



Prophet Conventional Library

The iWorks Prophet Conventional Library allows companies to model non-linked products. This library is typically used in the UK, South Africa and Asia, as well as some other regions. The library allows for typical liability product types and reserving features in these countries.

Embedded values and Market consistent embedded values can be calculated with this library, which can be run stochastically and dynamically and has goal seeking features for pricing. It can easily be customised through the open and flexible development environment to cater for company-specific features.

Features

Product Features

- Whole life, endowment or term assurance
- Low cost endowment
- Annuities and income bonds
- With profit or non profit
- Cash bonuses and rider benefits
- Life or pensions
- Mutual or proprietary
- Guaranteed annuity options
- Critical illness benefits

General Product Features

- Regular or single premiums
- Level or increasing premiums
- Single life or joint lives

Experience Features

- Most common mortality tables, including AIDS
- Withdrawals, with any skewed incidence
- Spread maturity dates
- Optional paid-up policies
- Stochastic decrements
- Five components to build up overall investment return
- Allowance for tax on a number of bases

Valuation Features

- Market consistent valuations
- Projection of cash flows on multiple different bases simultaneously
- Statutory valuation reserves, including the option of gross premium reserves for both with-profit and non-profit business
- Bonus reserve valuation
- AIDS deficiency reserves
- Deferred acquisition costs
- Statutory valuation reserves on a second basis, normally for resilience calculation purposes
- Option to restrict calculations to statutory reserves

Reassurance Features

- Original terms (co-insurance)
- Risk premium (yearly renewable term)
- Financing

Goal Seeking Features

- Goal seeking to determine premium rates to achieve a predefined level of profitability
- Goal seeking to determine self-supporting bonus / profit sharing rates for with profit products

Reporting Features

- Discounted profits, at three rates of discount
- Solvency margins
- Discounted revenue accounts and accumulation of profits
- Calculation of profits in accordance with International Financial Reporting standards
- Breakeven month and internal rate of return
- Analysis of future surplus / margins

Dynamic Features

- Automatic output of the values which need to be passed from one dynamic loop to the next
- Any input assumption can be changed to make it calculate dynamically, by being read from a variable calculated in a higher level or ALM product in the previous dynamic loop

Optional Calculation Features

- Accruals method / achieved profits reserves and profits
- Calculation of historic and future asset shares
- Rebasing to determine projected accruals reserves which allow for experience assumptions to apply until each valuation date
- Calculation looping to repeat the calculation of mathematical reserves on a number of alternative bases
- Calculation of IFRS on Amortised Cost and Fair Value basis
- Calculation of IFRS Liability Adequacy Test

Analysis of Movements Module

A separate module is available for the Conventional Library to analyse the actual movement in surplus and embedded value profits.

The following are the main features of this module:

- Summaries of actual and expected policy movements, for each category of policy status
- Revenue accounts based on both actual and expected policy movements
- Analyses of the movement in embedded value over the inter valuation period
- Analyses of the effect on surplus arising from the differences between actual and expected policy movements
- Analyses of the effect on the embedded value arising from the differences between actual and expected policy movements

US GAAP Module

A separate module is available for the Conventional Library to value contracts on a US GAAP basis.

The following are the main features of this module:

- FAS 60
- FAS 97 for limited payment contracts
- FAS 97 for investment contracts
- FAS 120
- Purchase GAAP
- SOP 03-1

Summary

Comprehensive, extensive, easily customisable purpose-built actuarial library for pricing and statutory reserving and can be used for the liability component of overall ALM.

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Benefits

The Conventional Library allows customers to model their non linked life assurance policies at a very detailed level. Prophet's flexible open code architecture and tabular inputs enable all company specific contract level data and formulas to be included. The library has an extensive database of actuarial formulas maintained by a large team of actuaries. Products can be built quickly using a wizard selecting key product, experience, reserving and reporting features lending itself to very rapid implementation.

Most typical features are provided as standard. The library also includes goal seeking routines for pricing, different types of reinsurance and allows for stochastic projections.

The US GAAP and Analysis of Movement modules can also be added to this library for those companies who wish to model US GAAP or provide insight to the analysis of change from one reporting to period to the next.

The results from this library can be used to provide Market Consistent Embedded Values (MCEV), economic capital, IFRS, local principles-based solvency modelling, as well as emerging regulations, such as Solvency II.

When used with other libraries, in particular the Asset Liability Strategy Library, the Conventional Library models can be used as part of the wider risk management of the company. This allows you to utilise the same code used for product pricing and embedded values in the wider ALM and risk management of the company.

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