



## Case Study

# Leader in Financial Guaranty Insurance

## APPROACHING CECL THE EASY WAY

One of the most pressing topics for investment accounting is the implementation of **ASU 2016-13, Financial Instruments — Credit Losses**. This update, one of the biggest changes to accounting for financial assets in decades, revises how organizations identify and report on credit losses with the introduction of the current expected credit loss (CECL) model.

Large financial institutions have spent years preparing and implementing solutions to these changes because the update affects their primary business models. With legacy tools, these changes often necessitate heavy overhauls of data and processes to ensure compliance.

Proactive insurers have upgraded their internal tools to a solution that can meet the demands of a changing global regulatory environment. This \$15+ billion global insurer chose Clearwater to solve its operational challenges, specifically around the implementation of CECL.

### Challenges

Prior to partnering with Clearwater, this major insurer didn't have an efficient way of calculating allowances. As the deadline for CECL approached, they embarked on a discovery process and uncovered:

- Data was spread across silos, decreasing visibility and lacking consistency
- IT teams lacked time to perform continual redesign of logic as regulations changed
- Processes continually burdened employees and jeopardized deadlines
- Manual verification of calculations by accounting became unsustainable

**Today, insurers partner with Clearwater for customized CECL accounting and reporting.**

### How Clearwater Helps

Prior to regulatory accounting changes going into effect, Clearwater makes key changes to the system to provide users with the tools necessary to handle new updates. These updates include modifications to the general ledger, reporting, and documentation. Training and support is also provided by experts in accounting.



## \$15+

**Billion in AUM**

### Accounting Basis

French GAAP

US GAAP

UK GAAP

STAT

Combined STAT

Consolidated STAT

US TAX

Multiple layers of US CGAAP

Solvency II

### Currency

USD

EUR

GBP

Clearwater provides insurers with a customized reporting suite for CECL. For example, this accounting team uses the impairment/allowance report in Clearwater to identify lots that may require recognition of an impairment or an allowance. They can then select and impair lots directly or specify an allowance amount on this report, saving time and minimizing manual errors.

This \$15+ billion insurer also uses the impairment disclosure report, which facilitates creating the new CECL disclosures. This report highlights only the lots categorized as available for sale and held at an unrealized loss with no recognized allowance, enabling clients to quickly produce this required disclosure each quarter.

Thanks to this active, daily portfolio monitoring and reports for CECL, insurers have a clear plan in place by quarter-end for what will be written down through a CECL allowance, what will be sold, and what will be kept on the watch list.

### Validated and Reconciled Data

Adherence to regulatory updates requires complete data every day. Clearwater's machine learning algorithm performs over 600+ data validations across positions, transactions, and security master files among others to give our users the most complete data daily. Specialized regulatory teams and subject matter experts continually

monitor accounting changes, tracking effective dates and requirements to provide users with the tools necessary to manage compliance in just a few clicks.

### Using Clearwater's cloud-based accounting solution allows this insurer to automatically apply regulatory updates and eliminate manual reconciliation and errors

Clearwater simplifies CECL by providing detailed data not only across assets, but also on macro-level data and risk factors where it's important to assess the impact of various credit loss scenarios.

Clients who come from legacy systems choose Clearwater for advanced aggregation, reconciliation, reporting, and proactive regulatory updates. Clearwater users benefit from an all-in-one solution that solves the pain points around CECL, such as loss mitigation bonds and population, while simultaneously enabling portfolios to scale.

Insurers and investors on Clearwater can be comfortable knowing they have a partner who proactively monitors the automated transition and implementation of all current and future regulatory guidance for their portfolio.

**See how Clearwater can help your organization.**

**Speak to an Expert →**

**CLEARWATER**  
ANALYTICS.

### Worldwide Offices

Boise • Edinburgh • Frankfurt • London • New Delhi • New York • Paris • Seattle • Singapore • Washington DC

As the industry-leading SaaS solution for investment accounting and reporting, Clearwater enables growth of assets under management (AUM) for more than 1,100 clients including global insurers, asset managers, corporations, pension plans, and governments. Each day, Clearwater automates data collection, reconciliation, compliance, risk, and performance reporting across \$5.9 trillion in assets with its comprehensive cloud platform and best-in-class service team.

©2022 Clearwater Analytics. All rights reserved. This material is for information purposes only. Clearwater makes no warranties, express or implied, in this summary. All technologies described herein are registered trademarks of their respective owners in the United States and/or other countries.