



Q²

A newsletter of developments at QuasarSystems

Issue 2 - September 1994

We'd like to use this forum to inform you of changes and enhancements we've made to our systems. We keep improving the speed, processing and feel of *R², The Reinsurance Resolution*. Keep your suggestions coming!



Quips and Quotes:

If you enjoy the quotes that pop up when you Exit the Main Menu, you can add your favorite quotes to the file. Call us or fax us your favorites, and we will add them to the file. Or, if you would like to add your own, we can provide a menu option to Add or Update records in the quotation file. Just call us and let us know that you want to add this feature.

Data Transfer, Conversions and Updates:

Avoid extra work ☺
QuasarSystems can help you

avoid manual coding of data files. If you can provide an ASCII Text file of plan data, treaty data, or rate files, we can provide a conversion program to build the appropriate data file records. This feature can save time, prevent double coding of data, and improve the accuracy of the data input.

QSI also has many programs that can update your data files to correct errors or change common parameters. For example, if all of your treaty records are coded with a zero premium tax rate, and you now want to change them all to reflect a premium tax reimbursement that varies by residence, you need not change each record manually. Let us know what changes need to be made. We will either ask for relevant files, or send a conversion program for you to run. In either case, we can limit the procedure to cover only selected records, as long

as you can provide clear criteria to determine which records to change.

Help Utility:

Coding options for selected fields have been added to our HELP utility. *Alt-O*, which appears in the lower corner of your screen, is designed to show you all possible selections currently available for that field and allow you to choose one of the selections.

Example 1: Plan Header has a 3 character field for the TY key. *Alt-O* will show the first 3 characters of all treaties currently set up in the TY.
Example 2: When creating or editing the extract, *Alt-O* on the Plan field will display all plan codes currently in the PH file.

RETENTION MANAGEMENT

R² now offers a sophisticated Retention Management processor. What is Retention Management? How does R² address the many issues associated with this complex topic?

At first, it may seem that Retention Management is routine, and many cases are straightforward. An insured purchases insurance at different points in his life. When the retention of the ceding company is exhausted in total on the insured, the excess is ceded according to current treaties for the currently purchased plan. The complexity arises when policy changes occur. For a policyholder that has multiple policies, the reinsurance amounts on all policies can be affected by a change on any one policy.

In most cases, the underwriter is already aware of prior insurance on a prospective insured. R² has always allowed you to use the amount retained on prior policies in current retention calculations.

However, many insurance companies now have several administration systems handling their many lines of insurance. There are also issues which do not necessarily concern the underwriter but can affect the reinsurance.

EXAMPLE: Joe Smith, age 25, takes out a \$500,000 policy in 1990, then takes out a second \$500,000 policy in 1995. The ceding company has a retention of \$500,000. The ceding company will cede the remaining \$500,000 based on current treaties. If Joe

terminates or decreases his first policy, treaties may require that the ceding company a) has to recapture the second policy; b) has the option of recapturing part or all of the second policy; c) some combination of adjustments; or d) do nothing at all.

Sometimes retention schedules and reinsurance agreements vary based on the issue age or table rating of the insured. These values will change on a policyholder over his lifetime. The ceding company does not change its retention on existing cases simply because of its policyholders' attained age or changing factors affecting their health. Subsequent policies on those insureds will take the new data into account, as will the new reinsurance treaties.

Reinsurance Treaties do not always address the issue clearly enough to define the proper action on all possible scenarios. Joint Policies and Guaranteed Insurability issues can further cloud the picture. Sometimes the administrator must sort out the details and work out a solution with the reinsurers. Of course, these issues are generally easy to work out at time of issue or while a policy is in force, but they may be very difficult at the time of a claim.

Suppose Joe Smith takes out many policies throughout his life. If he changes some policies and terminates others, each action may affect retention and reinsurance.

The retention management

system cannot anticipate the required reinsurance changes on each action that Joe takes, but it can recognize that the policies need to be researched. Retention Management will notify the system administrator of changes on related policies so that the correct changes can be coded.

Retention Management requires an Insured ID on each coverage to identify multiple policies on a single underwritten life. Some insurers generate these keys uniquely at underwriting. Social Security numbers may be used if coded accurately. In the absence of any valid key, Retention Management will assign its own code to an insured, based on the insured's name and date of birth.

If ambiguity arises on two or more insureds, the reinsurance administrator will resolve this difference by allowing entry and storage of a unique code to the ambiguous references.

The retention management system works with the preprocessor to properly code prior retained and ceded information on new policies.

Through Retention Management, the reinsurance administrator can be confident that he/she is aware of the potential liability caused by changes to other policies.



Questions and Answers

Q: How does QuasarSystems identify versions?

A: Every program has its own version indicator. R² consists of over 25 programs. Many of the programs are shared by QuasarSystems' other systems.

Q. What other software systems does QSI have to offer?

A: In addition to R², we have the Policy Producer (P²) which produces policy pages. All state variations by page are automatically printed. We have also produced the Actuarial Advantage (A²) to calculate GAAP, Statutory, and Tax Reserve factors as well as produce reserve reports.

QSI has also developed a number of custom systems for special purposes. For one client,

we developed a health-pricing model in a Quattro spreadsheet. For another client we developed an Annuity reserving and proposal system. We have also developed life insurance proposal systems.

Many of these systems use common modules. Accessing the Plan Headers and Rate files, for example, is necessary for almost all of these systems. The menu programs, color utilities, language files, etc. have been developed as general modules which can be used as components of any system. This not only makes efficient use of our resources, it gives our clients state-of-the-art modules for all systems.

Q: What programming languages does QuasarSystems use to write their systems?

A: Our primary languages are Turbo Pascal and C++. We, also have the expertise to write systems in APL, Basic, COBOL, Fortran or spreadsheet languages.

Q: What products can R²

handle?

A: R² can handle most variations of Life, including ordinary, term, and universal life, their respective riders: child, term, waiver of premium, accidental death benefit, and disability.

Q: How does R² handle those policies that are "exceptions to the rule"?

A: Special overrides or Trailers (specified Amounts At Risk, Premium Rates, Allowances, and/or Reinsurance allocations) can be set up and stored on a policy level.



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Manhattan National
Life of the South**

Thank you for your continued support and suggestions. We appreciate and welcome all your comments and questions. Please let us know if there are any topics you would like to see examined in greater detail.

For additional information on any option, you should consult the documentation manual. If you are interested in more detail, please contact us. We would be delighted to answer any questions you might have.



Chicago - October '94

Ask your actuaries to stop by and see us during their visit to the Society of Actuaries' Convention in the Windy City - Chicago. We will be in booth 211 in the exhibit hall and would enjoy meeting your actuaries.

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