan Payment of Premiums:** PBGC’s obligations to pay benefits or provide financial assistance are not affected by covered plans payment of premiums (in other words, the “entitlement” benefit is provided to the plan whether premiums are paid or not).
- **U.S. Congressional Action:** Under the multiemployer program, when PBGC resources are insufficient to meet the benefit “entitlements” it is required by law to satisfy, PBGC must file amended premium schedules and guarantee schedules with Congress. If the Congress does not enact higher premiums within a specified time, the guarantee falls to

the amount supportable by the premiums. With regard to the single-employer program, Congress repeatedly over the past several years has raised premiums to levels that support PBGC's solvency.

Accordingly, PBGC's SE and ME programs should be viewed akin to "entitlement" programs for FASAB accounting purposes and would be excluded pursuant to the ED paragraph 10.d, *Entitlement programs*, under the definition of *Insurance Program* defined in the ED paragraph 9.

Given that PBGC has a unique hybrid business model as a guarantor that is neither an insurance program nor a pension program, PBGC is best served by, and will continue to use the contingent liability accounting model to report program liabilities, including the continued full disclosure of probables and reasonably possible contingent liability.

If you have questions, please contact Theodore J. Winter, Jr., Director, Financial Operations Department, or Martin O. Boehm, Director, Corporate Controls and Reviews Department. Thank you for the opportunity to respond to this Exposure Draft.

Sincerely,



Patricia Kelly  
Chief Financial Officer  
Pension Benefit Guaranty Corporation

Attachment

cc: Theodore J. Winter, Jr.  
Martin O. Boehm  
Gowon Thorpe



## Exposure Draft (ED): Questions for Respondents due March 29, 2016 Insurance Programs

Respondent: Pension Benefit Guaranty Corporation (PBGC)

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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.**

While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree with the definition and suggest FASAB provide context and explanation in the ED paragraph 10 for listed exclusions, such as information useful for entities similar to PBGC that act and perform like entitlement programs, e.g., benefits payable are legislatively mandated, budgets and funding are provided without the use of contracts. This type of enhanced guidance would be helpful for entities similar to PBGC and their stakeholders to fully understand the rationale for exclusion.

- 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.**

We agree, see our suggestion in Q1 regarding additional context and explanation for the ED paragraph 10 which defines appropriate exclusions from the ED's definition of insurance programs.

**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.**

We agree, the terms will facilitate accuracy and completeness.

- 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.**

While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree, the three categories appear to be comprehensive and complete.

- 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.**

While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree with the guidance and find it 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.**

Since PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we have no opinion related to this expected cash flow approach; however, we caution any one approach that may be too limiting.

- 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.**

Same response as provided above for Q4.b.



- 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.**

While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree, the disclosures are appropriate for the exchange transaction insurance programs.

- 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.**

While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree with the guidance and find it clear and appropriate.

- 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.**

While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree, the disclosures are appropriate for 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.**

While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree with the guidance and find it clear and appropriate.

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

While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree, the disclosures are appropriate for the life insurance programs.

- 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.**

While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, we agree, the disclosures are appropriate for the consolidated financial report of the U.S. Government. PBGC will continue to report its exposure for the consolidated financial report (FR) of the U.S. Government, as shown in the fiscal year 2015 FR *Note 15. Insurance and Guarantee Program Liabilities*.

- 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.**

While PBGC would be excluded from this standard given that PBGC does not have insurance contracts, given the magnitude and complexity of this standard we believe the reporting effective date should be for periods beginning after September 30, 2018.

From: Joseph Marren  
Sent: Monday, March 28, 2016 2:36 PM  
Subject: Comment Letter RE: "Insurance Programs" Exposure Draft

Robin and Wendy,

Attached is my comment letter to FASAB regarding its "Insurance Programs" Exposure Draft. I would appreciate it if you would confirm receipt of my comments.

I hope you do not mind me cc'ing David Mosso on this submission.

My memorandum "***Liberty Requires Accountability: All Federal and State Financial Reporting are Fraudulent and Violate the Appropriations and Statement and Account Clauses of the United States Constitution (Including FASAB's "Insurance Programs" Exposure Draft)***" is 265 pages which includes a 56 page appendix and 44 pages of exhibits. There is a One Page Executive Summary as well as a thirteen page Executive Summary included in the document. For your convenience I have attached a separate pdf for each of the short and long Executive Summary pages.

