



Insurance Accounting Change

ASU 2018-12 Long Duration Targeted Improvements (LDTI)

June 2021



The Challenge

- Identifying potential LOB impacts
- Documenting accounting policy decisions and their application
- Need for retention of increased data history at a more granular level
- Potential revisions or development of actuarial and valuation models
- Operational impacts including IT and forecasting, planning and analysis, and enhancing internal controls
- Impacts on accounting records including preparation of disclosures
- Interpreting and communicating impacts to stakeholders, including non-GAAP measures
- Impacts on management reporting and KPIs

The Opportunity

- Prepare policy documentation from the start of the project to capture iterative considerations and establish a process that can stand up to audit scrutiny
- Evaluate, revisit and revise policy decisions and judgments based on results of iterative process by commencing the work well in advance of the effective date
- Evaluate systems with focus on sourcing and retaining complete and accurate disaggregated data
- Consider opportunities to automate processes to strengthen reliability of information
- Modernize and streamline the IT, finance and actuarial technology infrastructure

The Bottom Line

Project management and program structure is vital to success in driving decision making, improving efficiency and collaboration, ensuring accountability, and developing capabilities to accurately report and explain results



KPMG Conversion Methodology



Our Conversion Methodology is a common, scalable, and consistent approach in use for over a decade. It is based on the philosophy that significant change to insurance entity accounting and reporting is broader than just an accounting exercise.

- Provided accounting change services to more than 1,400 clients worldwide
- Trained and accredited more than 1,200 professionals worldwide
- Addresses accounting and reporting, systems and processes, as well as business and people impacts



KPMG Delivery Model

Assess

- Assess the potential impacts from the new standard and develop a detailed accounting change work path



Design

- Assist with designing tools and accounting policies, system, and process requirements



Implement

- Assist with mobilizing the business to execute the implementation plan including parallel runs



Sustain

- Business as usual – compliance and controls throughout the process in respect to the new standards



Accounting, Actuarial, & Reporting

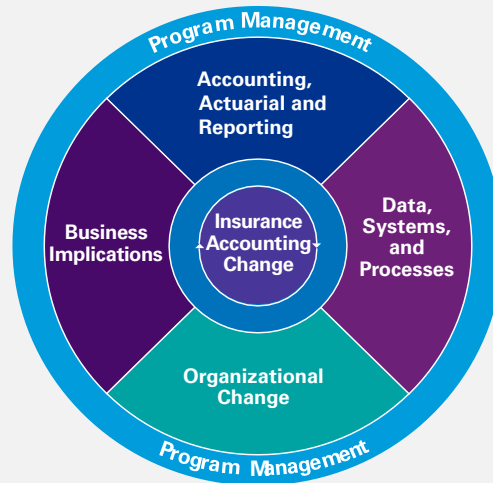
- Perform a **gap assessment of technical specifications relating to accounting policy, actuarial modeling, financial reporting and disclosures**
- Identify the **scale of potential impact** on accounting, actuarial and financial reporting
- Provide suggestions to **remediate gaps** for conversion
- Conduct **financial impact analysis** to assess impacts on capital, potential earnings volatility and aid in the determination of accounting policy choices
- Draft white papers related to accounting and actuarial policy choices
- Identify changes to disclosure requirements and **draft required illustrative disclosures**
- Evaluate existing chart of accounts and revise as needed
- Develop accounting framework that incorporates accounting events, posting rules and framework
- Assist with **design, development, and testing of actuarial models**

Business Implications

- Assess **impact on internal management reporting and KPIs**
- Develop the **data & reporting requirements for internal reporting** post LDTI go-live
- Evaluate compensation metrics and policies where internal remuneration is impacted by US GAAP results
- Suggest **amendments to product mix, reinsurance and pricing strategy** to optimize profit stream and the balance sheet
- Perform an evaluation of existing third-party contracts and their pricing strategies
- Assess **impact on ALM strategy** and identify potential adjustments to investment/ hedging activity
- Develop **communication strategy** and plan, including interaction with auditors
- Develop learning maps and corresponding training plans, including budget for necessary training and effort

Data, Systems, & Processes

- **Identify information and data gaps** for implementation
- Suggest potential solutions where data may be lacking or not at the appropriate level of detail
- Design and implement **process changes** involving various functions
- Evaluate changes needed to **internal controls over financial reporting**
- Identify **new IT system needs**: convert ERP and G/L
- Facilitate reporting and disclosures, including evaluation of potential tools/solutions
- Support implementation of new actuarial software and/or development of new models
- Perform dry-run data collection process to check integrity of numbers
- Develop **transition plan for data transfer and parallel system runs**



Organizational Change & Program Management

- Create **dedicated project management team with dynamic work plan**
- Develop and execute **training plans for employees** across functions and locations, including board members and senior executives
- Determine if **knowledge or skill gaps** exist after training and develop talent acquisition plans to fill gaps
- Evaluate and revise job descriptions including roles and responsibilities
- **Identify and assess key stakeholder requirements** to develop plans for informing and engaging them when needed
- Embed new technical knowledge – build dry runs as needed into plan to test staff understanding
- **Define key metrics** to assess and report on adoption and business readiness



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