Q²

A newsletter of developments at QuasarSystems

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*.

Questions & Answers

Q. How do we load in rates?

A. Rates may be typed in manually or loaded from an ASCII file. (ASCII files can be produced by a mainframe program or from the print function of spreadsheet applications such as Lotus, Excel, or Quatro and then formatted to be loaded). Manually loading rates is usually fine for such things as allowances and even some attained age tables, but is cumbersome for select and ultimate tables. The rate file editor supports such features as copying cells or multiplying all rates by a constant. Mainframe files, Reinsurers, and Actuarial departments can all be good sources of premium rate tables in electronic ASCII formats.

Q. How are reserves calculated?

A. Each Plan Header has a screen to specify the reserve table, interest rate, and method for all policies in that plan. If Tax and Stat reserves vary by policy year, a supplemental file defining the Rate Basis, Table, Interest Rate, and method may be coded. The standard methods are available: CRVM, NLP, MRT, YRT, FPT, and Percentage of Gross premium. These methods can be done with a Curtate, Continuous, or Semi-continuous approach.

Q. Do we load reserve tables or are they already furnished?

A. U.S. statutory tables are already loaded. R² calculates statutory and tax reserves using these table rates and an interest rate coded by the user. Because GAAP methodology varies widely from one company to another, further analysis would needed to discuss how R² can provide GAAP calculations.

Q. How does R² handle multiple issues on an insured?

A. Insureds with multiple policies should be sent to Retention Management (RM). RM will hold all policies on an insured and an indicator that there are other policies on this insured. The preprocessor will read the R² extract and check RM to assign any amounts retained on prior policies. When R² allocates the reinsurance amounts, this prior retained will be used in the calculations.

More Questions & Answers

Q: When I convert my business from my current method to R², do I need to convert all business at once?

A: No, you do not need to convert all business at once. Depending on your business and current processing methods you may just want to convert new business treaties and policies. Run the system for a few months with new business and then convert your old business treaties. If you are not currently self-administered you may want to convert all business, starting with the newest treaties and run parallel for a few months. There are several conversion options. Before you start converting you can look at all options and choose the best one for your business and processing needs.

Q. How are tax reserves handled?

A. There are tax reserve keys for each insurance type and year of issue. The basic historic tables have already been loaded. The interest rate will need to be updated just once each year when a new tax rate is declared.

Q: Is it possible to have a test area that does not interrupt my normal processing?

A: Yes, you may have an entire test area or you may consider setting up a test "dummy" company in your live area. We suggest creating a company area using your initials (2 characters). You will also need to create an output directory. Then place your current company data files into the test area. Whenever you want to run test cases or test new data files, run the system for your "dummy" company instead of your actual company.

Q: If my administration system changes or my original needs for a preprocessor change, do I have to rely on QuasarSystems to update my preprocessor?

A: Quite often your programmers can make the programming changes to the extract. That way you do not need to request a new preprocessor program when your administration system or needs change. You could then still rely on the preprocessor for its minor changes to the extract and policy information, and for the preprocessor report.

Q: Is there an easy way to get my reinsurance premium information to the Accounting Department?

A: Yes, we can develop an accounting extract for your Accounting Department. We would work with you on getting an appropriate format. The accounting extract can be generated by setting up the format in Extract.CNF (see feature article).

Q: Does R² provide a cession history on an insured life? Can a list of all cessions for an insured life be obtained?

A: Yes, the Retention Management Database holds all policies for a particular life. If you can not provide an insured ID number the system uses the insured last name, first name, and DOB to create a unique ID number. We are currently developing a report that shows *all* policy cession information on an insured.

Welcome aboard New R² Clients

United Services Life Insurance Company

Input Extracts

You've entered the plan headers, treaties and rate files. How does R² generate transactions? R² needs a way to interact with your administration system. Years ago, we made the decision to drive R² with an extract rather than directly interfacing with your administration system. There are many different administration systems out there and companies are always upgrading from one to another (It's also not unusual to have more than one administration system, each handling different lines of business). With an extract, all systems can have a neat, simple method of getting data into R². The extract allows you to freeze the data at a point in time. On the day the extract is produced, R² has a snapshot of how data looked at one moment in time. If for any reason you wish to go back and rerun a previous month, you have a historical record of the business.

R² keeps its own inforce records. When a policy comes through for the first time, R² creates records identifying the key elements of the policy, benefits and reinsurance. Those records are checked every time the policy comes through future extracts and changes are identified and processed.

The most common way to use R² is to have the snapshot approach. What did the policy look like last month and what does it look like today? R² then generates appropriate transactions to get from one point to another. This approach will ignore changes that happened and reverted back in the same period, but this is often beneficial. For example, if a policy was in force on 30-Jun, lapsed on 5-Jul and reinstated on 15-Jul, R² would not process a change with the snapshot approach because the policy was inforce on 30-Jun and

31-Jul. Many companies prefer this method because it reduces transactions on insignificant events. However, some companies send an "Event" extract through R². An event extract may contain the same policy multiple times. In the example, a record would be sent for the 5-Jul termination and one for the 15-Jul reinstatement. R² will process each transaction and end up with an inforce policy. (The net payment will be zero.)

For users of R²'s Retention Management, a scaled back extract may be ideal. A retention management extract need only include policy face, birthdate, issue date, insured name, and optional insured ID number. Other fields may be required if the company's retention limits vary by: age, table rating, flat extras, plan code, etc.

R² has a sophisticated method of defining the input extract which gives you a great deal of flexibility in what data you send and the actual layout of the extract. Instead of creating a single file layout that all companies use, R² uses a file of pointers which allows you to place individual fields in an extract record where it is convenient. Through omission or inclusion of various fields, each company defines an extract appropriate to its own needs without any need to change R². A file named "Extract.CNF" not only defines the actual location and size of data fields, it defines how the fields are to be placed on the screen, what kinds of editing should be performed on that field and if there is a help screen associated with it. If the field is linked with one of R²'s files, then the field values can be tied to that file. For example, instead of coding the plan code, you can select the value from a menu of all

possible choices already coded in the Plan Header. Through this process, R² allows you to edit the extract file directly.

Of course, there are fields that R² must have to process - Policy Number, Issue Date, Birth Date, Name, Sex, Face amount etc. By including some optional fields, you can change the processing - Premium or Allowance overrides, Reserve Values, Trailers, Rating Age, etc.

Extract.CNF not only contains layouts for the input extract, it can contain layouts for any ASCII file with a fixed record length, and allow you to edit that file. We set up the Extract.CNF file for you at installation and generally there will be no reason for you to edit it. However, we have had some clients who enjoyed the ability to design their own screens or move fields from one screen to another.

Through Extract.CNF, you can also define layouts for output from R². We will be discussing various output reports that can be generated through R² in a future issue of Q².❄

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.

Visit our booth, #48, at the Society of Actuaries 1995 Annual Meeting and Exhibit in Boston. The business show dates are October 15-18, 1995.

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