Navigating the Future of CECL: A Conversation with SS&C EVOLV and Angel Oak Capital Advisors

How are insurance companies tackling the current expected credit loss (CECL) standard in an increasingly complex credit landscape? In this Q&A, Angel Oak Capital Advisors' Adam Beeler, Head of Institutional Sales, spoke with SS&C EVOLV's Theresa Meawad, Senior Director and Head of Solutions Consulting, to explore how advanced modeling, regulatory scrutiny, and evolving asset strategies are reshaping CECL implementation for insurers.

Q: Can you tell us a bit more about SS&C—its focus, size, and direction?

A: SS&C was founded nearly 40 years ago with a focus on providing investment accounting systems for insurance and asset managers who lacked access to relational databases and robust accounting support. Over time, SS&C expanded its services across the broader financial services space, including banks and some credit unions. At EVOLV, which is part of SS&C, we concentrate on loan accounting and CECL across asset classes like bonds, reinsurance recoverables, and loans. We also handle loan accounting and shadow servicing. Other groups within SS&C specialize in related areas—for example, Precision LM focuses on loan servicing, while Singularity and CAMRA support bond accounting.

SS&C is one of the largest fintech firms in the country. It is publicly traded on Nasdaq under the ticker SSNC and has approximately 30,000 employees across 39 countries, serving 22,000 clients. The company has grown both organically and through strategic acquisitions. EVOLV was one such acquisition, joining the SS&C family in 2015.

Q: Can you explain what EVOLV is, what it does, and how it came to be?

A: EVOLV was founded in 2006 by a group of professionals who came out of the financial restatement period at Freddie Mac. They identified a gap in the market between what loan servicing systems could handle and what was needed for accurate financial reporting—particularly around generally accepted accounting principle (GAAP) adjustments like amortization, charge-offs, recoveries, and loan modifications.

They built EVOLV to bridge that gap, and the platform initially focused on amortization and became a leader in purchased credit-impaired accounting for both loans and securities. Over time, we believe this focus on cash flow modeling—both contractual and expected—positioned us well for the transition to CECL when accounting standards evolved.

Q: What is CECL, and how did EVOLV come to support it?

A: CECL represents a major shift in GAAP accounting for financial assets not carried at fair value. Instead of waiting for a loss event to occur (as under the old "incurred loss" model), CECL requires firms to estimate and record future expected losses over the life of the asset from day one.

Because EVOLV was already strong in generating accurate cash flows and modeling loan behavior—including future repayment speeds and risk characteristics—we believe we were in a great position to pivot into CECL.

What we added was a true econometric model to support the reasonable and supportable forecast period CECL requires—typically around 18 to 24 months, based on market predictability. The model helps institutions account for macroeconomic conditions and their impact on future credit losses.

Q: Why is CECL particularly relevant today for insurance companies and institutions investing in residential mortgage loans (RMLs)?

A: With the rising demand for RMLs among insurance companies, accurately projecting future losses and cash flows is more critical than ever. These loans often have long durations—sometimes 30 years—so even minor changes in loss rates can significantly impact allowance results. While it is not feasible to predict economic conditions that far in advance, CECL emphasizes forecasting during a reasonable and supportable window. As economic volatility persists, incorporating macroeconomic inputs into loan loss modeling has become essential. Our CECL solution is designed to meet these needs with a robust, validated, and auditable model that satisfies the scrutiny of both regulators and auditors, giving you confidence in your results.

Q: How does the EVOLV product assist with more than just RMLs? What asset classes does it cover?

A: EVOLV is broad in scope. For example, we handle held-to-maturity securities, which are also covered under CECL, and reinsurance recoverables, which are significant for many insurance companies. We also address available-for-sale securities, which, although not directly under the scope of CECL, require similar models.

At SS&C EVOLV, we have been in the financial reporting space for financial institutions since 2006. Our experience has allowed us to develop robust capabilities across various asset classes. We currently manage around $1 trillion in assets and 18 million in loans. What sets EVOLV apart from other vendors is our extensive approach to CECL. We don't just focus on modeling or cash flow generation; we treat CECL as an end-to-end process, which includes everything from data validation to disclosures.

For instance, we aim to ensure that the data coming from clients is correct and everything makes sense. Because of our deep industry knowledge and pre-built business rules, we can easily spot inconsistencies in loan terms or asset characteristics and flag them for review. We also perform all the necessary calculations and have our own models in place, but if a client has a specific model or works with a third-party vendor, we can integrate that into our platform. The goal is to make CECL disclosures as seamless as possible, offering a click-button solution while also providing robust analytics through our business intelligence tools.

Q: How does EVOLV collaborate with insurance companies that may already have their own homegrown models, and what is the importance of partnering with a third-party provider like SS&C?

A: We have found that many insurance companies, especially smaller to midsize ones, often rely on homegrown, Excel-based models for their CECL calculations. What we do at EVOLV is take a collaborative approach. We can adapt to these existing models and use them as inputs while also providing our more sophisticated products and methodologies. It is a partnership—where we collaborate with the client to understand their current assumptions and how they are modeling credit losses and show them alternative ways to approach these challenges. Our goal is to help them refine their processes and ensure they are using the most effective model for their asset classes.