I respectfully request two hours to present my views to the Board, assuming that there will be a public hearing on the Exposure Draft.

If you have any questions regarding any of my comments please call or email me.

Sincerely,

Joe

Joseph H. Marren

#### **NOTE FROM FASAB STAFF:**

The entire 265 page memorandum provided by Mr. Marren "***Liberty Requires Accountability: All Federal and State Financial Reporting are Fraudulent and Violate the Appropriations and Statement and Account Clauses of the United States Constitution (Including FASAB's "Insurance Programs" Exposure Draft)***" was provided to the Board in a separate wire bound document. It can also be found at: [http://files.fasab.gov/pdf/insprograms\\_7\\_marren.pdf](http://files.fasab.gov/pdf/insprograms_7_marren.pdf)



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. Ziehmman".

Lisa M. Ziehmman  
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.



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

Name: Terri Martin / Allan Villabroza

Organization: Overseas Private Investment Corporation

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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.**

**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 3<sup>rd</sup> party. We assume that risk sharing with 3<sup>rd</sup> 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.

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

**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.**

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

**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 3<sup>rd</sup> party. Should the disclosure report the total insurance coverage gross of the 3<sup>rd</sup> 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.**

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

**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.**

**From:** Simpson, Cynthia - OCFO  
**Sent:** Tuesday, March 29, 2016 4:31 PM  
**To:** FASAB  
**Cc:** Brown, Kevin L - OCFO; Tekleberhan, Karen - OCFO; Sacchetti, Dylan M - OCFO; Balin, Robert - OCFO; Simpson, Cynthia - OCFO; DiGiantommaso, Jen - OCFO; Wyes, Tesfaye T - OCFO  
**Subject:** US DOL/OCFO Comments on Exposure Draft, "Insurance Programs (December 30, 2015)"

This e-mail is sent on behalf of Mr. Kevin L. Brown.

Below please find comments from the U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO), on the exposure draft of proposed Statement of Federal Financial Accounting Standards, "Insurance Programs (December 30, 2015)." Comments were requested by March 29, 2016.

DOL/OCFO provided responses to the following questions: 2a, 4a, and 8. DOL/OCFO has no responses to the other questions at this time. DOL/OCFO appreciates the opportunity to provide comments. If there are any questions, please contact:

Jen DiGiantommaso        or  
Cynthia Simpson,  
Both may be reached at 202-693-6800.

