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FAF Review Concludes GASB Standard on Risk Financing and Insurance-Related Activity Achieve Their Purposes.

Two accounting standards established to improve the consistency and comparability in reporting U.S. state and local governments' insurance activities achieve their purpose.

That was the overall conclusion of the Post-Implementation Review (PIR) of Governmental Accounting Standards Board (GASB) Statements No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, and No. 30, Risk Financing Omnibus, an amendment of GASB Statement No. 10. The Statements establish accounting and financial reporting standards for risk financing and insurance-related activities of state and local governments, including public risk pools.

The review of Statements 10 and 30 was undertaken by an independent team of the Financial Accounting Foundation (FAF), the parent organization of the GASB and the Financial Accounting Standards Board (FASB). The team's formal report is available at www.accountingfoundation.org.

FAF President and CEO Teresa S. Polley said: "On behalf of the FAF and the GASB, I'd like to thank the stakeholders who helped the PIR team assess the real-world application, usefulness, and effectiveness of the insurance and risk financing standards for state and local governments."

GASB Chairman David A. Vaudt said: "The post-implementation review report on Statements 10 and 30 identified many positive aspects of the insurance and risk financing standards, including their decision-usefulness to users.

"We are considering the reported findings and will provide our initial response in the coming weeks. Additionally, the FASB is working on a project to amend its guidance for insurance activities. The GASB is actively monitoring that project and, when complete, will determine whether action by the GASB is appropriate."

The PIR team received input from analysts and other financial statement users, as well as from preparers and auditors. Based on its research, the review team concluded that, overall, Statements 10 and 30 are accomplishing their stated purpose. In particular, their research indicates:

- Statements 10 and 30 resolve the issues underlying their need.
- Preparers and experienced practitioners are able to understand and apply the standards as intended.
- The standards have increased consistency and comparability across governments' insurance activities.
- The resulting information is reliable and decision useful for those who use it.
- The standards did not result in significant unexpected changes to financial reporting or operating practices, nor did they have any significant unanticipated consequences.
- The implementation and continuing application costs appear to be consistent with the costs that the GASB considered and stakeholders expected, and the benefits appear to be consistent with what the GASB intended.

The PIR team for Statements 10 and 30 also concluded that the standard-setting process worked well overall and contributed to successful standards. The PIR team had no significant standard-setting process recommendations as a result of the review.

GASB Statements 10 and 30 PIR Report:

http://www.accountingfoundation.org/cs/BlobServer?blobkey=id&blobwhere=1175827510281&blobheader=application%2Fpdf&blobcol=urldata&blobtable=MungoBlobs

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