ClariNet Release Notes - February 2013

Overview

1. Cost/Maturity Tab in Case Summary
2. Valuing Portfolios containing matured/maturing Cases
3. Valuation Settings: add settings for Actual vs Expected
4. Actual to Expected Scenario Analysis on Portfolio
5. Addition of LE50 to Life Expectancy Graphs
6. Single Policy Valuation: Probabilistic/Deterministic IRR
7. Risk Scenarios in Monte Carlo model
8. Folders in Portfolio View
9. View Portfolios linked to a Case
10. Closing Transaction: new fields and process improvements
11. Mq(x) Interpolation Options
12. Servicing Tab: New Servicing Settings
13. Verification of Coverage improvements
14. Other improvements and fixes

1. Cost/Maturity Tab in Case Summary

The Portfolio Valuation model has now been adapted to accommodate matured/maturing Cases remaining in the Portfolio. The Cost/Maturity tab in the Case Summary now adds a Policy Maturity section to the Cost Basis information:

The Policy Maturity section is used in Portfolio valuations (as outlined below) and in the new Actual to Expected analysis.

2.   Valuing Portfolios containing matured/maturing Cases

Prior to this release, Portfolio Valuation failed if the Portfolio contained Cases which had matured. That has now been changed so that Cases in a Portfolio are valued as follows:

- Cases which have a Date of Death set for each Insured (and are therefore assumed to be "maturing", i.e., working through the claims process) are valued at 100% of current Net Death Benefit, assumed to be payable at the NDB Lag after the Value Date. For example, if the NDB Lag is set to three months in the selected Valuation Template, the model will set the assumed date of payment to be three months after the Value Date.
- Cases which have "matured" (i.e., have a Payment Date and Maturity Total Amount specified in the Cost/Maturity tab) are valued at zero.

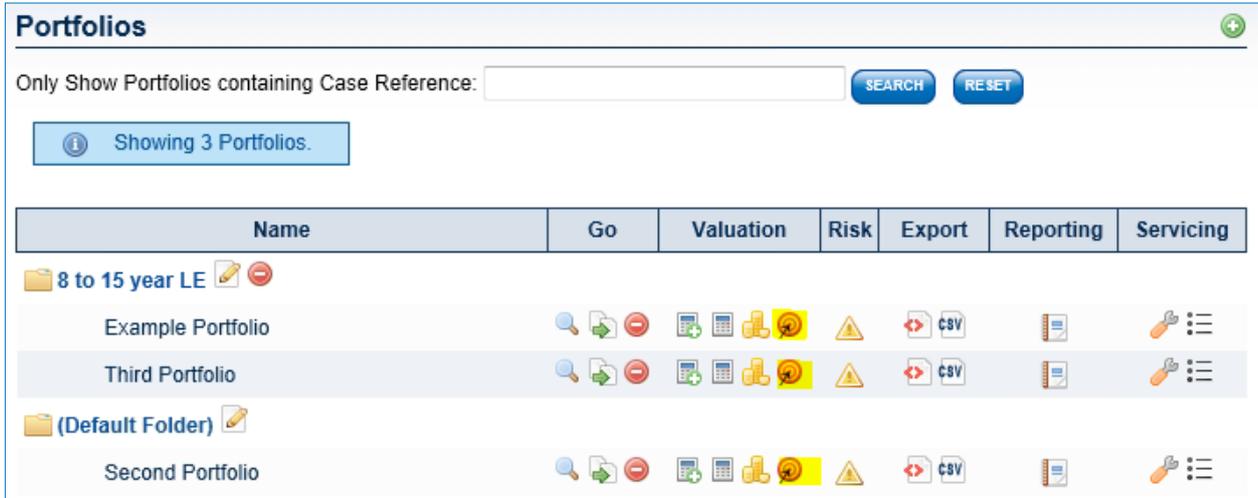## 3.   Valuation Settings: adds settings for Actual vs Expected

To support the new Actual vs Expected tool, the Valuation Settings tab for each Case now includes the option to specify alternative settings:

Users can elect to use the same settings for both Portfolio Valuations and Actual vs Expected, or change them to use different settings for each. This is done to accommodate subscribers with "aged" Portfolios, who may wish to base the Actual vs Expected calculations on an older set of LE reports to those used for routine Portfolio valuations.