Regards,

Kevin L. Brown  
Associate Deputy Chief Financial Officer for Fiscal Integrity  
U.S. Department of Labor  
Office of the Chief Financial Officer

~~~~~

**U.S. Department of Labor  
Office of the Chief Financial Officer  
Comments on Exposure Draft, "Insurance Programs (December 30, 2015)"**

The U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO) provided responses to the following questions: 2a, 4a, and 8. DOL/OCFO has no responses to the other questions at this time.

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.**

US DOL/OCFO Response: In paragraph 10, [please add to the list of exclusions:](#)

**(1) Programs treated as fiduciary funds**

Rationale: US GAAP for fiduciary funds are covered under SFFAS 31. The assets and liabilities of a fiduciary fund are not the assets and liabilities of the component reporting entity and are excluded from the financial statements; fiduciary funds are reported as disclosures. For fiduciary funds that produce their own audited financial statements, the component reporting entity is required to disclose information on how the reader can obtain a copy of the financial statements and the audit opinion. The Federal government, in its fiduciary role, may not be liable for payments in an amount greater than the money or property deposited/belonging to the fiduciary fund. Fiduciary funds should be excluded from the accounting standard for insurance programs.

**(2) Workers' compensation programs for Federal employees (and Federal contractors and subcontractors)**

Rationale: Workers' compensation programs pay for medical costs, lost income and/or work-related injury/illness incurred by Federal employees (and Federal contractors and subcontractors in some programs) while performing work for the Federal government. In some cases, the spouse and dependent children may receive benefits. These programs support DOL's strategic goal to "Secure retirement, health, and other employee benefits and, for those not working, provide income security."

The Federal Employees' Compensation Act (FECA) provides workers' compensation coverage to three million federal and postal workers around the world for employment-related injuries and occupational diseases. DOL receives appropriations for the administration of the FECA program and the unreimbursed portion of FECA benefits; DOL is reimbursed for actual FECA benefits by other Federal Agencies. DOL follows the accounting standard covering other post-employment benefits in SFFAS 5, paragraphs 94—96, to record/report DOL's portion of the FECA actuarial liability; DOL also computes the actuarial liability of Federal Agencies so that the Federal Agencies may record/report their portion of

the actuarial liability for their financial statements. Within DOL, the FECA program has three separate audits/examinations (SSAE 16; attestation of the schedule of actuarial liability by Agency, net intra-governmental accounts receivable by Agency, and benefits expense by Agency; and as part of the consolidated financial statements of the DOL component entity). As an other-post-employment benefit, the FECA program, or a program with similar characteristics, should be excluded from the accounting standard for insurance programs.

The Energy Employees Occupational Illness Compensation Program Act (EEOICPA) was enacted in October 2000. Part B of the EEOICPA, effective on July 31, 2001, compensates current or former employees (or their survivors) of the U.S. Department of Energy (DOE), its predecessor agencies, and certain of its vendors, contractors and subcontractors, who were diagnosed with a radiogenic cancer, chronic beryllium disease, beryllium sensitivity, or chronic silicosis, as a result of exposure to radiation, beryllium, or silica while employed at covered facilities. The EEOICPA also provides compensation to individuals (or their eligible survivors) awarded benefits by the Department of Justice under Section 5 of the Radiation Exposure Compensation Act (RECA). Part E of the EEOICPA (enacted October 28, 2004) compensates DOE contractor and subcontractor employees, eligible survivors of such employees, and uranium miners, millers, and ore transporters as defined by RECA Section 5, for any occupational illnesses that are causally linked to toxic exposures in the DOE or mining work environment. DOL follows the accounting standard applicable to contingent liabilities which are probable and measurable per SFFAS 5, paragraphs 38—42, to record/report an actuarial liability for the EEOICPA program; the DOE records/reports a corresponding imputed cost/imputed financing source on its financial statements. As a program with an actuarial value recognized on the financial statements of two component reporting entities (as a liability for DOL and as an imputed cost/imputed financing source for DOE), the EEOICPA program, or a program with similar characteristics, should be excluded from the accounting standard for insurance programs.

**(3) Programs established to pay claims based on adverse events that occurred many years ago and for which there will be no additional claimants and has been a closed population for many years.**

Rationale: Insurance programs should include characteristics about the timing of adverse events; for example, the adverse event has not yet occurred (and for which insurance coverage will be provided) or if the adverse event has already occurred, that it is reasonably possible that there may be additional claims. For the Special Benefits for Disabled Coal Miners program, Title IV of the Federal Mine Safety and Health Act authorizes monthly benefits to coal miners disabled due to coal workers' pneumoconiosis (black lung), and to their widows and certain other dependents. Part B of the Act assigned the processing and paying of claims filed between December 30, 1969 (when the program originated) and

