



## A newsletter of developments at QuasarSystems

Issue 13 - September 1997

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 *R<sup>2</sup>, The Reinsurance Resolution*.

### Configuration Enhancements

#### CONVERSION FLAGS

The configuration files CF, ANREXX.CNF, or variations, now have three flags relating to conversion policy processing. If you do not have these flags, the defaults will be used.

#### **Age in Extract:**

CF: Conversion Extract Age  
P - as of Policy Date  
O - as of Original Date  
CNF : ANRE01 Con Ex Age  
O - as of Original Date  
Else - as of Policy Date

This flag will tell the programs whether the issue age being sent in the extract is the age as of the original policy date (original age) or as of the new policy date (attained age). The default is Policy Date.

#### **Age to Use:**

CF: Conversions?  
E - Extract Age  
N - Calculated Age  
CNF : ANRE01 Conv Age  
E - use Extract Age  
Else - use Calculated Age

There are times where the new policy may have been issued with a stated age that is not the actual age that the insured should have been, such as to save age. This flag indicates whether to use the actual calculated age or the extract age. The default is Calculated Age.

These two flags work together. With the CNF files, both flags must be present to work properly.

Example 1 :

If ANRE01 Con Ex Age = O  
and ANRE01 Conv Age = E  
Then the transaction program will use the age from the extract for the original age and calculate the attained age and years-since-underwriting.

Example 2:

If ANRE01 Con Ex Age = P  
and ANRE01 Conv Age = E  
Then the transaction program will use the age from the extract for the attained age and calculate the original age and years-since-underwriting.

If neither flag is present the age will be calculated and the extract age is assumed to be as of the New Policy Date.

#### **Method:**

CF: Conversion Method  
D - Default method  
M - MG method  
CNF: Conversion Age  
E - Default method  
Else - MG method.

The MG method checks to see if the original issue age is inconsistent with the current age. If so, then the original issue age is incremented by 1 year. Most companies will use the Default method.

### Data File Enhancements

#### Treaty:

*Setback* is now on Treaty as well as Plan Header and has been expanded to two fields. For both TY and PH, if the premium rate tables coded specify the sex, and the sex of the insured is not the rate table sex, then the first field states the number of years the

age should be set back before premium calculations. The second field is a minimum age to which the age should be set back. If the age is already below the minimum, the actual age will be used. If the actual age minus the setback would be below the minimum age, the minimum age will be used. The following example shows the use of the setback fields. Assuming Male rate table is coded:  
*SetBack 4 SetBackAge 10*  
if Female Age = 0 use Age 0  
if Female Age = 11 use Age 10  
if Female Age = 15 use Age 11

#### Plan Header:

##### *Increases*

A changes only on Anniversary  
C changes at Change Date  
*Increases* is a new field on the first screen of the plan header to indicate when face changes can occur. Previously, only UL type policies were allowed face changes off anniversary. Now the logic is: if the *Insurance Type* is U, or if the *Increases* is C, then face changes can occur at any time. All current plan headers should default to A. You must then change the ones to C that change on a Change Date.

# Trailers-Trailers-Trailers

Trailers were originally created to handle those policies that are the exception to the rule. Since for every rule there are at least ten exceptions, we now have ten different types of trailers.

Following is a description of the various trailer files, what they hold, and how they work. Some you are familiar with, others are brand new.

*Please make a special note that all trailer files must be properly sorted in order to work correctly.*

## Values Trailers

### ANRE01IN.VAL

Commonly called Val trailers, this ASCII file holds the trailers that contain information used in premium calculations. The key to this file is:

<b>Policy Number</b>	Ten characters
<b>Policy Sequence</b>	0, 1, 2, etc.
<b>Joint Sequence</b>	0, J, K, etc.
<b>Benefit Type</b>	
0	= Base Coverage
1	= Waiver Coverage
2	= ADB Coverage
3	= User Defined Rider 1
4	= User Defined Rider 2

**Decimal\*** Blank, %,0,1,2

\* Previously the Unused or parse field, this now defines how many decimal places are in the coded rates 0,1, or 2. Blank defaults to 2 for rates and 0 for values. The % is for allowance trailers to indicate whether the number is a percent instead of a rate per 1000.