4.   Actual vs Expected Scenario Analysis on Portfolio

This release adds a new analysis tool under the Valuation column on the Portfolios page, named Actual vs Expected. It is triggered from the "target" icon at the right of the column:
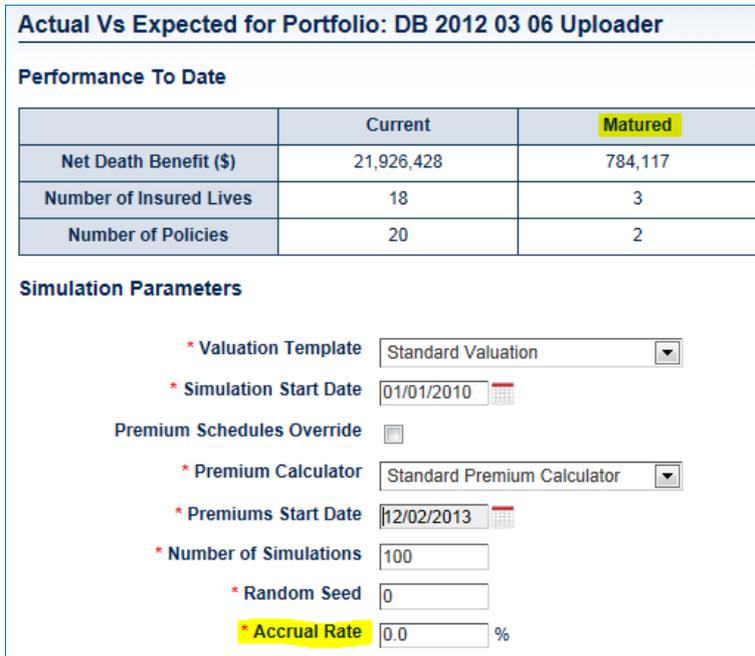

This opens the new Actual Vs Expected page, which looks quite similar to the Monte Carlo page:

The key differences (other than output) between this page and Monte Carlo are:

- Performance To Date: this table shows the NDB for all current Cases (including any which are "maturing", i.e., in the claim process). It shows the aggregate Maturity Total Amount (i.e., including interest, premium returns and other amounts) for all Cases which have a Payment Date set in the Policy Maturity section of the Cost/Maturity tab. The Number of Insured Lives in this column is simply the sum of all Insureds for all matured Cases.
- Use of Simulation Start Date rather than Value Date (as there is no valuation being undertaken – Valuation Template settings are used to build mortality curves for each Case in the Portfolio); and

- Accrual Rate: If set to a number other than zero, this will accrete expected NDB receipts forward between assumed payment date and the start of the next calendar month at this interest rate. Note that the Valuation Template settings govern any interest payable between data of death and assumed date of NDB payment.

This new function looks at the actual maturity performance of the Portfolio by comparison with expectations, for both NDB receipts and deaths. It uses the LE reports specified in the new Actual/Expected settings to generate a distribution of maturities using ClariNet's Monte Carlo model, assuming that the survival probability for each Case is set to 100% on the Simulation Start Date. Within that distribution, it calculates a mean and standard deviation and projects that over time. As with the Monte Carlo model, the expected cashflows are bucketed on the first calendar day of each month.