June 30, 1973 to the Social Security Administration (SSA). P.L. 107-275 transferred Part B claims processing and payment operations from SSA to the Department of Labor's Office of Workers' Compensation Programs. This change was implemented on October 1, 2003. The adverse event leading to the claims filed between December 30, 1969 and June 30, 1973 occurred more than 40 years ago; as a program for which there will be no new claims and for which has a closed population that is declining due to attrition, the Special Benefits for Disabled Coal Miners program, or a program with similar characteristics, should be excluded from the accounting standard for 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.**

US DOL/OCFO Response: Paragraph 38 refers to SFFAS 33 for guidance on discount rates. The scope of SFFAS 33 is limited to pensions, other retirement benefits, and other postemployment benefits (except for the Federal Employees' Compensation Act [FECA workers' compensation] program which was specifically excluded per SFFAS 33, paragraph 14). If an Agency applied some aspects of SFFAS 33 in a methodology for selecting a discount rate for activity that is outside the scope of the activities covered in SFFAS 33, then the Agency would be applying the SFFAS 33 standard by analogy only. The insurance accounting standard should not refer to SFFAS 33 as guidance for selecting discount rates because SFFAS 33 is limited in scope to pensions, other retirement benefits, and certain other postemployment benefits.

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.**

US DOL/OCFO Response: The effective date for the standard should be later than FY 2018 and early implementation should not be permitted.





March 29, 2016

Wendy Payne, Executive Director  
Federal Accounting Standards Advisory Board  
Mail Stop 6K17V  
441 G Street, NW – Suite 6814  
Washington, DC 20548

Dear Ms. Payne:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) on the proposed Statement of Federal Financial Accounting Standards (SFFAS), *Insurance Programs*.

The GWSCPA consists of approximately 3,300 members, and the FISC includes nearly 30 GWSCPA members who are active in financial management, accounting, and auditing in the Federal sector. We sincerely appreciate the opportunity by the Board to share our views, and the hard work and dedication by the Board Members and Staff on their contributions to improving federal financial reporting.

Our responses to the ED questions are included below.

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 FISC 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 FISC agrees with the definitions provided in paragraphs 10-25.
- 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 FISC agrees with the three categories included within paragraphs 15, 22, and 23.
- 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.
- 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.
- 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.
- 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.
- A4. The FISC generally agrees with the recognition guidance for exchange transaction insurance programs other than life insurance. However, we offer the following observations for consideration by the Board:
- A. We suggest that the Board replace the phrases “not practical and appropriate” and “single most-likely amount” in paragraph 37. These phrases are not sufficiently precise enough to provide for consistent implementation by reporting entities. The first phrase (“not practical and appropriate”) does not provide for the scenarios that the Board envisions when a reporting entity would not be required to adopt the expected cash flows or other comparable method. The second phrase (“single most-likely amount”) could be subject to different interpretations depending upon the objective of the stakeholder, preparer, or financial statement user. If the

Board choses to include these phrases in the final Standard, we suggest that the Board add definitions of these phrases to the “Definitions” section in order to clarify the Board’s intent.

- B. We support the inclusion of paragraph 36, which 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. We agree with the views of the Board member, as discussed in paragraph A17, that the expected cash flows method may be too limited in some circumstances. The latitude provided by the Board in paragraph 36 adequately addresses this concern.
- C. We suggest that the Board limit its discussion of subsequent events in paragraph 32 to only refer to the requirements in SFFAS 39, such as replacing the current paragraph with “Subsequent events should be recognized in accordance with SFFAS 39.” The current ED includes an extended discussion that may give rise to circumstances in which this language could be interpreted as an expansion of the requirements in SFFAS 39. (This same comment applies to the Board’s discussion of subsequent events in paragraphs 49 and 64 in the ED.)

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 FISC agrees with the new standards introduced in paragraphs 44-53 for non-exchange 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.
- 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 FISC agrees with the new standards introduced in paragraphs 54-68 for life insurance programs.

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.

A7. The FISC 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 FISC agrees with the proposed effective date of this ED.

\*\*\*\*\*

This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Andrew Lewis", with a stylized flourish at the end.

Andrew C. Lewis  
FISC Chair



U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.  
Washington, DC 20548

March 30, 2016

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

**Federal Accounting Standards Advisory Board: *Insurance Programs Exposure Draft***

Dear Ms. Payne,

This letter provides the U.S. Government Accountability Office's (GAO) comments on the Federal Accounting Standards Advisory Board's exposure draft (ED) entitled *Insurance Programs*. The ED defines terms relating to insurance programs and provides guidance for how and when insurance programs should recognize revenue, expenses, and liabilities. The ED also provides guidance for estimating losses for remaining coverage when contracts provide coverage after the financial reporting date. In addition, the ED updates existing disclosure guidance to encourage concise, meaningful, and transparent information.