### Type

<b>A</b>	= Amount at Risk
<b>C</b>	= Cash Value
<b>P</b>	= Base Premium
<b>Q</b>	= Base Allowance

<b>E</b>	= Extra Premium
<b>F</b>	= Extra Allowance
<b>M</b>	= Miscellaneous Premium
<b>N</b>	= Miscellaneous Allowance

### Decade

<b>0</b>	= Years 1 through 10
<b>1</b>	= Years 11 through 20
<b>2</b>	= Years 21 through 30
<b>etc. to</b>	
<b>9</b>	= 91 through 100

### Alternate

<b>Blank,</b>	
<b>0</b>	= Values by duration.
<b>A</b>	= Alternate format of specifying changes by duration
<b>P</b>	= Premium format of specifying rates by duration.

The following things should be noted about trailers in this file:

1. A **new premium trailer** may be created using Alt-K while editing the extract. This will create a new line in the file with the information that was last on the screen.
2. To **make a change to a trailer**, pull up the existing trailer, enter changes, then press F10 to save the changes. This will create a new line in the file with the information that was last on the screen AND mark the old line with an *off* indicator that tells the transaction program to use this old data for reversals.
3. For those companies that **parse the extract and trailer files**, the records with an *off* indicator will be parsed only if the policy is no longer in the extract.

4. **Cash Value and Amount at Risk** trailers store whole dollar

amounts. They are usually coded for each duration, in decades of 10 durations each. An Alternate layout is available that allows you to give a starting amount and then an increase or decrease amount for fixed periods.

5. **Base Premium and Extra Premium** trailers are usually coded as a rate per 1000. They can be coded for each duration, in decades of 10 durations each. Premium trailers also allow you to specify the type of premium change and policy fees. Premium trailers may be coded to apply to a specific reinsurer. If the reinsurer field is left blank, the rates will apply to all reinsurers. Premium trailers may now also be coded as a whole premium amount - see Allowance trailers below.

6. **Allowance and Extra Allowance** trailers are similar to the premium trailers, though can be coded in several ways. *They use the Decimal field to tell how the coded number should be used.* A % sign will use the number as a percent applied to the base premium to calculate the allowance. A **blank** decimal field will use the number as a rate per 1000 to calculate the allowance. A number **0,1,2,..** will use the number as a whole amount, with the number indicating how many implied decimals. *A note of caution, the display will always show 2 implied decimal points.* e.g. a decimal code of 1 and a number of 100 would use \$10.00 as the allowance, though it would display as 1.00.

7. **Miscellaneous Premium and Miscellaneous Allowance** trailers work like regular premium and allowance trailers. The only difference is that the net amount

# Trailers-Trailers-Trailers

will show up in the Other premium field on the billing.

8. There are several **configuration flags** that can affect the use of these trailers. You should be aware of these flags when coding the trailers.

## Conversion Duration

### CF: Trailer Duration

Y - Conversions use transaction

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on.

N -

C

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t \_\_\_\_\_ dur 1.

### CNF: ANRE01 TRLR DUR

Y - Conversions use transaction duration.

Else - Conversions begin at dur 1.

This flag will tell whether the duration is measured from the Original or New policy date.

Y is as of the Original Policy Date.

N is as of the New Policy Date.

## Amount at Risk

### CF: Trailer AAR

C - Amount is Ceded AAR.

D - Amount is Direct AAR.

CN \_\_\_\_\_ F:

## Trailer AAR

C - Amount is Ceded AAR.

Else - Amount is Direct AAR.

This flag will tell whether the amounts coded in the Amount at Risk trailer are the Direct Amounts at Risk or the Ceded Amounts at Risk. *The Ceded Amounts at Risk should only be used if there is only one reinsurer.*

## Substandard Benefits

### CF: Rider Prem Trailers

Y - Rider premium trailer rate contains substandard premium rate.

N - Rider premium trailer rate does not contain substandard premium.

### CNF: ANRE01 Rider T

C - Rider premium trailer rate \_\_\_\_\_ contain substandard

Else - Rider premium trailer rate does not contain substandard premium.

This flag is used when a policy has a benefit coverage (such as WP, ADB, etc.) that has a substandard rating and that benefit has a base premium trailer type P. Then this flag will indicate whether the rate in that premium trailer includes the substandard rate.

## Calculate Allowances

### CF: Trailer Prem Allowances

Y - If base (standard) premium trailer exists, allowances set to zero.

\_\_\_\_\_ N -  
lat Calcu  
allowances. e

### CNF: ANRE01 TRLR ALL

0 - If base (standard) premium trailer exists, allowances set

to zero.

Else - Calculate allowances.

If allowance trailers do not exist, and base premium trailers do exist, then this flag will indicate whether any allowances should be calculated.

## Substandard Basis

### CF: Extra Prem Trailer

Y - Trailer rate applied to PH 'Prem basis' values.