The results of the analysis are displayed as a graph, first based on NDB/Total Maturity Amount:

Second, based on individual deaths:
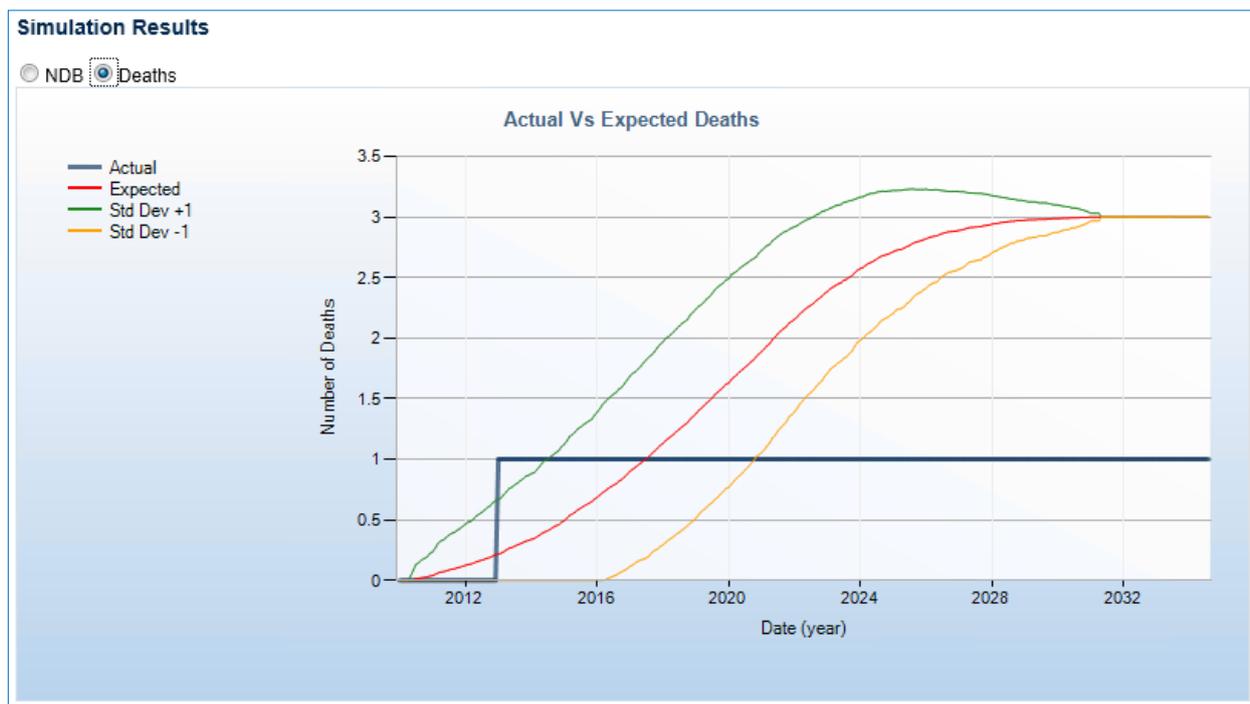
There are some important points to bear in mind when using the Actual vs Expected tool:

- The model disregards any Insured dates of death; in calculating actual maturities, it will only assume that a Case has matured if the Payment Date is set in the Policy Maturity section on the Cost/Maturity tab.
- In this release, the model disregards any Purchase Dates for the Cases in the Portfolio. It assumes that all Cases are owned and are "current" on the Simulation Start Date. We expect to include a switch to accommodate the use of Purchase Dates in a future release.
- All Cases in the Portfolio (surviving and matured) must have at least one "used" LE report with a Report Date on or prior to the Simulation Start Date. As with Portfolio valuation, the Valuation Settings tab determines which LE reports are used; see above for the change to Valuation Settings which accommodates different settings for Actual vs Expected.

5.   Addition of LE50 to Life Expectancy Graphs

A dotted red line representing the LE50 has been added to the Life Expectancy graphs:

This will show the LE50 for the selected LE report or the blended LE50, depending on which graph you elect to display. A tooltip pops up when mousing over the red line which displays the value.