Overall, we support the guidance proposed in the ED. However, we are concerned with the requirement in the ED to first use the expected cash flow method to estimate the amounts that are to be paid to settle future claims during the remaining open insurance contract period. Our concerns focus on paragraphs 35, 36, and 37 as noted below:

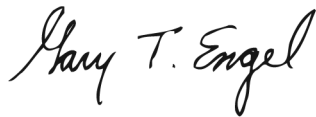
- Paragraph 35 of the ED states that an entity should estimate the amounts to be paid to settle future claims during the remaining open contract period using expected cash flow based on all available information existing at the balance sheet date, including experience with previous trends, and, as appropriate, the views of independent experts.
- Paragraph 36 states 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.
- Paragraph 37 states that if using an expected cash flow method is not practical and appropriate, then an entity may estimate a single most-likely amount to be paid to settle future claims during the remaining open contract period.

We believe that the requirement to first use the expected cash flow method is an approach that is too limited and may inappropriately exclude cash flows calculated under other methods that may better reflect estimated cash flows. For example, it is possible that the most-likely amount will provide a better estimate of the liability. There are a range of alternatives for estimating cash flows and it is our view that the entity should be able to use any method that provides a reasonable estimate of cash flows, based on all available information existing at the balance

sheet date, including experience with previous trends, and, as appropriate, the views of independent experts. In addition, the requirement to use a specific method for estimating cash flows is more confining than measurement methods in FASAB standards with regard to other liabilities and that there was not a clear reason expressed in the ED for the different treatment. We believe that the flexibility allowed with regard to measurement options within FASAB standards for measuring liabilities should be consistent. For these reasons, we believe that the ED should be modified to provide flexibility so that the user can use reasonable methods to estimate cash flows.

We support this work and appreciate the opportunity to provide comments, which are included in the enclosure. Please contact Robert Dacey, Chief Accountant at (202) 512-7439 or [daceyr@gao.gov](mailto:daceyr@gao.gov) or me at (202) 512-2600 or [engelg@gao.gov](mailto:engelg@gao.gov) if you have questions on GAO's perspectives.

Sincerely,

A handwritten signature in cursive script that reads "Gary T. Engel".

Gary T. Engel  
Managing Director  
Financial Management and Assurance  
Enclosure

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

Name: Maryann Stupka, Chief, Actuarial Staff

Organization: Department of Veterans Affairs, Insurance Service

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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.**

**Agree. The definition adequately captures the key characteristics of insurance programs. Since the definition is broad, the exclusions listed in paragraph 10 provide helpful clarification.**

- 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.**

**Agree with definitions.**

**Suggested edit for 16. Expected Cash Flow: add “income/disbursement amounts” at the end of the sentence.**

- 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.**

**Agree. Having a standard set of definitions will promote consistent interpretation and, therefore, application.**

- 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.**

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

Agree. These categories have unique characteristics, and the accounting standards for each should be addressed separately.

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.**
- 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.**
- 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.**
- 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.**

**The recognition guidance seems clear and appropriate, however, like SSA, we would defer to the recommendations of the subject matter experts in the agencies who administer exchange transaction insurance programs for comments on specific approaches.**

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.**



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

**Agree, but defer to subject matter experts.**

- 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.**

**Agree, but defer to subject matter experts.**

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.**

**Agree. We foresee no issues in following this guidance in reporting for VA life insurance programs.**

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

**Agree. The information required in the disclosures is readily available and/or is already being provided to parties responsible for reviewing the financial reporting for the VA life insurance programs.**

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.**

**Agree. This information is readily available or already being disclosed for VA life 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.**

**Agree. This date should allow for sufficient time for agencies to prepare for the new requirements.**



## DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of the Secretary  
Washington, DC 20201

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

Dear Ms. Payne:

The Department of Health and Human Services (HHS) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) that sets forth the proposed Statement of Federal Financial Accounting Standards (SFFAS), "*Insurance Programs.*"

HHS has identified only two programs which may be covered by this ED. We would appreciate additional clarification on the phrase "whose missions are not by statute to provide insurance." listed in exclusions section (refer to our response to Question 1).

