

Actuarial & Insurance Solutions

Long Duration Targeted Improvements

Background

Long-Duration Targeted Improvements (LDTI) is the most significant change in accounting policy for US insurers in recent decades. Due for implementation on January 1, 2023, the standard aims to make financial statements more comparable and transparent. The improvements look to modernize the accounting model under US GAAP for certain long-duration insurance contracts with 4 key focus areas:

1. **Actuarial Assumptions:** Where assumptions were previously locked in throughout the lifetime of a contract, insurers must now review assumptions at least annually and update projected cashflows accordingly. This will involve more detailed documentation of review and increased calculation requirements.
2. **Deferred Acquisition Cost (DAC):** DAC accounting will be overhauled, requiring insurers to adopt a straight-line basis over the life of the contract. Insurers will also need to track and disclose the movements in DAC as they emerge.
3. **Market Risk Benefits (MRB):** Products with benefits that meet the definition of MRB will be measured at fair value. There will be additional disclosure requirements for these products.
4. **Disclosures:** There will be enhanced and more detailed disclosure requirements under LDTI. This will give rise to a need for an increased depth of detail in company's audit trails.

These focus areas represent significant changes and will each require substantial amounts of time and resources to understand, adapt and roll out the new requirements.

Key Challenges

As you progress with your LDTI implementation roadmap, you will likely face some challenges as you adjust and improve data, processes, systems and reporting where necessary over the next year. Some of the key challenges faced by our clients include:

1. Managing the increased level of data and any system adjustments that are required as a result of cohorting.

2. Ensuring LDTI is integrated across all operational functions of the business. Ensuring a coordinated and organized approach is adopted.
3. Communicating these changes and educating stakeholders to understand the presentational differences and how the underlying economics have changed under LDTI.
4. Understanding the implications reasons for increased volatility in the balance sheet and income statement results due to changes in assumptions and deferred acquisition costs.
5. Meeting key reporting deadlines, both internal and external. Ensuring decisions are made timeously to avoid reporting delays.
6. Maintaining an appropriate audit trail, with adapted controls, more thorough documentation and reporting processes.

Opportunities with Deloitte

Insurers who tackle these changes with the right toolkit can position their business in good stead for the future. As LDTI implementation reshapes businesses and balance sheets, those who act earliest can leverage opportunities to grow their business. Deloitte can assist with:

1. Building a structured and informed approach to reporting under LDTI, providing real value and improved communication to stakeholders, putting your company in good standing in the market.
2. Creating the appropriate actuarial modelling processes and reporting automation to enable you to appropriately manage your data and workflow, free up resources and become more efficient.
3. Helping you understand the pricing and ceding implications when working with IFRS reporters.
4. Leveraging regulatory intersections with IFRS 17 and streamlining your business across both regulatory regimes.
5. Uncovering opportunities to acquire new blocks of business, companies, or implement new strategies and ventures as the market repositions themselves and their balance sheets.
6. Integrating your cyber strategy with LDTI data requirements to help reconstruct data systems, improve control efficiency and removing legacy, outdated processes.

Deloitte Bermuda | Advisory Team

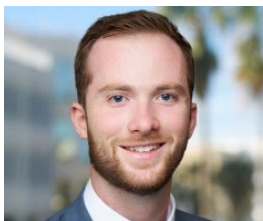


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Clayton is a Manager in the Actuarial, Risk and Analytics practice at Deloitte. He has extensive actuarial expertise spanning pricing, valuation, IFRS 17, and enterprise risk management.

Clayton currently serves Bermuda and international clients and has led several projects for life (re)insurers in Bermuda in relation to EBS and Bermuda capital modelling, IFRS 17 impact assessments and implementation, and regulatory advisory services for new companies on the island.

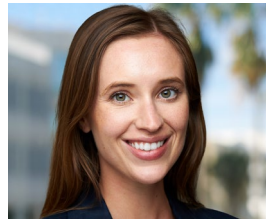
Prior to joining Deloitte, Clayton held multiple roles in a large global life insurer for 9 years, including group valuation and pricing, and model risk governance and validation.



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Jack is an Assistant Manager in Deloitte's Actuarial & Insurance Solutions practice. He has experience working with a variety of actuarial functions including actuarial valuations, audits of local and international (re)insurers, model reviews, assurance of risk modelling processes and technology implementation for life insurers.

Prior to joining Deloitte, Jack performed a similar role for PwC, UK where he gained experience working across several reporting metrics, including SII, IFRS, EV and US/UK GAAP.



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Nina is a Senior Manager in Deloitte's Actuarial & Insurance Solutions practice. She currently serves Bermuda and international Life (re)insurance clients on a variety of actuarial functions including IFRS 17 and LDTI readiness, actuarial valuations, transaction pricing and restructuring and audits of long-term (re)insurers and pension funds.

Prior to joining Deloitte, Nina held roles in capital and risk management, IFRS 17 application, solvency reporting and statutory valuations at a South African-based consulting firm. She has experience in a broad range of long-term insurance products and services.



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Paul is an Assistant Manager in the Actuarial and Insurance Solutions practice. He serves local and international (re)insurers, supporting on IFRS 17/LDTI implementation and other actuarial projects such as audit support. Paul has experience on audit support engagements with various US GAAP reporting clients.

Before joining Deloitte, Paul worked in actuarial consulting in South Africa where he performed similar actuarial work, focusing on IFRS 17 implementation.

Paul specializes in IFRS 17/LDTI implementation for life insurers and has varied experience across products.

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