



SFFAS No. 51, *Insurance Programs*

July 2018 IRC Meeting

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SFFAS No. 51 - *Insurance Programs*

- Phase 1 of FASAB's 'Risk Assumed' Project
- Effective September 30, 2018 (FY 2019)
- Rescinds SFFAS 5, Accounting for Liabilities of The Federal Government (Paragraphs 97-121)
- Affects the reporting of Contingent Losses from insurance activities
- Provides consistent reporting standards for the reporting of liabilities for losses incurred/claimed
- Clearly defines insurance terms and the extent of expected losses

Insurance Groups

SFFAS 51 creates three groups of insurance based on the type of revenue collected:

- Exchange Transaction Insurance Programs Other Than Life Insurance
- NonExchange Transaction Insurance Programs
- Life Insurance Programs

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Current Insurance Accounting

Insurance Liabilities and Losses reported are not comparable across agencies

Uncertainty remains about estimated losses

Significant risks assumed may not be fully reported or disclosed

No clear definitions for insurance programs and terms

Liability Recognized	USSGL	Account Title	RBS Line
Liability for unearned Premium recognized for premiums collected/due but not yet	231000	Liability for Advances and Prepayments	Line 6.9 Other Liabilities
	232000	Other Deferred Revenue	Line 6.9 Other Liabilities
Liability for unpaid claims	219000	Other Liabilities With Related Budgetary Obligations	Line 6.9 Other Liabilities
	292000	Contingent Liabilities	Line 6.9 Other Liabilities
Liability for estimated losses on Federal insurance and guarantee program claims	266000	Actuarial Liabilities for Federal Insurance and Guarantee Programs	Line 6.8 Insurance and guarantee program liabilities

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Exchange Transaction Other Than Life

- Collect premiums to cover risks of loss from adverse events other than an individual's death
- ANY exchange revenue and not Life Insurance = Exchange Transaction Other Than Life
- ✓ **Premium Revenue & Unearned Premiums**
 - Premiums = Earned over coverage period
- ✓ **Unpaid Claim Liability**
 - Claims reported but not paid & Claims IBNR
- ✓ **Estimates of Losses on Remaining Coverage**
 - Estimated future cash flows from adverse events

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Nonexchange Transaction

- Collect funds on demand and/or receive appropriations
- ANY exchange revenue and not Life Insurance = Exchange Transaction Other Than Life
- ✓ **Unpaid Claim Liability**
 - Reported at estimated settlement amount
 - Adjustments should be recognized as part of Claims Adjustment Expense (CAE)

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Life Insurance Transaction

- Collect premiums to cover the risk of loss from death of individuals
 - ANY exchange revenue and not Life Insurance = Exchange Transaction Other Than Life
- ✓ **Premium Revenue**
 - Premiums = Recognized when due
 - ✓ **Unpaid Claim Liability**
 - Claims reported but not paid/Claims IBNR
 - ✓ **Future Policy Benefit Liability**
 - Expected present value of future claims to be disbursed, less expected PV of future premiums

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Insurance Accounting USSGL Map

Exchange Transaction Insurance Other Than Life

Accounting Event	USSGL	Account Title	Financial Statement Line
Premiums recognized as revenue when earned over period	550000	Insurance and Guarantee Premium Revenue	SNC Line 11, Non-federal earned revenue
	550900	Contra Revenue for Insurance and Guarantee Premium Revenue	SNC Line 11, Non-federal earned revenue
Liability for unearned Premium recognized for premiums collected/due but not yet earned	220500	Liability for Unearned Insurance Premiums	Line 6.8 Insurance program liabilities
Liability for unpaid claims at estimated settlement amount	220000	Liability for Unpaid Insurance Claims	Line 6.8 Insurance program liabilities
Liability for losses on remaining coverage; Estimated cash flows from adverse events expected during coverage period	266000	Actuarial Liabilities for Federal Insurance and Guarantee Programs	Line 6.8 Insurance program liabilities

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