We have briefly responded to the specific questions for respondents but defer to those agencies that have more expertise in this subject. If you have questions related to our response, please contact Yianting Lee, Director, Division of financial Statements and Audit at [Yianting.Lee@hhs.gov](mailto:Yianting.Lee@hhs.gov) or 202-690-6441.

Sincerely,

A handwritten signature in blue ink, which appears to read "Sheila Conley", is positioned above the typed name.

Sheila Conley  
Deputy Assistant Secretary for Finance

Enclosure

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

- 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.**

HHS agrees with the definition but recommends that the Board provide more information on the phrase “whose missions are not by statute to provide insurance,” listed in exceptions e, f and g in par. 11.

- 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.**

HHS agrees with the majority of the definitions defined in pars. 10-25 but recommends the Board to provide more guidance on “Insurance Contract.” For example, does the Board require all insurance programs have an insurance contract?

**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.**

HHS agrees that 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.**

HHS agrees with these categories. HHS recommends that the Board provide more descriptive information regarding the non-exchange transaction category. It may be helpful to provide situational examples.

- 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

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

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.**

HHS agrees with the recognition guidance.

- 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.**

HHS is not currently aware of a valid method that would be excluded.

- 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.**

HHS is reviewing its programs for applicability of this standard; this review will include the methods used for estimating future losses.

- 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.**

The required disclosure narrative is very detailed. For example, attempting to explain the nature and magnitude of uncertainty, could add a layer of confusion for the reader. HHS believes that overall there is too much disclosure required by this proposed standard.

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.**

HHS disagrees. The recognition guidance for non-exchange transaction insurance programs is not clear. More detailed information regarding the nature of non-exchange transaction insurance programs would be helpful.

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

- 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.**

HHS believes that an effort should be made to reduce the amount of disclosure required for non-exchange transaction insurance programs and that overall there is already too much disclosure required by the proposed standard.

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.**

HHS agrees that the recognition guidance for life insurance programs is clear and appropriate.

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

HHS believes that the required disclosures for life insurance programs are excessive. They should be reevaluated and reduced.

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.**

HHS agrees with the disclosures applicable to 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.**

HHS agrees.

March 30, 2016

**SENT BY EMAIL**

Wendy Payne, Executive Director  
Federal Accounting Standards Advisory Board  
Mail Stop 6K17V  
441 G Street, NW – Suite 6814  
Washington, DC 20548

Dear Ms. Payne:

The National Credit Union Administration appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) on the proposed Statement of Federal Financial Accounting Standards (SFFAS), *Insurance Programs*.

NCUA is an independent federal agency that insures deposits at federally insured credit unions, protects the members who own credit unions and charters and regulates federal credit unions. NCUA protects the safety and soundness of the credit union system by identifying, monitoring and reducing risks to the National Credit Union Share Insurance Fund. Backed by the full faith and credit of the United States, the Share Insurance Fund provides up to \$250,000 of insurance at a federally insured credit union. NCUA provides insurance to more than 102 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions. As of December 31, 2015, NCUA, through the Share Insurance Fund, insures \$961.3 billion in member shares in 6,021 federally insured credit unions.

Overall, NCUA is supportive of the ED's intent toward uniformity and transparency of financial reporting for insurance programs. Please see our responses to the ED questions below.

*Insurance Programs*

- 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.**

Response

NCUA agrees with the definition of an insurance program. We believe that the definition is explicit to include any federal insurance program by the substance of its operation and/or mission, while not making any substantial departure in the previous definition as stated in current FASAB standards.

Wendy Payne, Executive Director

March 30, 2016

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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.**

Response

NCUA generally agrees with the proposed definitions provided in paragraphs 10-25.

We believe that consistency in terminology will promote transparency and consistency in reporting for both agency general purpose federal financial reports (GPFFRs) and the consolidated financial report of the U.S. Government for insurance programs.

We did find a potential conflict in the application of the ED with an insurance program that receives funding both by exchange and nonexchange transactions. This conflict could affect Exchange Transaction Insurance Programs Other Than Life Insurance (para 15) and Nonexchange Transaction Insurance Programs (para 23). This potential conflict is addressed in the response to Q3.

