

5 strategies to capitalize on the LDTI extension

On July 17, 2019, the Financial Accounting Standards Board (FASB) announced it would extend the timeline to implement the Targeted Improvements for Long Duration Contracts (LDTI), moving the go-live date to January 1, 2022. With an extra year, how should companies respond? Below we list five strategies to capitalize on the extension, ranging from conservative to aggressive.



REDUCE RISK

Stay with the current implementation plan and be operational and compliant as soon as possible. Allow as much time as possible for unforeseen issues. Then work incrementally, as time allows, after a compliant foundation has been established.



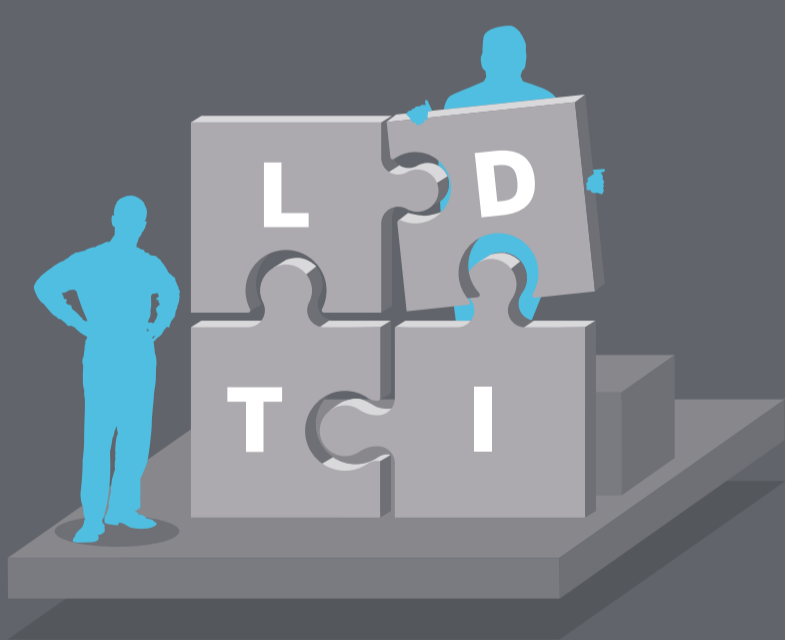
REDUCE COST

Highly parallelized project plans necessitated extra work. External resources were engaged due to the spike. Pursue more efficient project plans with less redundancy and less external cost with the same targets, but an extended timeline.



EVALUATE WIDER RANGE OF OPTIONS

Limited time meant limited opportunity to evaluate transition approaches, cohort definitions, and other methodology choices. With extra time, do more analyses to understand the financial impact of various methodology levers, educate senior management, explain the results, and optimize the approach.



FOCUS ON STRATEGIC VALUE

The original LDTI timeline put pressure on companies to take shortcuts and other “triage” approaches for compliance. Revisit project plans; Pursue plans that deliver a compliant solution, but with more long-term, strategic value.



PARADIGM-SHIFT

Or, create a new trajectory for the implementation, and dramatically reshape the target end-state. With the prior timeline, some implementation options (e.g., migrate to a new valuation, data platform, etc.) could not even be considered. Now many more aggressive options are back on the table.



The original timeline was a wake-up call that spurred the industry to action. LDTI is now firmly in focus with the substantial implementation challenges much better understood. Companies need to decide how they will attempt to capitalize on the FASB extension. The options range from conservative to aggressive and while the strategies each involve some risk, one thing is certain – complacency is not an option.