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**BULLETIN 17-01**

TO: All Tennessee Captive Insurance Companies and Approved Captive Managers  
FROM: Julie Mix McPeak, Commissioner *Julie Mix McPeak*  
RE: Captive Insurance Company GAAP Disclosures for Short-Duration Contracts  
DATE: September *8<sup>th</sup>*, 2017

The purpose of this Bulletin is to provide guidance to the Tennessee captive insurance industry in light of Accounting Standards Update No. 2015-09 ("update") issued by the Financial Accounting Standards Board ("FASB").

This FASB update was issued in May 2015 and addresses disclosures about short-duration contracts as defined in Topic 944, Financial Service – Insurance. The update is effective for non-public entities for annual periods beginning after December 15, 2016. For calendar year end filers, the update becomes effective as of December 31, 2017.

The update is intended to increase the transparency of significant estimates made in measuring an insurer's insurance liabilities for the financial statement users. The related disclosures provide additional insight into an insurance entity's ability to underwrite and anticipate costs associated with claims.

The Department recognizes that the additional time and expense associated with the new disclosures is burdensome and duplicates information already provided in the annual statement filings. The Department also recognizes that this additional requirement is designed to assist the insurer's financial statement users, and that in the case of Captive Insurance Companies, those users are a limited audience. Therefore, the Department will consider granting a permitted practice to exclude the new disclosures on a case-by-case basis. This permitted practice should be discussed with the audit firm before the request is made to the Department.

Captive Insurance Companies may not exclude the information required by this update from any required GAAP filing unless a permitted practice is requested and approved by the Department. A request for a permitted practice in accordance with this Bulletin is not a change of business plan and will not incur a fee. **Risk Retention Groups licensed as Captive Insurance Companies in Tennessee will not be permitted an exemption from this update.**

Due to the unique nature of the captive insurance industry, this guidance is only applicable to Captive Insurance Companies and is not applicable to other insurance companies licensed by the Department of Commerce and Insurance.

Any questions about the intent of this Bulletin should be directed to the Insurance Division, Captive Insurance Section, 7<sup>th</sup> Floor, Davy Crockett Tower, 500 James Robertson Parkway, Nashville, Tennessee, 37243, by email at [captive.insurance@tn.gov](mailto:captive.insurance@tn.gov) and/or telephone number (615) 741-3805.