The demand for more sophisticated solutions is growing, especially among private-equity-backed life insurance companies with complex portfolios, alternative investments, and distinct strategies. These companies often scale quickly, which means they need models and assumptions that can keep up. Even if you are a smaller insurer, it is crucial to evaluate whether your existing models and loss assumptions are robust enough. Partnering with a firm like SS&C can help fill any gaps and ensure that the models you use are well structured and meet regulatory requirements.

Q: How does CECL apply to different asset classes, and why is it important to tailor models to each?

A: CECL is a concept-based accounting standard, which means there's no one-size-fits-all model. It requires significant management judgment, and the approach can vary greatly depending on the asset class. For example, a model designed for RMLs will not necessarily work for commercial mortgage loans (CMLs) or securities. Each asset class has its own tailored drivers of credit losses, and that is why it is so important to have a tailored model that fits the characteristics of the assets you are dealing with.

If an insurance company is expanding into new asset classes, having a knowledgeable partner is key. We can help identify the right drivers for credit losses in each asset class and walk clients through the process of selecting the right model. This is crucial not just for internal decision-making but also for supporting the audit process, ensuring the company has a defensible and well-thought-out approach to CECL. Ultimately, it is about making sure that management has considered multiple models and can justify the choice they have made for each asset class.

Q: Are there any regulatory concerns or changes on the horizon that insurance companies should be aware of, especially in relation to CECL and the use of technology like EVOLV?

A: Absolutely. Regulatory expectations around CECL are evolving rapidly. As a relatively new accounting standard, CECL continues to undergo post-implementation reviews, which often lead to refinements in both the standard itself and the related disclosure requirements. We stay closely engaged with this evolving landscape through active participation in groups such as the American Institute of Certified Public Accountants' CECL vendor group and through ongoing dialogue with regulators.

One recent example: In December, the Financial Accounting Standards Board issued a change stating that all bonds and loans purchased as part of a business combination will be treated differently from loans originated directly by an institution. That is a significant change, and one that EVOLV already supports. We are constantly adjusting for updates like this.

What is also changing is the regulatory focus itself. Initially, regulators were mainly looking at whether management selected a reasonable model and documented their decision. Now, it has gone a step further—they expect management to fully understand the model, ensure transparency, and implement strong controls. That includes proving the model's appropriateness for specific investment types and demonstrating an ongoing process for model validation.

Q: What are regulators looking for now that CECL has been implemented across institutions?

A: Now that CECL has been broadly adopted, regulators expect deeper management involvement in understanding and validating the models being used. They are asking questions such as:

- "Does the methodology make sense for the specific asset type?"
- "Can management clearly explain their model choice?"
- "Is there a rigorous model validation process in place?"
- "What types of challenger models were considered, and which are being used to benchmark the results?"

That includes practices like regular back-testing, use of challenger models, and third-party validations. At SS&C EVOLV, for example, we back-test our models quarterly, update them annually or biannually, and support multiple challenger models that clients can use to verify their assumptions.

Beyond modeling, there is also increased emphasis on transparency. New disclosures are being required—like enhanced reporting for modified loans—and there is more scrutiny on how model changes are handled. Regulators want to know: "Why did you change your model? What is the impact? Was the change material?"

So, yes, technology like EVOLV is not just helpful; it's becoming essential. It helps institutions stay compliant, respond quickly to regulatory changes, and build defensible processes around credit loss assumptions.

Q: When you speak with insurance company clients or prospects about CECL and solutions like EVOLV, what is the general reaction? Are they embracing these tools?

A: I think the real question is: What are they doing to prepare for the future? Many insurance companies begin with homegrown tools like Excel models. That may be fine at the start, but as their portfolios grow, those simple solutions often do not scale. They become difficult to defend, especially when regulators and auditors begin paying closer attention to the accuracy and rigor of loss estimates.

The shift we are seeing is from a basic, compliance-checking mindset—“Let’s just get this done”—to a more strategic one: “How do we build a sustainable, robust process that management can understand, explain, and defend?” You do not want to implement a black-box model—no matter how well-known—if management cannot clearly explain why it is appropriate for their portfolio or articulate and quantify any changes as they occur.

There is also a growing demand for guidance—not just software. That is why the consultative nature of our implementation is so important. Clients want to understand: “Why this model?” “Why these assumptions?” And insurers can no longer rely on “because the vendor said so.” Regulators and auditors now expect transparency and defensibility.

Q: Are there any emerging trends in how insurers approach different asset classes, particularly CMLs versus RMLs?

A: Absolutely. One key difference is complexity. RMLs are relatively standardized across lenders, but their long durations make them highly sensitive to model selection, given that CECL requires a life-of-instrument estimate. CMLs often involve more complex structuring—particularly when large landlords own multiple properties across different jurisdictions. This introduces regulatory variations and potential climate-related considerations.