6. Single Policy Valuation: Probabilistic/Deterministic IRR

The IRR Calculation tab has been extended to add a graph showing the expected returns for the Case at annual intervals after the Value Date:

The Probabilistic IRR calculation uses values set in the Assumed Purchase Cost and Assumed Purchase Date fields on the tab – these default to the values set in the Cost Basis section of the Cost/Maturity tab in the Case. It then uses the settings from the Valuation Template selected for the Valuation to build a specific mortality curve and calculate mortality-adjusted cashflows across that curve – hence, the IRR is calculated probabilistically. Note that the Assumed Purchase Date must be <u>equal to or later than</u> the Value Date:

The Deterministic IRR Calculation graphs the actual returns to the investor which would be realized if the Policy matured on the first, second, third … *n*th anniversary of the Value Date. The table to the right of the tab displays the actual values; the graph is cut off at a return of 100% (so as not to introduce scaling problems). Note that the calculation assumes payment in full of all premiums scheduled up to the relevant anniversary, and that 100% of the Net Death Benefit is paid on the anniversary. There is therefore no mortality curve used in this analysis, hence it is described as deterministic.

In this release, the Case must have values entered in the Cost Basis section of the Cost/Maturity tab (see 1 above for a screenshot) in order to generate the Deterministic IRR Calculation:
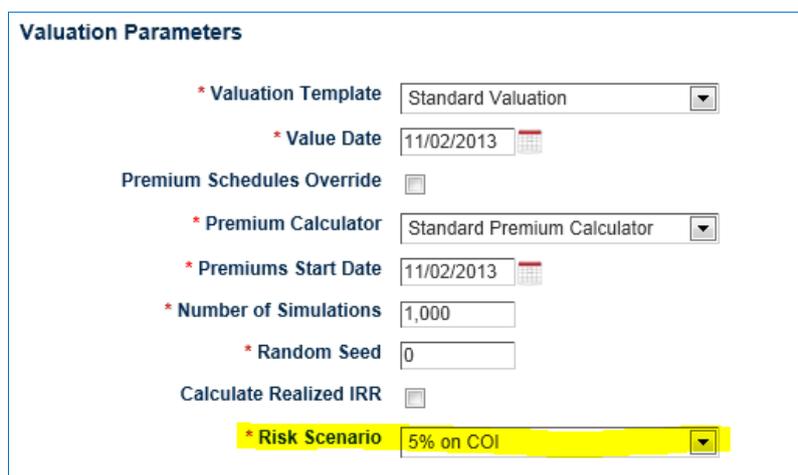

Clicking on the "Copy to Case" button will copy the values shown in the Assumed Purchase Cost and Assumed Purchase Date fields into the Cost Basis section of the Cost/Maturity tab.

