

LDTI:

# A Sweeping Change to US Insurance Reporting

Designed to improve the flexibility of finance systems under GAAP, Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI) will involve significant changes to systems, processes and data for many firms.

## What do firms need to know about LDTI?

Set to come into force in January 2023 for public companies (and January 2025 for everyone else), LDTI is seen by many as the biggest change in FASB accounting for decades.

The new accounting standard aims to drive:

- 1 Greater transparency in financial reporting across the US insurance industry
- 2 Improved liability measurement across US-based insurance
- 3 Increased consistency in market risk benefit measurement

This will involve firms having to make significant additions to their current disclosures as part of a process that will completely change the way they report on their business.

## What are the challenges of LDTI implementation?

The requirements of LDTI will force insurance firms to make sweeping changes to their systems and processes. They will need effective ways to review the assumptions driving actuarial calculations, switch to reporting market risk benefits at fair market value (FMV), and present additional information in financial statements.

The calculation changes will see a surge in the amount of data firms have to collect, store and process. They will also have an impact on various business units - putting a strain on legacy systems and creating major issues for organisations that have little integration between the finance and actuarial functions.

The implementation project is made all the more challenging by the tight time frame firms have to prepare for LDTI to go live. There is little margin for error as businesses scramble to identify and implement the infrastructure they need to achieve compliance.



## How Millennium Consulting can help with **LDTI**

**Firms that succeed in their LDTI implementations will be those that view the new standard not as a set of rules they have to follow but as an opportunity to improve their processes to deliver:**

Improved insight into business performance  
Reduced operational risks

It is important as well to look beyond the actuarial and finance functions during the project. LDTI will have major IT and data implications across a firm, meaning PMOs have to approach it from a multi-disciplinary perspective.

Businesses need to build their systems infrastructure around the ability to deliver compliance now and in the future. It is more of a shift in mindset than a quick technical fix - and the experienced Millennium Consulting practitioners can help you make that journey.

We also work in partnership with a wide variety of technology vendors to supply solutions that overcome the challenges associated with LDTI for GAAP reporting.

Contact us to find out more about how we can help you deliver LDTI compliance:  
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