# 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*.

## R² User Group Meeting

Our second annual User Group meeting is set for 20-21 August 1998 in Milwaukee. If you would like to attend, please contact *Ken Evans* at Ken.Evans@qsi-r2.com or call him at 414·540·2421.

## Treaty - Cession reallocation.

A client has asked us to enhance qsRE01 to handle prior retention in a new way. Previously, if prior policies caused the ceding company to take a smaller retention on the current policy, the amount not retained was distributed to the other treaties that apply to that plan. Now, it is possible to redistribute the unused retention to new treaties that are selected specifically for this purpose. This is done through two new fields on the Treaty File. On screen 1 of TY, set *Retention Fill* to **Y**. Then create the new treaty records and set the *Retention Filled* indicator of the Selection Criteria to **Y**.

## Frazierized rates - Valuation

One method for calculating reserves for joint insurance policies is called the "Frazier Method". But the term "Frazier Method" does not, in itself, give us all the information necessary to calculate reinsurance reserves. Different companies are using different methods all of which are frazierized. R² can calculate frazierized reserves, but there may be modifications necessary to implement a specific strategy.

## Table Types used for Rate tables?

Rate tables are stored as a set of numbers. If the table is a *Select and Ultimate* table, then there is an ultimate table followed by a series of rates for each select age. However, R² can use tables in different manners depending on the Table Code defined on the Plan Header or Treaty immediately prior to the table.

|   |   |
|---|---|
| **A** | Attained Age |
| **C** | Constant |
| **D** | Duration |
| **I** | Issue Age |
| **M** | Minimum/Maximum |
| **P** | Percent of Base |
| **S** | Select and Ultimate |
| **U** | Select Table only |
| **V** | Series of select rates |

These table types can be used whether or not the stored table is a Select and Ultimate or Ultimate-only table.

Since a Select and Ultimate table contains everything that an Ultimate table does, plus more, let me use that as the basis of my example:

**A**- The rates will vary every year. Only the Ultimate table will be used, the select rates are ignored.
**C-** instead of a table name, what follows is a constant rate. This rate is used for all ages and durations. You may code multiple rates separated by a ";" (semicolon). The last rate is extended to all future durations.
**D**- Rates vary by duration. Typical use is Reinsurance Allowances.

**I**- Finds the rate only for the issue age and keeps it constant.

**M**-Three rates follow; 50;20;100, the 50 represents a rate per 1,000 subject to a minimum of $20 and a maximum of $100. Typical usage is some Policy fees that are not constant for all bands.
**P**- Same as type "S" except that the value turns into a Percent of the base policy. Used for riders.
**S**- This is the typical value to get a select and ultimate table.
**U**- Uses only the select portion of a Select and Ultimate table, extending the last rate to all higher durations.
**V**-Special table type that uses the select table, when exhausted, looks for a new table incrementing the "era" (or whatever location in the table code contains an "*") by one - looks for a new select duration beginning at duration 1. Repeats this cycle for whatever duration the policy is in. For example, the table is a five year select table, then TABLEAMS10 is used for the first five durations, TABLEAMS20 for the next five, TABLEAMS30 for the next five, and so on.

## A Peek in the Windows

We're testing and coding programs in Delphi. Our main modules RE01, RE02, RE03, RE05, RE23, VL01, Vl02, XX03 are in testing. More on this soon.

# What's in a Footer?

At the bottom of each page of each report from R² is a footer. On the transaction reports, this footer contains all kinds of information that tells us exactly how the report was run.

```
[Jupiter.F]
```

First, we have the name of the drive that R² was run on. This can be a network drive or a local hard drive. (At Quasar*Systems, we name our computers after names from the heavens; my computer is named "Jupiter".) The example footer was run from the "F" drive on Jupiter.

```
[Jupiter.F]LSL-RHC
```

Second, we find the CF record that was used (or cnf file name).

```
LSL-RHC:F:\Clients\qsi\AN
```

Third is the directory name of the ceding company.

```
LSL-RHC:F:\Clients\qsi\AN>CO
```

Fourth is the reinsurer code.

```
Quasar*Systems Inc
(qsi@execpc.com) - Milwaukee WI
```

```
~<dd-mmm-yy
```

Fifth is an optional field that will show the setupcnf.initial date if one exists.
Sixth is the name and location of Quasar*Systems Inc.

```
qsRE02   :J.25m/j.41a
```

Seventh is the program that created the report, its version and the version of qsRE01 used to create the transaction file.

```
Run 02-Mar-1998 at  1:16:40 pm by JMS
```

Eighth, we have the date and time the reports were run and the ID of the user who ran the reports.

```
00111001 00000001 01000000
00000000 00000000 00000000
```

inth, we have switches that tell us how the report was run. (**0** indicates that the switch is off and **1** is on.) These codes correspond to the run options that appear on the back side of the cover. This way, if you fax us any one page of a report, we can tell what assumptions were used to generate that report.
Briefly, these switches are:

