

Long Duration Targeted Improvements (LDTI) With SAS and Deloitte



Business Impact

Accounting Standard Update (ASU2018-12), also known as Long Duration Targeted Improvements (LDTI), is an improved accounting standard issued by the Financial Accounting Standards Board (FASB). The new standard is to make targeted improvements to the existing measurement and disclosure requirements for long-duration contracts issued by an insurance company.

This regulatory compliance requirement has its effective date of January 2023 for US Securities and Exchange Commission (SEC) filers that are not defined as a smaller reporting company in the US, and January 2025 for the rest.

Challenges

Regulatory Compliance: Insurers must be able to demonstrate to regulators their compliance with the LDTI regulatory standard by these capabilities:

- New measurements to the liability for Future Policy Benefits (FPB) for traditional and limited-payment contracts with regularly refined future cash flow assumptions and discounted rates.

- More current market-based measurement of Market Risk Benefits (MRB).
- Simplified amortization of Deferred Acquisition Costs (DAC) calculation.
- Enhanced disclosures, which include information about significant inputs, judgments, assumptions and methods used in measurements.

Data Management: Insurers must be able to integrate data from various source systems into a centralized data mart and LDTI results repository with reconciliation and validation in place.

LDTI Measurements: Insurers must be able to utilize large volumes of cash flows to perform calculations at the level of detail required by LDTI.

Sub-Ledger Posting and Financial Reporting: Insurers need a full sub-ledger posting framework capability that allows companies to configure Chart of Accounts, post rules and accounting event hierarchies, and produce FASB required disclosure and managerial reports with drill-down capabilities.

The Business Need

The principles of LDTI introduce substantial changes compared to the current US General Accepted Accounting Principles (GAAP). These changes increase the complexity of data requirements, data storage, LDTI modeling and calculations, sub-ledger posting, and the scope and processes required to streamline disclosure requirements.

Most companies will need to modernize the technology stack to establish a new data architectural and data management platform that can reduce manual process and touch points through automation of data quality control and reconciliation from multiple source systems.

Current accounting and actuarial systems have typically been designed in isolation and have little or no integration capability. Many of these system integration points still rely on manual processes. The structure makes it difficult to scale and add the necessary layers of automation needed to deliver the speed, accuracy and visibility demanded by LDTI.

Companies also need to acquire a repeatable process that fits into the financial closing calendar, complements the present or future ecosystem, and stays current with regulation updates. In addition, the process should perform in an automated, controlled and traceable environment and satisfy auditors.

Some companies take the opportunity for a broader transformation to broaden the suite of management information across actuarial and finance functions. This enables them to be agile for future decision making and responsive to opportunities and threats.

The SAS[®] Solution for LDTI meets these challenges. Companies can use this as a modular solution to cover the gap for existing systems or use it as a strategic platform for full end-to-end LDTI compliance.

Deloitte and SAS: Key Differentiators

Our Strategic Relationship: A joint relationship between Deloitte and SAS will help your organization resolve current and future challenges in terms of solution methodology and tools.

An Experienced Team: Deloitte leverages SAS risk experts and trained IT specialist resources on SAS technologies.

Flexible Solutions: Deloitte and SAS offer an optimal mix that offers the ease of a packaged solution and the flexibility of a custom solution.

A Long, Successful Relationship: Deloitte and SAS have a long history of working together in an alliance that brings the optimal combination of proven technology and implementation experience.

The Benefits

With SAS technology and Deloitte services and expertise, you can realize a significant return on investment, including:

- Accurate financial statement results and disclosures within the reporting timeline.
- Increased granularity for management information.
- Transparent, auditable approach for end-to-end processes.
- Reduced ongoing operational costs.

With the SAS Solution for LDTI, you can ...

- Have a single platform for risk and finance analytics and reporting that ensures consistency in common data, comparability of data and easier reconciliation of results.
- Foster closer collaboration among IT, actuaries and accounting staff.
- Leverage an experienced team of experts that has completed similar regulatory deployments at large-scale enterprises.