Take New York, for example: We are seeing more attention being paid to rent-controlled properties, which are subject to stricter oversight. Landlords in that space must navigate rent control regulations and are increasingly expected to invest in environmentally sustainable infrastructure—things like low-emission heating and cooling systems. These kinds of factors directly affect cash flow and, by extension, CECL estimates.

Geography and loan structure matter much more in the CML space. Clients want deeper analysis at the property level. But here is the challenge: CECL is a collective allowance model—you cannot just analyze every loan individually. There must be a balance between granular insights and appropriate aggregation. A knowledgeable vendor can help strike that balance by incorporating nuanced risk factors without violating CECL requirements.

Ultimately, insurers—especially small and midsize firms—need to ensure their models are accurate, scalable, and defensible. That is where we help bridge the gap between sophisticated modeling and practical, auditable processes.

Q: Given the volume and complexity of data involved, where do you see things heading next in terms of regulatory oversight? Do you expect more changes, particularly with the National Association of Insurance Commissioners or CECL-related reporting?

A: I do not think we are going to see less regulation anytime soon. If anything, I expect an increase in scrutiny—particularly around CECL disclosures. As it stands, CECL requires two types of disclosures:

1. Quantitative disclosures, which are relatively straightforward—tables showing amortized cost by vintage, for example, that go into your 10-Ks or investor reports.
2. Qualitative disclosures, which are often overlooked or underdeveloped. These require management to explain why their allowance changed and why it is appropriate based on their assumptions.

I believe regulators are going to place more rigor on the qualitative side. They are going to ask: “Is the explanation meaningful? Is it robust enough? Does it provide value to investors, especially for illiquid assets like certain loans or bonds?”

That is why at SS&C EVOLV, we built our analytics framework to be as flexible and detailed as possible. Calculations are performed at the most granular level, allowing firms to generate any required disclosure—whether it is already mandated or becomes so in the future—directly from our business intelligence tools. In addition, we stay up to date on industry developments and deploy newly required disclosures directly to clients, allowing them to focus on managing their business.

Also, I think data quality and sufficiency will become a bigger area of focus. We are already hearing this in industry conversations—firms are struggling with not having enough historical or consistent data to support meaningful disclosures. That lack of data could become a bigger friction point with regulators. And as oversight evolves, I expect regulators will begin scrutinizing whether the data underlying the disclosures is complete, accurate, and sufficient to support the reported reserves.

Q: Can you walk us through the key considerations when choosing between homegrown models, vendor models, and hybrid approaches—especially in the context of CECL?

A: Absolutely, and it is a critical decision. One thing I wish more organizations did when making this choice is look at the full life cycle of the investment, not just the up-front cost of the model.

A lot of the focus tends to be on the initial model selection, but CECL is much more than just modeling—it is an accounting standard that includes data sourcing and validation, calculations, cash flow generation, economic forecasting, documentation, disclosures, and internal controls. If you are not thinking through all those steps, you risk underestimating the true cost and complexity of CECL compliance.

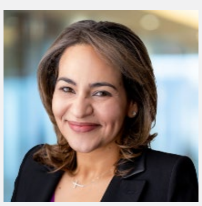
Here are a few important factors to consider:

- **Data Quality and Controls:** In both homegrown and third-party models, you are likely to encounter incomplete data, late data, or errors that need to be smoothed out or adjusted. Your system should be able to identify those issues early so you don't end up in a restatement situation later.
- **Asset-Class Specific Models:** A one-size-fits-all model rarely works. You will need different models for different asset classes—what works for RMLs will not necessarily work for CMLs, bonds, or reinsurance recoverables. That complexity must be accounted for in your selection process.
- **Model Validation and Ongoing Maintenance:** The more customized a model is, the more validation and recalibration it requires over time. This includes quarterly back-testing, documentation, and third-party validation—all of which can be costly. If you build a model in-house, these responsibilities typically fall on internal teams or expensive outside consultants. Even when using a vendor model that does not include validation as part of the solution, you will likely face a similar situation.
- **Vendor Model Variability:** Some vendor solutions are essentially just software—you're still responsible for defining the model logic, writing the equations, and setting assumptions. That shifts the burden of validation and ongoing management back to you. Other solutions, like SS&C EVOLV, are more fully integrated. Our platform handles the entire CECL workflow—from data ingestion, cash flow modeling, and forecasting to final disclosure reporting—within one environment.

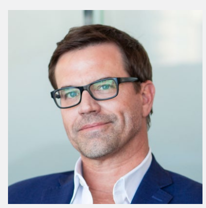
When comparing homegrown models, vendor models, and hybrid approaches, do not just think about what works today—think about long-term sustainability, scalability, auditability, and regulatory defensibility. Making the right decision up front can save time, money, and regulatory pain down the road.

To learn more about SS&C EVOLV and how it supports insurers with investment accounting and reporting solutions, visit www.ssctech.com/evolv. You may also contact Theresa directly at trese.meawad@sscinc.com.

For more information about Angel Oak Capital Advisors and its structured credit investment solutions, visit www.angeloakcapital.com.



Theresa Meawad
Senior Director & Head of
Solutions Consulting
SS&C EVOLV



Adam Beeler
Head of Institutional Sales
Angel Oak Capital Advisors