1:  Benefits may have RPR,
2:  Use premium overrides every year,
3:  No Lead Reinsurer,
4:  Not MG Conversion Method,
5:  Process NB after Report Date,
6:  Benefits all ceded,
7:  Check extract for Face equal ceded plus retained,
8:  Extra Premium trailer use aar,
-----------------------------------------------
9 :  Conversion extract age is original age,
10: Conversions use extract age,
11: Conversions Use Trx Duration,
12: Trailer Premium Allowances,
13: Fac Increases Follow Base,
14: Use TY Cession Type,
15: Don't Update Initials,
16: Trailer AAR Is Ceded,
-----------------------------------------------
17: Calculations To Nearest Day,
18: Blank Incidental Change Dates,
19: Allow additional sequences w/o priors,
20: Assumed Mode,
21: Use std prem Trailer over ty  rpr,
22: rider trailer premium  include substandard,
23: Put New Terminated cases In force,
24: Limit Waiver,
-----------------------------------------------
25: Return of Premium At Death,
26: Preliminary term zero Policy Fee,
27: Val Trailer Overrides Xtr Override,
28: Force Retained if Conflict,
29: Allow cessions more than Face,
30: Xtr Rns With no ceded_All ceded,
31: Waiver on Yrt waives only waiver premium,
32: Suppress Reinstatement premium tax,
-----------------------------------------------
33: Ignore RNS Mark,
34: Remove Base CV From Waiver,
35: Build Priors from prior coverages,
36: don't allow ceded aars greater than face

```
xxxxxxx
```

Tenth is an optional field that is generated by using a "-F" on the end of your qsre02 command Line. You could have a comment that would appear on each footer. For example, if you wanted the word "rerun" to appear, you could add "-Frerun". You may have multiple "-F" parameters.
Finally, we have the Page number.

```
Page 2
```

Maybe you'll look down there now and understand what you see.
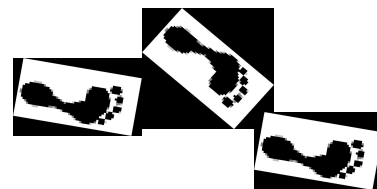
## Questions and Answers

**Q:** *How does conversion processing work?*

**A:** There are two fields on the input extract specifically for conversions: *Original Policy Date* and *Original Policy Number*. If a policy is New Business and the *original policy number* is coded, R² will create a **CA** (conversion on) instead of an **NB** (New Business). The Original Policy Number will carry forward to the transaction reports.

If the status code is a **71** or **72**, then the policy is an *Original Age* Conversion. R² will use the original policy date as the basis for premium calculations. Otherwise, a status **1** is an *Attained Age* conversion, and the new policy date is used for premium calculations.

There are some CF (or CNF) fields that deal with this. *From the feature article in this issue:*
4 : MG Conversion Method,
9 : Conversion extract age is original age,
10: Conversions use extract age,
11: Conversions Use Trx Duration,

Normally, R² will calculate the Issue age and Years Since Underwriting based on the original policy date and new policy date. However, some companies prefer to send us the issue age in the extract. The first three flags define which age and duration R² is to use.

If *Conversions Use Trx Duration* is set and there are premium trailers, the duration for the premium trailers is measured from the Original Policy Date. Otherwise, the duration is calculated from the New Policy Date.

If *Conversions Use Extract Age* is set, R² will not calculate the issue age, but rather use the age sent in the extract.

*Conversion extract age is original Age* indicates that the age sent in the input extract is the original issue age. R² would otherwise assume that the age sent is the age at the new policy date.

*MG Conversion Method* - We developed a special method for determining the issue age when the conversion occurs halfway through a policy year. This method is unique for one client and would not be set for anyone else.

**Q:** *What is the difference between the Policy Date and the Inforce Date?*

**A:** After the policy is issued, the difference is meaningless. But, if your company uses backdating of policies, then it is possible that the treaties that are active on the actual policy date are not the treaties that were active on the date you issued the policy. If an *inforce date* is provided, then R² will use that date to select the treaties. But it will pay the premiums from the *policy date*. The difference here matters if you change reinsurance treaties. Sometimes, it makes a big difference to reinsurers that they get policies that were issued during the scope of their treaty. If it doesn't matter to you whether you use the policy date for treaty selection, then you may choose to send only the *policy date* in your extract.

**Q:** *What is the best way to send information to Quasar*Systems?*

**A:** Often, client companies send us data so that we can investigate why policies are processing in a certain manner. Some clients like to have us look over their plan headers and treaties. It's great when we have these files on site to investigate problems. If policies are not processing as you expect, then we have ways to extract those policies from the extract and database files so that you can send us only those policies. These files are small and it is best to send them via email. We do have a couple of modems available 24 hours a day that are set up with CarbonCopy or PCAnywhere. You can always send us files in this manner.

Larger files may be sent to us on Zip disks (Iomega Zip Drives) which can hold 100M. Zip disks are also great for backups and transferring big files.

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.
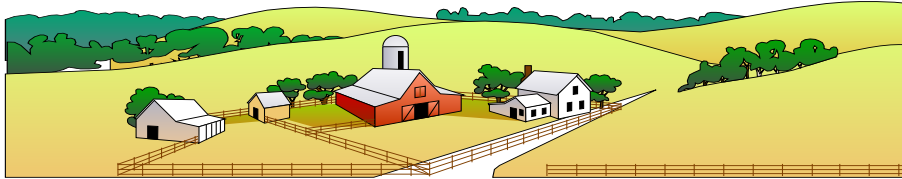
For additional information on any option, you should first consult your documentation manual.  We would be delighted to answer any questions you might have.

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

Laura and Ken enjoyed seeing you at LOMA in Atlanta.
If you plan to be at the Canadian Reinsurance Conference (CRC) in Toronto in April, look for Janet or Jim.
Happy Spring!