7. Risk Scenarios in Monte Carlo model

Running a Monte Carlo simulation on a Portfolio can now be done with Risk Scenario stresses applied. Once one or more Risk Scenarios have been created in the Pricing & Risk page (under the Administration menu), they will appear in the dropdown list at the bottom of the Valuation Parameters section. Select a Risk Scenario to run with its stresses applied, or select "None" to run the simulation without stresses:
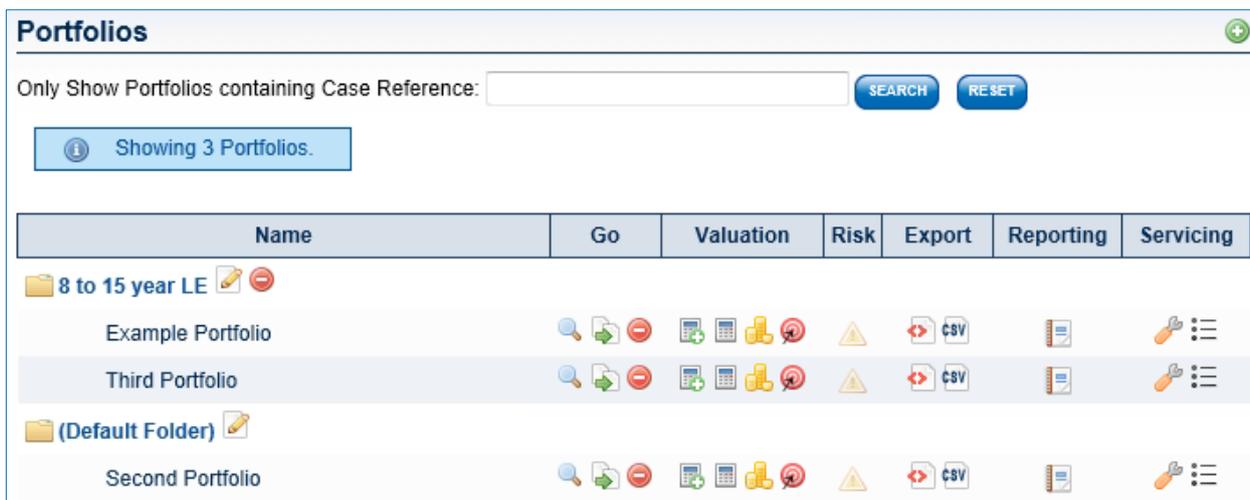
8. Folders in Portfolio View

You can now create Folders within the Portfolios page to allow you to organise your Portfolios more efficiently. Portfolios which are not yet added to a named Portfolio are included under the "Default Folder" heading:
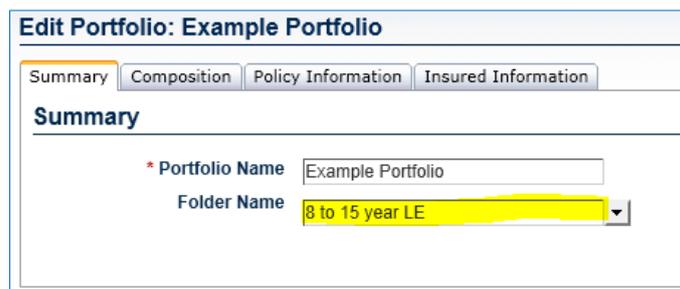

To create a new Folder, either Add a new Portfolio or Edit an existing Portfolio. Clicking on the Edit icon from the Portfolio Summary screen allows you to select an existing Folder name in the dropdown window, or just type a new name straight into the window:

You can expand and contract the Folders by clicking on the Folder icon. You can move Portfolios between Folders by clicking on the Portfolio name and dragging it into the new Folder (i.e., "drag and drop").

Folders can be renamed or deleted by clicking on the appropriate icon next to the Folder name. Deleting a Folder does not delete any of the associated Portfolios; these will then move automatically to the Default Folder. Note that if you drag all Portfolios out of a Folder, the Folder is automatically deleted.

9. View Portfolios linked to a Case

From any Cases list, you can now see which Portfolios contain a particular Case. There is a new icon in the Go column:

Clicking on this icon opens the Portfolios page, with the Case Reference for the relevant Case pre-populated in the filter. Those Portfolios which contain that Case are displayed automatically:

10. Closing Transaction: new fields and process improvements

We have made several changes to the Closing Transaction tabs and process in order to improve flexibility and add new data capture. Prior to this release, it was necessary to complete work on one tab in order to start on the second tab; when work on a tab was complete, it was non-editable.

The Closing process remains sequential – in that you still complete one tab to open the next – but all completed tabs remain fully editable at all stages of the process. Furthermore, individual documents within the Contract Package (or the entire Contract Package itself) can be reissued at any stage of the Closing process, prior to the Case Status "Complete" (which is set once the Closing Checklist is Complete).

