



Prophet Global Strategy Library (US Version)

Volatile financial markets and changes to solvency regulations are driving the need for robust enterprise risk management systems within insurance companies – at the heart of such systems are very sophisticated actuarial models.

In the US principle based approaches are already a reality with C3 Phase 2 and Actuarial Guideline 43. Soon, C3 Phase 3 and other initiatives will apply to all business.

With many reporting standards moving towards valuing insurance assets and liabilities on a market consistent basis it is becoming increasingly important to properly allow for asymmetries in insurance cash-flows (for example the effect of embedded options and guarantees). It is important that models allow fully for the dynamic decisions which management would take in future scenarios as well as modelling any likely policyholder reactions (dynamic lapses). Increasingly insurers are requiring full stochastic models which are able to model the complex interactions between economic scenarios, management actions and policyholder reactions within a fully dynamic projection of the assets, liabilities and company decisions.

The iWorks Prophet Global Strategy library is a flexible and extensive in fund modelling and dynamic linkage for asset and liabilities. When the library is used in conjunction with the Asset library it allows for a very powerful combination that allows detailed ALM models to be used and integrated into the internal risk management of a company.

Features

Investment Return Calculations

- Investment returns calculated either consistently to the investment return on mathematical reserves calculated in the liability libraries; or
- By categorising and defining the performance of assets specified asset groups, for instance ordinary shares, property, short, medium and long term fixed interest.
- Automatic allowance as required for investment returns calculated at lower levels in Asset, liability, Summary or Global Strategy products
- Investment strategy rules for buying and selling assets, including calculations varying over time or circumstances for:
 - Proportions of new money invested in each asset group
 - Periodic portfolio rebalancing, for instance so that user specified percentages of reserves or asset shares are invested in each asset group
 - Planned purchases, sales and/or turnover of assets
- Optional hierarchical strategies for the investment of new money, for instance investing new money on one asset group until a specified event occurs
- Options to retain new money in cash, or to borrow to meet outflows, until thresholds are breached
- Analysis demonstrating how cashflows have been invested in each asset group, reconciling with the change in asset values over each time period.
- Indexation of capital gains
- Tax deducted at source

Tax Calculations

- General tax calculations, using similar bases to those in the liability libraries, except:
 - Calculated at the aggregate level for each tax classification of business
 - Allowing for any tax losses at the start
 - Allowing for any deferred acquisition expenses at the start
 - Optional allowance for disallowed expenses
 - Allows for timing of tax payments

Other Calculation Features

- Shareholders' transfers for both with profit and non profit funds
- Investment and capital reserves
- Discounted profits and shareholders' transfers, at three rates of discount
- Cash flow matching and fixed interest analysis
- Market consistent valuations, typically using deflators

Reporting Features

- US GAAP profits and reserves
- AVR / IMR
- Risk Based Capital / Solvency margin
- Flexible asset grouping to reflect user needs
- Revenue accounts and balance sheets
- Reporting on market, book, amortised book, lowest or lowest ever values
- Distribution of surplus
- Shareholders' fund / profit and loss account
- In force and new business statistics
- Yield on fund analysis

Dynamic Decisions and Linkages

- Investment mix
- Turnover of assets
- Profit sharing, dividends and crediting rates
- New business volumes
- Lapses
- Expenses
- Shareholder dividends / capital injections
- In-The-Money based utilizations
- Policy holder account transfers

The calculations in the Global Strategy library automatically iterate where necessary to determine the correct optimised values. This iteration may arise in the calculation of any of the following:

- Application of investment strategy at the start and/or end of each dynamic loop
- Shareholders' transfers
- Investment reserves

Benefits

iWorks Prophet provides the following key features for ALM calculations:

- iWorks Prophet's libraries and templates provide a comprehensive platform for developing an ALM model that will fully meet the needs of your company.
- You can model complex company structures and interactions so that the model fully represents your company.
- Fast runtimes can be achieved using either the Professional Edition of Prophet or for ultimate power, performance and control by using the Enterprise Edition of Prophet.
- iWorks Prophet provides extensive reporting capabilities, including an interface to Excel, which enables you to produce exactly the reports that you require without rerunning models.
- SunGard work closely with Economic Scenario vendors to ensure that the iWorks Prophet ALM platform utilizes their output and the platform supports output from TSM Plus from Deloitte and also Barrie & Hibbert's ESGs.

About SunGard

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Summary

The Global Strategy library provides the basis for setting up an ALM model of a US company in Prophet. This provides many options which allow you to set it up to meet your particular requirements, including:

- Assets modeled in aggregate
- Independent investment decisions by Line of Business (LOB)
- Ability to offset losses with profits across LOBs
- Consistent reporting at each level of the model
- Optimization of the number of dynamic calculations
- Targeting of the desired results to reduce overhead
- Market consistent value of the liabilities calculated
- Accepts all assets modelled in the Asset library and allows sophisticated buying and selling strategies.

The Global Strategy library is easily customisable to allow companies to tailor the library to suit their own management decisions but is extremely well built out to offer most of those as standard and can be easily controlled by tabular inputs.

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