



December 2, 2014

Memorandum

To: Members of the Board

Robin M. Gilliam

From: Robin M. Gilliam, Assistant Director

Wendy M. Payne

Through: Wendy M. Payne, Executive Director

Subject: Education Session: Risk Assumed—Insurance Programs¹ – Tab F²

MEETING OBJECTIVES:

The purpose of the education session is to discuss with agency representatives current practices for reporting revenue from premiums, unearned revenue, and estimating losses.

BRIEFING MATERIAL

Any agency briefing materials will be presented at the time of the education session.

BACKGROUND

At the October meeting, the Board requested an education session to learn more about insurance estimates before they could determine whether (1) to separate the current SFFAS 5 insurance liability into two components—liability for unpaid claims and liability for premium deficiency, and (2) to more clearly address recognition of contingent liabilities by federal insurance programs.

¹ The insurance program phase of risk assumed does not include life insurance programs.

² 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 the FASAB are determined only after extensive due process and deliberations.

PANEL PARTICIPANTS:**Department of Agriculture (USDA), Risk Management Agency (RMA), Federal Crop Insurance Corp (FCIC),**

- Margo E. Erny, Chief Financial Officer (CFO)
- Shanda Sander, Special Assistant to CFO
- Tom Worth, Senior Actuary

Department of Homeland Security (DHS), Federal Emergency Management Agency (FEMA), National Flood Insurance Program (NFIP)

- Jennifer Raab, Accountant , Financial Statements and Reporting Branch-OCFO
- Thomas Hayes, Chief Actuary

Department of Transportation, Federal Aviation Administration (FAA), Aviation Insurance Program

- Tom Brown, Insurance Examiner

DISCUSSION:

Each agency will have 20 minutes to give a brief overview of their program and address the following questions:

- A. How are the pricing policies determined for premiums?
 - Who sets the pricing policy for the premiums?
- B. When does your program bill for premiums and recognize revenue/unearned revenue?
- C. Does your program estimate claims for the remaining open policy period following the end of the reporting period?
 - If yes, how?
- D. What reports (other than your financial statements) are available that provide information about premium pricing, unearned revenue, future estimated losses, and projections of future fiscal year results?

The remaining half hour will allow the Board to address any additional questions.

NEXT STEP:

The next step is for the Board to determine whether to (1) to separate the current SFFAS 5 insurance liability into two components—liability for unpaid claims and liability for premium deficiency, and (2) to more clearly address recognition of contingent liabilities for federal insurance programs. This will be discussed during the session that follows this educational session - see TAB G, Question II.

MEMBER FEEDBACK:

Please contact me as soon as possible to convey your questions or suggestions. Communication before the meeting will help me to prepare answers to your questions in order to make the meeting more productive. You can contact me by telephone at 202-512-7356 or by e-mail at gilliamr@fasab.gov with a cc to paynew@fasab.gov