N - Trailer rate applied to Ceded Face amount. \_\_\_\_\_

### CNF: ANRE01 EXTRA

P - Trailer rate applied to PH 'Prem basis' values.

Else - Trailer rate applied to Ceded Face amount.

If there is an Extra Premium trailer, this flag will dictate whether the rate is applied to the ceded face amount or the ceded amount at risk. There is a Premium Basis field on the PH that is coded Face or AAR that can be referenced by this flag.

## Substandard Premium

### CF: Extra Indicator

Y - If no Extra premium trailer, use % of standard premium trailer.

N - Use TY RPR rates.

### CNF: ANRE01 EX PREM

P - Substandard will be % of standard premium trailer.

Else - Use TY RPR rates.

If there is a Base Premium trailer type P and no Extra Premium trailer type E, then this flag will indicate how a substandard premium should be calculated on a

# Trailers-Trailers-Trailers

rated policy.

## Extract Overrides

CF: Val over XTR

Y - Entries in Val trailer are given priority over extract overrides.

*Reinsurance Trailers*

N - Extract overrides given priority over Val trailers.

CNF: ANRE01 VAL\XTR

Y - Entries in Val trailer are given priority over extract overrides.

Else - Extract overrides given priority over Val trailers.

*This flag only refers to premium overrides.* This flag will dictate whether type P Premium trailers should override the extract Premium Override field.

## ANRE01IN.RNS

Fondly referred to as RNS trailers, this ASCII file holds the trailers that contain information used in calculating the ceded amounts.

The key to this file is:

<b>Policy Number</b>	Ten characters
<b>Policy Sequence</b>	0, 1, 2, etc.
<b>Joint Sequence</b>	0, J, K, etc.
<b>Benefit Type</b>	
0	= Base Coverage
1	= Waiver Coverage
2	= ADB Coverage
3	= User Defined Rider 1
4	= User Defined Rider 2

**Data Sequence** 0, 1, 2, etc.

## Override Type

O	= Reinsurance Override
P	= Prior Override

## Screen Layout

A	= Amounts
R	= Amounts & Ratings
T	= Amounts & Treaties
X	= Amounts, Ratings, & Treaties

## More Data

Y	= More data follows
N	= No more data follows

**Parse** - This field should be blank before it has been used to cede a policy. Once used, the transaction program will mark it and then will not use it again.

1. Reinsurance trailers can be used in two different ways, based on the Override Type.

**Prior trailers** can be used to tell the transaction program previously retained or ceded amounts that should be taken into consideration when allocating a new policy. Prior trailers are usually created by the preprocessor in conjunction with the Retention Management database and the R<sup>2</sup> inforce files.

**Reinsurance Override Trailers** are used to specify the allocation of a policy, rather than having the transaction program calculate it. These are used for a variety of reasons, such as facultative policies, conversions, and existing business at initialization. These trailers can be manually coded or built by the preprocessor in

*Notify Trailers*

conjunction with side facultative and conversion files.

2. Reinsurance override trailers must have the specified ceded amounts add up to the Face Amount, unless the policy has an Ultimate Face Amount, then they must add up to that Ultimate Face.

3. All amounts are in whole dollars.

## ANRE01IN.NOT

Notify trailers can be used by the preprocessor to print a message about a specific policy on the preprocessor reports. The key to the Notify trailer file is:

<b>Policy Number</b>	Ten characters
<b>Policy Sequence</b>	0, 1, 2, etc.
<b>Joint Sequence</b>	0, J, K, etc.
<b>Notify Date</b>	YYYYMMDD

If a comment exists in the Notify trailer AND if the Notify Date is equal to or greater than the report date, the comment will be written.

As mentioned at the beginning of this incredibly long article on trailers, it is very important that all input ASCII files be sorted. Extracts, trailers, side facultative and conversion files should all be sorted in their respective proper orders. These sorts should be part of your regular menus or batch files.



Some of you may not have used many of these trailers. If you feel the need to utilize any new trailers, or to verify your sorting process, please contact QuasarSystems personnel.



## Questions and Answers

**Q:** *How does R<sup>2</sup> handle Universal Life death benefit options?*

**A:** First, we should define the options: while most companies use the UL death benefit options of A and B, the guidelines from the Reinsurance Committee of the Society of Actuaries use options 1 and 2. Option A and 1 refer to a level death benefit option, with a decreasing amount at risk. Option B and 2 refer to an increasing death benefit with a level amount at risk (subject to adjustments for compliance with tax laws).

