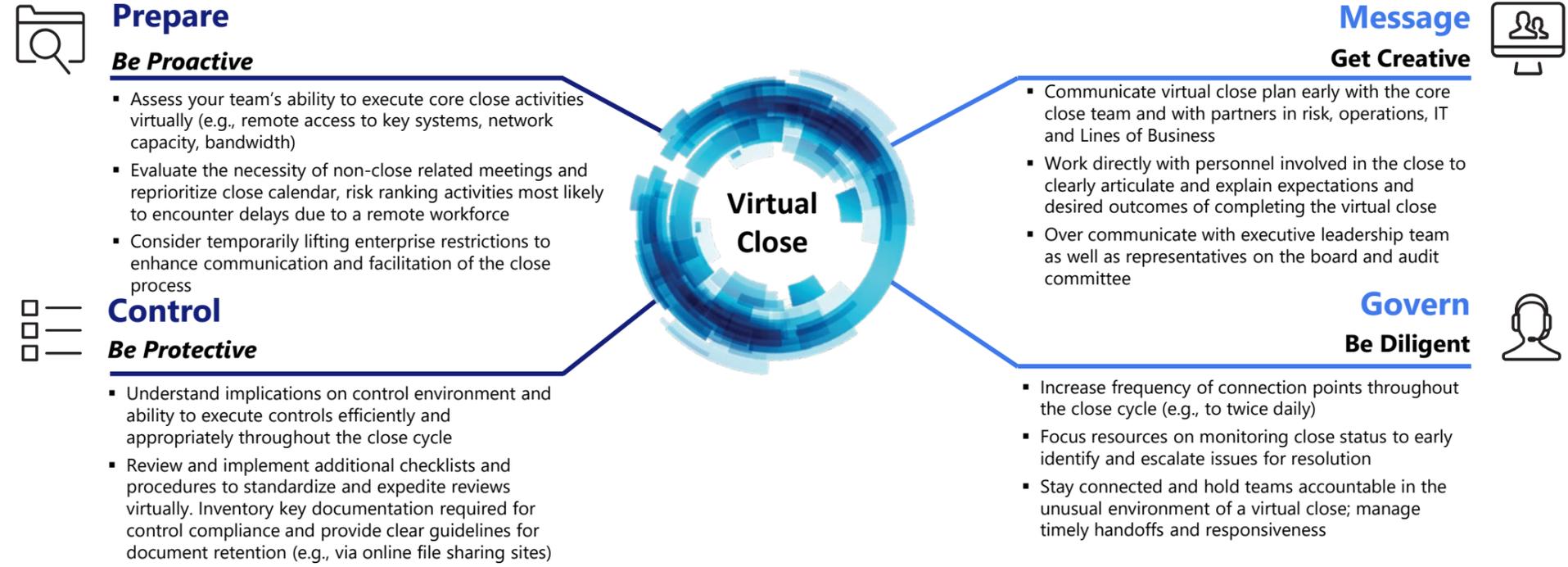


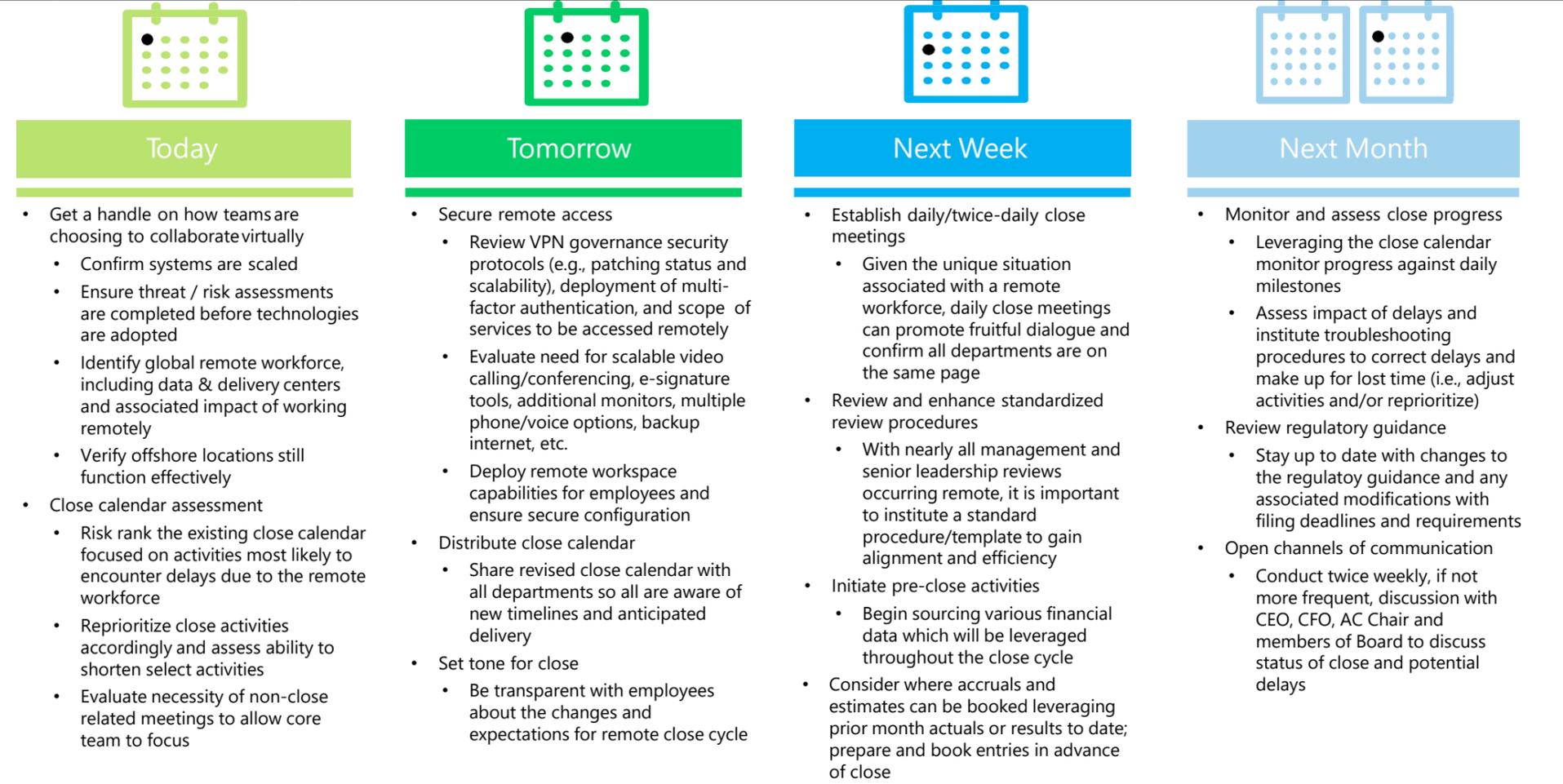
The Current Reality

Given the complexities associated with the business-as-usual close for Insurance organizations coupled with the challenges of conducting a virtual close, there is **limited precedent** into how a global pandemic such as COVID-19 will impact insurance organizations as they prepare to complete their first virtual close. Not unlike other global crisis, it will be critically important to be prepared for COVID-19 related volatility and the likely impacts it will have on successfully preparing and executing the financial close process.