Additionally, we suggest that the definition of Insurance Claim and Insurance Contract be inclusive of claims that are statutory-based rather than explicitly contract-based. For instance, deposit insurance claims from a failed financial institution are based on a function of the Federal Credit Union Act rather than a formal contract. Consider adding the following to the Insurance Contract paragraph: “A contract may be created directly in an exchange transaction or indirectly by statute.”

We agree that no other additional terms are needed in the ED that would add additional consistency and clarity to insurance program financial 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.**

Response

Generally, NCUA agrees in concept with the use of the predefined categories presented in the ED. While we agree that life insurance programs should have their own category,



Wendy Payne, Executive Director

March 30, 2016

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the nomenclature of the other two proposed categories is potentially conflicting. The naming convention appears to focus on the method of revenue recognition rather than the type of insurance provided.

When applying the ED following its revenue recognition categories (i.e., Exchange Transaction Insurance Programs versus Nonexchange Transaction Insurance Programs), a potential conflict exists for an insurance program where funding comes from both exchange and nonexchange transactions.

NCUA's main insurance program is the National Credit Union Share Insurance Fund (Share Insurance Fund). The program reports using FASAB reporting standards and recognizes revenue in accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*.

The Share Insurance Fund has multiple sources of funding that include both exchange and nonexchange funding. Each insured credit union is required to deposit and maintain in the Share Insurance Fund one percent (1%) of its insured deposits, which is deemed a nonexchange transaction. The fund has other funding sources that have been deemed exchange transactions in applying SFFAS No. 7. While the overall insurance product is the same (e.g., deposit insurance), a potential conflict may exist on which revenue recognition, liability and disclosure requirements to apply (i.e., Exchange Transaction Insurance Programs versus Nonexchange Transaction Insurance Programs) from the ED.

This potential conflict may exist with other insurance programs where their enabling legislation allows funding by exchange and nonexchange transactions. Accordingly, additional clarity may be provided with a statement such as, "The majority source of funding designates an insurance program as an Exchange Transaction Insurance Program or Nonexchange Transaction Insurance Program."

Responses to Q4 and Q5 will be answered independently of this potential category discrepancy.

- 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



Wendy Payne, Executive Director

March 30, 2016

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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.**
- 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.**
- 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.**
- 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.**

#### Response

NCUA agrees in concept with the revenue recognition model presented in the ED. The definition for this category appears to focus on revenue recognition concepts based on the existence of a contract with an expressed time period, as described in paragraphs 26 (“through contracts”) and 27 (“earned over the period of the contract”). This does not appear to be inconsistent with SFFAS 7, paragraph 36(d).

The expected cash flow approach proposed in paragraphs 35 – 37 should not hinder NCUA’s current approach to the estimation of its current or future credit union losses. For example, the Share Insurance Fund uses an internal econometric model that applies estimated failure and loss rates and takes into account the historical loss history, insuree risk ratings, insuree financial ratios, and other conditions. In addition, specific reserves are established for those credit unions where failure is imminent or where additional information is available that may affect the estimate of losses.

The proposed disclosures for exchange transaction insurance programs other than life insurance appear to be adequate. Based on our current GFFPR, we do not anticipate any substantial changes to the type of insurance program information presented in our GFFPR. NCUA welcomes the option to reference relevant notes rather than duplicate information provided in other areas that are necessary to comply with specific disclosure requirements in OMB Circular A-136, *Financial Reporting Requirements*.

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

Wendy Payne, Executive Director

March 30, 2016

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- 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.**

Response

NCUA agrees with FASAB that revenue recognition standards currently prescribed by SFFAS 7 should be used for nonexchange transaction insurance programs. NCUA uses SFFAS 7 for revenue recognition for its FASAB reporting funds and believes that the current revenue recognition model is adequate.

The proposed disclosures for nonexchange transaction insurance programs appear to be adequate. The type and amount of insurance program information provided in the proposed disclosures for nonexchange transaction insurance programs appear sufficient to adequately provide information required to present an insurance program in the consolidated financial report of the U.S. Government, as listed in paragraph 69.

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.**

Response

NCUA does not have any insurance programs that are life insurance programs. We note that the proposed standards for life insurance program appear consistent with proposed standards for the other two categories.

