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 continue to improve the processing and feel of *R², The Reinsurance Resolution.*

How does the Reinsurance monthly cycle work?

There are three pieces that may be processed either individually or together: Retention Management, Reinsurance Transactions, and Valuation.

Retention Management may be run monthly or quarterly and may be run days or weeks prior to billing runs. Retention Management maintains limited information on all inforce policies whether ceded or completely retained. It is designed to identify all policies on a given insured even if the policies are on different administration systems. Retention Management will keep this inforce and use it in conjunction with *R²* ceded inforce for: a) determining prior retained and prior ceded amounts to be used in reinsurance allocation and billings, b) checking for over-retention, and c) notification of changes to insureds with multiple policies.

R²'s Reinsurance Transaction processing automates reinsurance. By checking the client input extract against its own inforce, *R²* determines when New Business, Renewal, Change and Termination transactions are necessary.

Typically, *R²* is run monthly using a billing date of the last day of the month. Inforce policies with a reinsurance paid-to-date earlier than the billing date cause a renewal transaction.

For New Business, *R²* determines which treaties are applicable and allocates automatic cessions to all participating reinsurers. Prior policies on an insured are taken into consideration for the current allocation.

When a change is detected,

R² calculates reversing and correcting premiums. Terminations may cause partial refunds and a chargeback of early allowances.

R² maintains a policy exhibit of the "ins and outs" of the life or disability coverages as well as an accounting summary for each treaty of each reinsurer.

R² can generate printer ready and magnetic output.

Valuation is processed on all policies in the *R²* Reinsurance Inforce (not Retention Management) that have a valid inforce status. Valuation programs may be run monthly, quarterly, or annually. Valuation Processing produces a seriatim list of all inforce policies for each treaty and reinsurer. Statutory and/or tax reserves are calculated and totaled.

SCHEDULE S

The end of the year is upon us again, and that means Annual Statement time. To make things easier for you and your accounting department R^2 now has several year end programs.

Schedule S - Part 3A in the Annual Statement requires a listing of ceded inforce, current and previous year's reserves, and reinsurance premiums paid. R^2's Schedule S processor is *AN*RE36. In addition to Schedule S detail, this program gives you the ability to summarize premiums and inforce by plan and residence. These reports should help with preparation of state filings, calculation of premium tax reimbursements and reconciliation with your general ledger. R^2 reads all of the monthly transaction files for the year and the latest valuation file.

R^2 has five different output files for Part 3A of Schedule S:

*AN*RE36.OUT is a printer-ready file for Part 3A as it would appear in the Annual Statement. This is an alphabetical listing by reinsurer, treaty effective date, and reinsurance type.

With each of the following reports, there is a companion working file *AN*RE36W.* report which gives you all the information in the summary pages plus additional information: an extended treaty key, reinsurance net and gross premiums, and a policy count from the transaction and valuation files.

*AN*RE36.DET is a detail file of how each transaction was processed. The purpose of the detail file is to be able to research or audit a particular policy, reinsurer, or residence.

*AN*RE36.ERR is an error file that lists any policies for which the program cannot trace the transaction back to a specific treaty. The error file and the working file allow you to define the proper line for the transaction in Part 3A.

*AN*RE36.XTR is an ASCII extract of the *AN*RE36.OUT. This file allows you to use the data with other software packages which assist in Annual Statement preparation.

In addition you may request the following reports:

*AN*RE36.PLN is a summary by plan including benefit riders. Table and Flat Extra reserves are listed separately. The working file includes inforce amount, reserves, reinsurance gross and net premiums, and policy counts.

*AN*RE36.LOC is a summary by residence. This report should be most useful for state filings. The working file includes inforce amount, reserves, reinsurance gross and net premiums, and policy counts.

*AN*RE36.RNS is a summary by reinsurer. This report has only one line for each reinsurer. Its primary use is for verifying totals.

We hope you find these reports helpful, especially during the "Crunch Time" month of January.

Questions and Answers

Q: *How do we develop our treaty and plan code names?*

A: For treaties, we first determine which treaties participate in a block of business. R^2 uses a three-character Treaty Plan defined on the plan header as well as the selection criteria defined inside the Treaty record to select which treaties are used for a policy. The remainder of the TY key is not important to R^2, but we try to maintain a consistency so that related treaties have similar key names.

Plan Headers may hold the same plan names as your administration systems. However, if you have many plans that process in a similar manner, you may reduce the number of plan headers through Plan Mapping. In the Plan Mapping file, you define your original plan code and the plan you would like it mapped to. R^2 will then change the extract plan code to be the "Mapped" plan code.

Q: *Do we have the most current and up-to-date file layouts for R^2?*

A: Our client representatives keep on top of what each client company has. All clients with a maintenance agreement are eligible to have the most current versions of all programs and files. However, we may defer distribution of updates to a client until it is convenient for the client.

Q: *Is it possible to modify the system to automatically process changes when there are multiple policies and when only one policy has an NAAR (Net Amount At Risk) decrease?*

A: The NAAR decrease would automatically be processed on that policy based on the treaties assigned at issue. Manual intervention would be necessary only if you wish to reallocate the retention among the multiple policies. We have chosen not to try to automate such reallocations due to inconsistent variations among companies and treaties.

Q: *What are trailers and how do they work?*

A: Trailers contain data tied to a specific policy. Trailer information overrides other information. For example, a premium trailer would instruct R^2 to use specified premium rates for a policy instead of rates that would be looked up in a table based on plan header or treaty. Amount at Risk trailers hold the NAAR to be used rather than the R^2 calculated NAAR. Reinsurance trailers specify ceded amounts to reinsurers rather than having the plan and treaty files determine the allocations. Trailers are used when you want to dictate policy-specific information that would not otherwise be calculated by general processing.

Q: *How do we determine when modifications are necessary?*

A: During set up and testing of your business we may uncover variations either not addressed or handled differently than R^2 current processing. Modifications should be apparent during this period. You may also need modifications when you add new plans and treaties, depending on the complexity of the new additions.

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 first consult your documentation manual. We would be delighted to answer any questions you might have.

If you would like a back issue of Q² please give us a call. The main topics of past issues were:

Visit our booth, #130, at the LOMA '96 meeting in New Orleans. The convention dates are March 10-13, 1996.

All of us here at QSI would like to wish everyone a very Happy Holiday Season and a Prosperous New Year.

QUASAR✳SYSTEMS

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