Prepare For Your Virtual Close

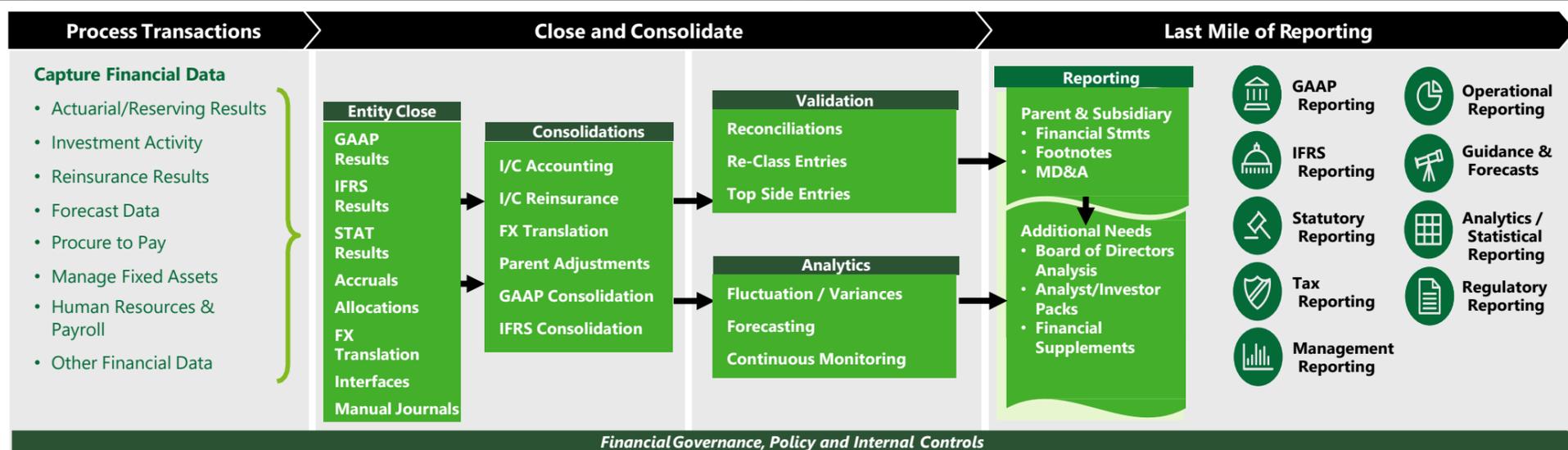


Preparation, Planning, and Execution



Elevated threats of today will likely persist and pose sustained risk in your close environment

Typical Insurance Close Process and Associated Challenges



Close

- Ability to access required systems and data in a timely manner
- Potential for knowledge gaps and issues associated with data hand-off
- Network capacity constraints resulting in delays

Consolidate

- Third-party feeds and information may be delayed or unreliable
- Availability to technical resources could be hindered causing delays in consolidation
- Upstream delays could significantly impact the ability to reconcile and forecast

Report

- Reduced timeline for review and subsequently reporting
- Increased likelihood of reduced real-time performance measures and business insights
- Impact of COVID-19 on regulatory reporting deadlines and requirements

Simulating a Virtual Close for an Insurer

Process Transactions

Close and Consolidate

Last Mile of Reporting

Key Close Activity	Virtual Close Consideration	Virtual Close Risks			
		A	B	C	D
<ul style="list-style-type: none"> <li>Gather necessary admin systems data via extraction and feeds</li> <li>Load actuarial models and perform actuarial analyses</li> <li>Reserving actuaries initial review of performance and messaging</li> <li>Obtain and review investment data and performance</li> <li>Gather and review internal and external reinsurance data</li> </ul>	<ul style="list-style-type: none"> <li>Ability to access required systems and data in a timely manner</li> <li>Network capacity and constraints due to the need for employees to access admin systems and other pertinent financial data remotely which may require blackout periods for non-essential employees</li> <li>The impact of COVID-19 on claims experience and its effect on management's understanding of performance</li> <li>Data acquisition changes (i.e., the need to adjust the interaction frequency and plan between multiple business groups)</li> <li>Potential delays with the start of the close cycle due to data hand-offs and knowledge gaps</li> </ul>	✓	✓	✓	
<ul style="list-style-type: none"> <li>Pre-close meeting</li> <li>Conduct initial analytics and meet with Business Unit Finance and Actuarial teams</li> <li>Reconcile and close-subledgers</li> <li>Confirm Corporate Actuarial sign-off on balances in ledger</li> <li>Book recurring journal entries</li> <li>Calculate and book Inter / Intra-Company allocations</li> <li>Post adjusting and eliminating entries</li> <li>Post top-side entries</li> <li>Close general ledger</li> <li>Perform consolidation</li> </ul>	<ul style="list-style-type: none"> <li>Meeting focus on hyper communication, use of new collaboration tools (Video conferencing, online file sharing sites, etc.)</li> <li>Delays due to system latency, upstream data availability, and shared service centers coupled with inefficient communication and potential blackout periods for non-essential employees</li> <li>Simplifying assumptions and / or modified reconciliations and review may be needed to facilitate timely close</li> <li>Modified sign-off may be needed with additionally documented assumptions and simplifications</li> <li>Confirm entry system accessibility while remote and plan entries may take longer to book remotely due to indirect access</li> <li>Aggregation of supporting materials from varying entities may pose additional challenges and delays. International close times (e.g., China, Italy, etc.) may be delayed and require estimates to be booked.</li> <li>New and modified adjusting entries may be needed as a result of macroeconomic conditions and regulatory body reaction, including impairment of assets and goodwill / VOBA impairment and adjustments to CECL allowance estimate</li> <li>Additional top-side entries may be needed as a result of macroeconomic conditions and regulatory body reaction</li> <li>General Ledger analytics and final review may be revised to target key risk areas in financials due to time and resource availability</li> <li>Significant delay due to upstream activity completion, modified final review to incorporate additional simplifications and assumptions and focused risk review</li> </ul>	✓	✓	✓	✓
<ul style="list-style-type: none"> <li>Prepare account filing (inclusive of footnotes and MD&amp;A)</li> <li>Prepare financial supplements</li> <li>Finalize the analyst and investor packages (i.e., earnings release)</li> <li>Update necessary operational and management reporting metrics</li> <li>Finalize STAT, IFRS and Tax reporting, as applicable</li> <li>Conduct executive team meetings, audit committee and board of directors reviews</li> </ul>	<ul style="list-style-type: none"> <li>The impact of COVID-19 on business operations and its effect on the organization's disclosures</li> <li>Ability to access required systems and employees with relevant information to the financial supplements</li> <li>Reporting delays associated with the remote workforce and need to inventory industry trends which analysts may ask during investor calls</li> <li>Based on network constraints, increased likelihood of reduced real-time performance measures and business insights for investor discussions</li> <li>Given the fluid nature of COVID-19 responses, potential modifications to regulatory reporting timelines and requirements may occur</li> <li>Reduced timeline for conducting executive team meetings, audit committee and board reviews</li> </ul>	✓	✓		✓