Second, we should define what the transaction program expects to receive in the extract. For option A (1) the extract should have the actual face amount and the cash value. For option B (2) the extract should have the original face amount and the cash value. Original face amount means that if the cash value is included in, or added to the face amount, it should be removed. If necessary, the preprocessor can deduct the cash value from the face amount.

Third, when calculating the current amount at risk, for policies with a UL death

benefit option of B\*, the R<sup>2</sup> transaction program will set the cash value to zero. *\*The program is currently being amended to use B or 2.*

Lastly, the billings and the electronic output files will indicate option 1 or 2 for UL type policies.

**Q:** *I've noticed a transaction code of 'ZZ' in the SOA files. What does this mean?*

**A:** In the past, when creating the electronic file, there was logic that if there was a reversal, then some transaction codes would also be reversed. Such as IC became CI, DC became CD, etc. This was fine, except CC was still CC, so CC became ZZ. Also, AC reversal became AA, because CA was already a valid transaction. Well, times have changed and since the SOA file carries the negative value to indicate a reversal, and there are now so many transactions that almost every code reversed is another valid code, we no longer reverse or change the transaction code. If you have an ANRE16 from 07-Nov-96 or later, your transaction codes will no longer be automatically reversed. There is a configuration flag that allows you to specify a reversal code, contact us if you wish to use it.

**Q:** *Is there a connection between the treaty type of Coinsurance or YRT and the reserve calculation?*

**A:** Yes, a Coinsurance treaty will

have the reserve factor applied to the Ceded Face amount and a YRT treaty will have the reserve factor applied to the Ceded Amount at Risk.

As an additional note on valuation. There was an error in the reserve calculation for a five year level term product in durations six and greater. This has been corrected in ANVL01 version D16x.

**Q:** *How is the Windows version coming?*

**A:** We are well underway with the Windows programming. Attendees to our User Group Meeting will get a preview of the Windows version. Future Q<sup>2</sup> issues will have feature articles on Windows.



We are excited about our Fall User Group Meeting 16-Oct-97. All of our clients are such great people to work with, it will be nice for them to meet each other. Quite a few companies will be attending and we look forward to it being fun and stimulating. Topics on the agenda are:

- ✧ Error and Problem Solving
- ✧ Windows Preview
- ✧ User Group Roundtable
- ✧ Suggestions & Future Directions

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 Q<sup>2</sup> please give us a call. The main topics of past issues were:



Visit Jim and Doug at the SOA convention in Washington DC Oct. 26<sup>th</sup> - 29<sup>th</sup> .

Issue 1 - Multiple Life Processing  
Issue 2 - Retention Management  
Issue 3 - Trailers, Help Screens and Policy Page  
          Producer  
Issue 4 - Report Generator and Retention  
          Schedules  
Issue 5 - Transaction Processing and  
          Reinsurance Overrides  
Issue 6 - Input Extracts  
Issue 7 - Schedule S  
Issue 8 - Report Generator  
Issue 9 - Year 2000

Issue 10 - Backups  
Issue 11 - Viewing Inforce Files  
Issue 12 - Extracting Test Data, Status Codes,  
          Transaction Codes  
Issue 13 - Trailers  
Issue 14 - R<sup>2</sup> Windows  
Issue 15 - What's in a footer?  
Issue 16 - Expanded Files  
Issue 17 - Retention Management, Reserves  
          Q&A  
Issue 18 - T\$POSrt.Idx, Trailers Q&A  
Issue 19 - Sorting Files  
Issue 20 - Testing Billing / Valuation Samples



Editor : Laura Simmonds-Lowry

Quasar\*Systems Inc.

614 W Brown Deer Road - Suite 201

Milwaukee Wisconsin USA 53217

www.qsi-r2.com

☎ Voice: [414] 228-8622 ✨ fax : [414] 228-8857

✉ email Q2@qsi-r2.com

✨ Doug.Szper@qsi-r2.com ☎[414] 228-9286 ✨ Jim.Schoen@qsi-r2.com ☎[414] 540-2422 ✨

✨ Ken.Evans@qsi-r2.com ☎[414] 540-2421 ✨ Laura.Lowry@qsi-r2.com ☎[414] 540-2420 ✨

✨ Heather.Huff@qsi-r2.com ☎[414] 540-2423 ✨ Laura.Mueller@qsi-r2.com ☎[414] 228-8622 ✨

✨ Kim.Walters@qsi-r2.com ☎ [414] 228-8622 ✨

Second Edition edited by Kimberly Walters