Deloitte Facts

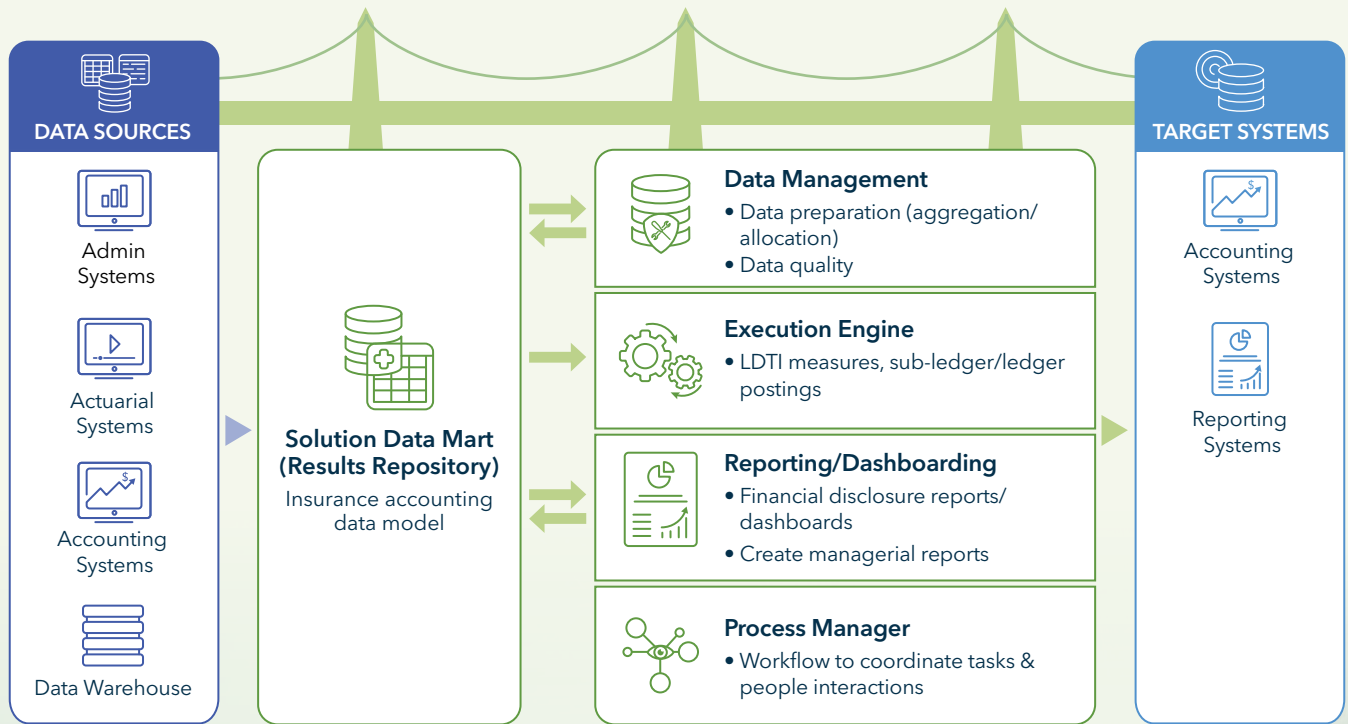
- Deloitte has a global network of member firms providing market-leading professional services in audit, advisory, tax and consulting services across more than 20 industries.
- Deloitte helps organizations achieve better business outcomes through analytics and AI-powered transformation via a global, issue-focused storefront of offerings and highly specialized talent models.
- As a 15-year SAS Platinum partner, Deloitte has deep SAS expertise and has pioneered the implementation of SAS risk solutions with many clients.

SAS Facts

- [Chartis RiskTech Quadrant](#) positions SAS as a category leader.
- The SAS Platform is in production with over 40 clients worldwide.
- According to IDC, SAS owns 30.8% of advanced and predictive analytics market share - more than twice that of the nearest competitor.
- SAS solutions are used at more than 83,000 customer sites in 146 countries.
- 91 of the top 100 companies on the 2019 Fortune Global 500[®] are SAS customers.

Deloitte and SAS: Our Joint Approach

Deloitte and SAS provide an integrated and technology-enabled approach to address LDTI compliance and beyond.



sas



Strategic Alliances



More Than Compliance



Flexible and Scalable Platform



Independence Considerations

The services and experiences described in this material are illustrative in nature and are intended to demonstrate our experience and capabilities in these areas. However, due to independence restrictions that may apply to your company and its affiliates in circumstances where there are regulatory or professional prohibitions on services due to attest relationship with your company, its owners or affiliates, Deloitte may be unable to provide certain services based on the particular individual facts and circumstances. In circumstances where Deloitte is unable to provide the full range of services due to independence constraints, SAS may be able to contract with you and perform the work on its own.



For more information, visit sas.com/ldti.

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