**Virtual Close Risks Legend**

- A** Access / Availability to Data
- B** Increased Activity Time to Completion
- C** Third Party / Offshore Operations Disruption
- D** Modified / Interim / Circumvented controls

Internal Control Considerations

**COVID-19 may cause entities to implement new internal controls or modify existing ones.** Entities will need to consider the operating effectiveness of controls, including assessing any breakdown in review-type controls or the inability of individuals to perform control duties because of absences (e.g., due to employee illness or the closure of affected offices).

Entities should also consider how a lack of information may affect management's ability to effectively operate controls (e.g., personnel may not be available in offices in affected areas to provide information that is essential to the effective operation of an internal control). If an existing control cannot be performed, **management may need to identify alternative appropriately designed controls to compensate for the lack of information.**

Entities should also consider management's ability to complete its financial reporting process and prepare its financial statements on a timely basis. Entities will need to ensure that they have properly designed and implemented controls related to the selection and application of GAAP for the accounting and disclosure issues arising from COVID-19.

Deloitte Support

As your organization responds to the impacts stemming from COVID-19, Deloitte stands ready to help you tackle your most complex strategic, financial and operational issues. A sample of areas we stand ready to assist include:

 <p><b>Accounting, Finance &amp; Actuarial BAU Support</b></p> <ul style="list-style-type: none"> <li>General accounting (Lux GAAP, Stat, IFRS)</li> <li>Actuarial</li> <li>External financial reporting</li> <li>Management reporting</li> <li>Control support and guidance</li> </ul>	 <p><b>Virtual Close Risk Management</b></p> <ul style="list-style-type: none"> <li>Virtual close risk assessment</li> <li>Real-time monitoring</li> <li>Close support</li> <li>Issue identification, triage and resolution</li> <li>Regulatory affairs monitoring and response</li> <li>Data security and infrastructure</li> </ul>	 <p><b>Hedging, Volatility, and Risk Management Assessments</b></p> <ul style="list-style-type: none"> <li>Risk management strategy development</li> <li>Scenario building and assessing impact of changing counterparty behavior</li> <li>Hedge accounting and effectiveness assessment frameworks</li> <li>Analytics and analysis</li> <li>FX exposure identification and mitigation</li> </ul>
---	---	--

Deloitte Insight

 <p><i>Accounting, Disclosure, and Internal Control Considerations Related to Coronavirus Disease 2019</i></p>	 <p><i>Potential implications of COVID-19 for the insurance sector</i></p>	 <p><i>The heart of resilient leadership: Responding to COVID-19</i> <i>A guide for senior executives</i></p>
---	---	--

Contact

 <p><b>Thierry Flamand</b> Partner Deloitte Luxembourg tflamand@deloitte.lu</p>	 <p><b>Hervé Marchand</b> Partner Deloitte Luxembourg hmarchand@deloitte.lu</p>	 <p><b>Ludovic Bardon</b> Partner Deloitte Luxembourg lbardon@deloitte.lu</p>
 <p><b>Michael Cravatte</b> Partner Deloitte Luxembourg mcravatte@deloitte.lu</p>	 <p><b>Jérôme Lecoq</b> Partner Deloitte Luxembourg jlecoq@deloitte.lu</p>	 <p><b>Ronan Richard</b> Partner Deloitte Luxembourg ronrichard@deloitte.lu</p>