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.**

Response

NCUA agrees with the new disclosures for the consolidated financial report of the U.S. Government. As noted in the FASAB's basis for conclusions, the required

Wendy Payne, Executive Director

March 30, 2016

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information will be provided to the Department of Treasury at a high level and drawn from disclosures already present in agency GPFFRs.

- 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.**

Response

NCUA agrees with the effective date. NCUA would consider early application of this ED once issued if allowed by FASAB. NCUA does not believe that the standard will substantially change the content of its GPFFR to external financial statement users, but the standard may alter the overall format of the information currently presented in our agency GPFFR.

Again, we thank you for the opportunity to provide comments to this ED. If you have any questions regarding our response, please contact Chris McGrath at (703) 518-6520.

Sincerely,



Rendell L. Jones  
Chief Financial Officer

OCFO/PS:td  
SSIC 1670

**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.



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

Name: Kawan Taylor

Organization: Department of the Treasury

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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.**

- 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.

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- 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.



March 31, 2016

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

Dear Ms. Payne:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Federal Accounting Standards Advisory Board (FASAB) on its December 30, 2015 exposure draft entitled Insurance Programs. The FMSB is comprised of 25 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

The FMSB has reviewed the exposure draft and overall supports the adoption of this standard by the FASAB as there is a need to have more consistent accounting for the various types of insurance programs associated with the Federal Agencies. We do have comments, requested clarifications and changes based on our review of the questions included in the exposure draft.

Below are our responses to the questions from the exposure draft.

Q1 The definition of an Insurance Program is confusing in paragraph 9 of the exposure draft. The definition includes the term being defined "insurance program is a general term used to refer to an insurance . . ." FASAB should consider adding a general definition of insurance at the outset of the proposed standard to help simplify the definition. We also recommend the following changes to the wording in paragraph 9 "Insurance Program — "insurance program" is a general term used to refer to an insurance or non-loan guarantee program that is authorized by law to financially compensate a designated population of beneficiaries by accepting all or part of the risk for losses incurred as a result of an adverse event." Since paragraph 10 excludes loan guarantee programs we believe removing non-loan wording clears up the definition.

Q2 (a) We agree the list of exclusions is necessary; however, we believe under the current format it is confusing and at times vague. No doubt the exclusions are meaningful to those who run the relevant programs but they are not to others. We recommend FASAB fully explain each exclusion and why are they excluded from this proposed standard.

Q2 (b) Including the additional items and providing clarifications as noted above will assist in producing consistent reporting.



Q3 We have no disagreements with the three categories. They are consistent with FASAB's concepts.

Q4 (a) We agree with the recognition guidance as presented. In Paragraph 33 it talks about estimating amounts to be paid to settle future claims. Our assumption when reading this is that it means the preparer would include insured events that haven't happen yet but that the preparer anticipates will happen. If this is not the case, then we recommend FASAB make the distinction in paragraph 33.

Q4 (b) We recommend FASAB provide its rationale for prescribing the expected cash flow approach. Since the rationale was not provided it was hard for us to adequately evaluate whether this approach is the best one. We were also confused that FASAB did not agree with the proposal from one of its members to "use any method that provides a reasonable estimate of cash flows" since the exposure draft in paragraphs 37 and A16f allows an agency to select another approach "if using an expected cash flow method is not practical and appropriate", which we believe could lead a preparer to use any cash flow method they deemed reasonable. The potential conflict needs to be addressed and clarified.

Q4 (c) We did not receive any feedback from members of the FMSB that are members of a Federal entity.

Q4 (d) The proposed disclosures seem appropriate and we believe the reconciliation as called for in paragraph 43 will be informative and useful.

Q5 We disagree since the exposure draft does not adequately explain what is a nonexchange insurance program is or provide any examples. We encourage FASAB to improve its explanation as well provide examples in its final draft.

Q6 (a) We agree with the new standards for the life insurance programs.

Q6 (b) The proposed disclosures seem appropriate and we believe the reconciliation as called for in paragraph 68 will be informative and useful.

Q7 We agree with the new disclosures.

Q8 The effective reporting date of the standard seems reasonable.



We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. If there are any questions regarding the comments in this letter, please contact Lealan Miller, CGFM, FSMB Chair, at [lmiller@eidebailly.com](mailto:lmiller@eidebailly.com) or at 208-383-4756.

Sincerely,

Lealan Miller, CGFM, CPA  
Chair- AGA Financial Management Standards Board

cc: John Homan, CGFM  
AGA National President

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