



Prophet US GAAP Modules

The iWorks Prophet US GAAP Modules are separate modules for the Conventional, Unit Linked and International libraries to produce the liability driven components of US GAAP reporting and projected revenue accounts and balance sheets. These have been designed in accordance with the US regulations for reporting by insurance companies on long duration policies. The US and US Health libraries incorporate US GAAP calculations as one of their standard features.

There are a number of reasons why companies not based in the US may still need to produce results in accordance with the US GAAP regulations. These include:

- A desire to raise capital in the US
- Companies with US parents
- Attempted take-over bids with US involvement
- A wish to list a company's shares in the US
- A wish to compare results between countries

Features

Types of Calculations Available

- FAS 60
- FAS 97 for limited payment contracts
- FAS 97 for universal life-type contracts
- FAS 120
- Purchase GAAP
- SOP 03-1

Provisions for Adverse Deviation

- Separate variables to enter the Provision for Adverse Deviation (PADs) for deaths, expenses, expense inflation, investment returns and lapses
- Applied by scaling up the underlying assumption by the specified amount

Amortisation Bases

Choice (where appropriate) of the following amortisation bases for deferred acquisition costs and other items to be amortised:

- In proportion to premiums
- In proportion to estimated gross profit
- In proportion to estimated gross margins

Other Features

- Loss recognition – calculation of the liability on the current realistic basis, as well as the locked-in basis, to determine whether a premium deficiency exists. Any premium deficiency will first reduce the Deferred Acquisition Costs (DAC) asset and then increase the liabilities
- Business cohorts – calculations at a cohort level can be carried out by using accumulations and performing the calculations in a GAAP Cohort Calculation product
- Backwards projection – calculates what the current portfolio of policies originally looked like, to calculate amortisation schedules over the whole life of the portfolio
- Shadow DAC – calculation of the balance sheet position on an alternative basis

Balance Sheet Items Calculated

- Benefit reserve (FAS 60, FAS 120)
- Value of units without funding (FAS 97 UL)
- DAC asset (FAS 60, FAS 97 UL, FAS 120)
- Deferred Profit Liability (FAS 97 LP)
- Terminal Dividend Liability (FAS 97 UL, FAS 120)
- Unearned Revenue Reserve (FAS 97 UL)
- Loyalty Benefit Reserve (FAS 97 UL)
- Debt item (unit deductions owed by policyholder) (FAS 97 UL)
- DAC / additional reserve loss recognition adjustment (all FAS)
- Purchase GAAP Value of Business Acquired (all FAS)
- All positions under Shadow assumptions (FAS 97 UL, FAS 120)

Benefits

Allows companies outside of the US to easily add US GAAP reporting capability to their existing libraries. An additional US GAAP module is available as an add-on to the Summary Library which can be used to report on and adjust the results from the underlying liability products.

This module allows US GAAP reporting to be added easily

- Indicators to specify that US GAAP calculations are required and to determine which type
- Calculations performed on an individual policy or grouped model point basis
- All future cashflows recalculated each time a run is carried out
- Index variable to specify the particular basis to be used, to meet locking-in requirements
- Definitions in the standard module set up to follow approaches which have already been proved acceptable to auditors
- Alternative definitions set up or switches created to allow easy use of the most common alternative approaches
- Supports a factor-based approach
- Microsoft Excel template supplied which reads the necessary results and outputs the factors for use in subsequent runs
- Revenue account and balance sheet items projected on the current best estimate GAAP basis without provision for adverse deviation
- Comprehensive on-line manual describing the main features and setting out the most important variables
- Extensive comments in the formulas describing how the various elements fit together

Summary

This is an essential add on module for those companies outside of the US who are required to do US GAAP reporting. The module is comprehensive, easily customisable and purpose-built for US GAAP calculations.

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