



Insurance Accounting Change Risk and Control Considerations

US GAAP Long-Duration Targeted Improvements

The US GAAP Long-Duration Targeted Improvements (“LDTI”) effective date of January 1, 2023 is rapidly approaching. Insurers are at various stages of implementation for this robust insurance accounting change. Driven by the need for compliance and desire for operational excellence, companies are transforming by reimagining their processes, leveraging technology enablers, redefining roles and responsibilities, and enhancing risk management, governance, and controls.

Any major accounting policy change brings overarching impacts across the organization. Companies that proactively include risk and control elements in its LDTI implementation benefit from improving outcomes, enhancing investment returns, identifying / mitigating risk indicators, and reflecting relevant changes in the ICOFR programs. Various stakeholders including Finance, Risk, MRM, SOX and Internal Audit, have vested interests in implementing a robust risk and control framework.

Companies that coordinate and collaborate with their internal audit groups and SOX programs benefit from unbiased perspectives, continuous feedback loops, and insights on risk and controls across various elements of the transformation program and business as usual (“BAU”) processes.

KPMG’s response focuses complementing and supplementing clients with wide range of skills that cover all aspects of accounting change programs. Our multifaceted framework encapsulates our experience in implementing accounting change programs and brings forward our deep experience and learnings in accounting, actuarial, technology, people, risk, data and governance.

Benefits of Considering Risk and Control Elements in LDTI Implementation



Improve process investment returns



Identify and mitigate implementation and BAU risks



Enhance process and technology governance and controls



Upskill workforce / change management



Prepare for dialogue with stakeholders

KPMG Accounting Change Risk and Control Framework



KPMG appreciates that LDTI implementation is complex and resource intensive. Our wide-ranging framework is built around governance, risk, and controls to help clients evaluate their program components with a thorough assessment of:

- **Data** – data sourcing, processes and flows, data transformation, accuracy and completeness
- **Technology** – platforms and enablers with focus on controls and technology risk management
- **Process** – key program activities and hand-offs with focus on dependencies, risk and controls
- **Model Governance** – model input and output, modelling processes, model data transformation, model assumptions, change management, and unbiased model validation
- **Performance Insights** – what is reported and how to focus on business requirements, KPIs and decision making
- **People** – ownership of tasks and results, with focus on required skillsets, roles and responsibilities



Teaming with KPMG enables our clients to proactively identify issues and risks, establish robust control framework “from the ground up” and guide conversations with management and relevant stakeholders. There are significant benefits to be realized from following our multifaceted risk and control framework in reviewing accounting change programs.

Program Phase Added Values	Planning, Scoping and Build	Testing, Adoption and BAU
Improve process investment returns	Significantly reduce ‘rework’ and program delays by incorporating a broad spectrum of expertise, industry experience and professional judgment	Accelerate testing and adoption activities through support with risk assessment, prioritization and governance around change management
Identify and mitigate implementation and BAU risks	Identify and mitigate risks through review of business requirements, future state design, data completeness and accuracy, and transformation routines	Reduce process and BAU risks through control assessment and testing, review of technical or process limitations of “go-live” and day 2 activities
Enhance process and technology governance and controls	Support the implementation team with designing and implementing process and control frameworks around modelling, best estimate assumptions and reporting, etc.	Evaluate risks and controls around adoption of new technology and newly implemented processes , with focus on BAU governance
Upskill workforce / change management	Expand implementation team ability to improve risk awareness, manage change, and facilitate executive conversations and buy-in with industry leading practices	Allow teams to focus on analysis and decision making and provide ongoing assurance by embedding and automating testing activities required for management sign-off
Prepare for dialogue with stakeholders	Strategize and prepare for stakeholder discussions such as Board, Rating agencies, investors and external auditors	Provide input and support through testing and adoption of LDTI processes, re-calculations of accounting and actuarial values, roll-forwards and reporting

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How Can KPMG Help?



We leverage our deep experience and learnings from across the insurance industry to benefit the review of your LDTI implementation program. Teaming with KPMG brings a collection of needed skills to supplement and complement your teams.



Support with design, implementation and adoption of internal audit approach to LDTI



Leverage KPMG frameworks and accelerators to improve audit effectiveness



Dynamic resource capacity to help you meet program timelines

Multi-disciplinary team of professionals with LDTI implementation and audit experience



Utilize modern technology for improved testing efficiency and audit analytics



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