

# Reduce LDTI reporting risk with SAS and KPMG

## LDTI accounting change

KPMG and SAS offer a controlled and automated LDTI compliance solution based on our strengths, experience and industry-leading best practices.

### What is LDTI?

Accounting Standards Update 2018-12, also known as Long Duration Targeted Improvements (LDTI), is an improved accounting standard promulgated by the FASB for measuring insurance contract liabilities and profit emergence.

The primary changes to the standard significantly alter how insurers measure liability for certain long-duration contracts and market risk benefits, amortize deferred acquisition costs and disclose financial information. LDTI also introduces new data requirements, which may require significant changes to systems, processes and internal controls.

The effective implementation date for SEC filers not defined as a smaller reporting company is January 2022, while for all other companies it is January 2024, although a one-year deferral is being considered.

### Who's affected?

Life and health insurance companies that issue long-duration insurance contracts that report under US GAAP. Specific areas include:

#### Technology and data

Help move required LDTI data across actuarial systems, administration systems, data warehouses and financial systems to help ensure compliance.

#### Actuarial

Responsible for generating LDTI cash flow projections, reserves and analysis.

#### Finance/accounting

Responsible for creating LDTI-compliant financial disclosures and ledger entries.

### How to prepare for LDTI

Companies need to determine their capacity and current capabilities to implement LDTI by:

1. Assessing technology needs.
2. Analyzing technical aspects of LDTI compliance.
3. Developing implementation timeline options.

The SAS® Solution for LDTI provides the enhanced functionality you need to connect data sources to accounting and reporting systems without building your own solution.



## Bridge the gap with the SAS® Solution for LDTI

The SAS Solution for LDTI provides the flexibility to complement any existing infrastructure because we customize it for your individual system needs. This gives insurers the confidence they need to control and streamline LDTI processes with the required integration capabilities, transparent calculations and subledger accounting.



## The SAS and KPMG approach

### Assess

- Understand insurance products in scope.
- Complete an LDTI readiness assessment of actuarial, technology and data, and accounting departments.
- Create a gap assessment report with LDTI implementation considerations.

### Design

- Design LDTI accounting policies with information from assessments.
- Identify approaches to integrate actuarial processes, systems and data management into an appropriate LDTI process.
- Develop a range of services implementation plan that documents the LDTI process with comprehensive incremental milestones.

### Implementation

- Create an initial LDTI configuration on a representative product in the SAS Solution for LDTI.
- Expand the configuration to all in-scope LDTI products.
- Refine and test before a final LDTI rollout.

### KPMG and SAS can help in these critical areas:

- Aggregate data and test for data quality.
- Meet sophisticated modeling standards for risk management and audits.
- Prepare accounting statements and extensive disclosure reports.
- Implement a transparent, auditable and repeatable process.

### Consider the following questions as you evaluate a provider for your LDTI project:

- Can your current systems cope with the expanded calculation and throughput requirements of the new LDTI standard?
- Do your existing processes include manual steps or lack end-to-end governance?
- Does your risk management team communicate effectively with your accounting team?

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