ClariNet Release Notes - February 2013

A new tab has been added to the Closing Transaction called Closing Summary. This is the first tab displayed if you click on the View icon next to the Closing Transaction:

Case Closing Transaction

Closing Summary | Price Allocation | Case Participants | Contract Package | Document Verification | Closing Checklist

Closing Summary

Closing Analyst -

State Audit

Date Offer Accepted	12/02/2013
Life Settlement Contract Date	13/02/2013
Account Value at Closing	235500 $
Cash Surrender Value at Closing	185500 $
Net Death Benefit at Closing	10000000 $
Retained Death Benefit at Closing	0 $

Event History

Recorded Event	Event Date	Recorded On	Recorded By	Modified On	Modified By
Closing Process Started		13/02/2013 10:31	companya_admin		
Price Allocation Completed		13/02/2013 10:34	companya_admin		
Case Participants Completed		13/02/2013 10:34	companya_admin		

The Closing Analyst and State Audit sections are editable inline. The Closing Analyst field is a dropdown which lists all users in your Organization. The State Audit section records information specifically for state reporting purposes – note that all of these fields are independent of other fields in the Case. The Event History table shows the date that each Event is completed in the Closing Transaction; note that the Event date is only set once and does not change even if fields in the relevant tab are edited subsequently. The exception to this is the "Closing Complete" Event, which does reset if the "Closing Checklist is Complete" checkbox at the base of the Closing Checklist tab is unchecked.

The Case Participants tab adds a new field for each Case Participant, "Relationship to Insured":

Case Closing Transaction

Closing Summary | Price Allocation | Case Participants | Contract Package | Document Verification | Closing Checklist

Case Participants

Role	Organization/Individual	Organization Type	Relation to Insured
Seller	Matt Andreou	n/a	Son

It is now also possible to add multiple Seller Spouses into the Case Participants – previously, this was limited to one.

The Closing Checklist tab now displays the Bid Conditions from the associated Sent/Received Transaction:

11. Survival Factor Interpolation Type Options

New options for Survival Factor Interpolation Type have been added to the Valuation Template:

Previously the options were Qx and Force of Death. There are now four options:
- Piecewise Constant Qx;
- Piecewise Constant Force of Death;
- Piecewise Linear Qx; and
- Piecewise Linear Force of Death.

A full explanation of the differences between these options has been published on ClariNet's FAQ page under the title "Pricing Model: Interpolation of Mortality Curves".

12. Servicing Tab: New Servicing Settings

To facilitate data capture for display on the newly extended Verification of Coverage tab, a new Servicing Settings section has been introduced on the Servicing tab in the Case Summary:

Policy Carrier and Policy Number are drawn from the policy tab and displayed on this tab as an *aide memoire*. The Registered Owner name/address is drawn from all Organizations and Individuals saved in the subscriber's CRM data. The Servicing Carrier information is drawn from all Organizations of Type=Carrier in the subscriber's CRM data.

Note that this tab feature inline editing; clicking on the Edit icon in the top right corner of the tab opens all fields in edit mode, avoiding the need to click through to another page:

We will continue to introduce inline editing across other tabs and pages in ClariNet in future releases.

13. Verification of Coverage improvements

The data capture and information display on the Verification of Coverage page has been extended. New fields have been added and the information captured on the Servicing Settings tab is now displayed on the right side of the page:

The number of required fields has been relaxed, so now only the Verification Date and the Type are required. Documents can be attached for both Verbal and Written VOC types (to allow for telephone call scripts to be attached). The Most Recent VOC Information column now displays the Verification Date, Type and any Document information, as well as the core data.

14. Other improvements and fixes

- **IMPROVEMENT**: Added Irrevocable Beneficiary onto the Case tab.
- **FIXED**: Independent Aging: simple bug that is applying aging a second time in calculating the Used LE and Aged LE display values when the curves are aged independently. No P&L impact.
- **FIXED**: Portfolio Face Amount by Carrier chart on the Portfolio Summary tabs not showing correct Carrier name.
- **FIXED**: Bid Management: re-sending by email a Case which has already been submitted can cause an issue which prevents the email being received.
- **FIXED**: AuditLog not tracking the four Modified/Created attributes.