



A newsletter of developments at QuasarSystems

Issue 23 - March 2000

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*.

Manual Overrides

The *Manual Override* field in the extract is a field designed to be used only in special situations. With normal processing, this field should be blank. In addition to normal processing, this field may trigger additional or special processing by the billing program.

When this field needs to be used, the appropriate code is manually entered by the administrator. For example, if a policy were ceded to automatic reinsurers but was later discovered that it should have been ceded facultatively, then the field should have a *Manual Override* code of 'R'. As another example, if the policy was correctly ceded on a previous administration system, but was incorrectly initialized on *R²*, then the policy would need to be reissued, but only back to a certain date, not back to the policy date. In this situation, a *Manual Override* code of 'M' would be entered in this field.

Following is a list of the current options, and a brief description of each:

M Manual Override. Completely reverses policy ceded amounts on the transaction reports and policy exhibits and from the inforce files. All premiums are reversed back to the *Change Date* based on current inforce information. 'Off' premium trailers will be utilized where available. Treaties are then re-selected and ceded amounts reallocated. Based on new ceded information, all premiums are paid forward until current.

N No Premiums. Same as 'M', but all premiums and allowances, both reversals and payments forward, are forced to Zero.

R Re-issue. Same as 'M', but the policy is reversed to the *issue date*. This is the normal manual override for a complete reissue.

S Setup Date. Same as "M", however, if the extract *Change Date* is prior to the Setup.cnf Initial Date, then transactions are only reversed to, and paid from, the Setup.cnf Initial Date.

U Undo Recapture. This override is the only way to undo a recapture. In the reinsurance file, if the coverage has a status 11, that portion of the benefit has been recaptured. As a recapture status is often sent through the system only once, merely sending a policy status of 1 through the extract for the recaptured policy will not (and should not) cede the benefit back to the reinsurer(s). The inforce files retain the original reinsurer before recapture.

X The base policy will be fully retained and any riders will be ceded as they normally would be.

Z Zero Premium. No special processing is done; instead the policy processes the same as it would if the Manual Override field were blank, but the premiums are set to zero. ☹

User Group 2000

The fourth annual User Group Meeting is set for Thursday and Friday, August 17 - 18 in Milwaukee. If you would like additional information on attending, please contact Kim Walters at Kim.Walters@qsi-r2.com. ☹

Conversions

A conversion occurs when an insured takes an existing policy and “converts” it to a new policy. The plancode of a conversion is typically different than the original plancode; the policy date and policy number may also be different. If the policy date and the policy number remain the same, it is referred to as an *original age conversion*. If the policy number and policy date are different, it is an *attained age conversion*.

With conversions, the companies that reinsure the original policy are entitled to keep the original amounts. Generally the converted policy will stay with the same reinsurers, at the same amounts, as were on the original policy. The treaty the original policy usually defines what happens upon conversion. If a reinsurer of the original plan is also a reinsurer of the new product, then the new treaty may dictate that the conversion policy acts like a regular new business policy.

The only additional data absolutely necessary for a conversion are the conversion status and the original policy date. If the administration system is incapable of supplying this data in the downloaded extract, then a side file, *Convert.Xtr* can be used. *Convert.Xtr*, may hold the *policy's current policy number, original policy number, original policy date, reinsurer, ceded amount, ceded rating, treaty code, and original plan code*. The *original policy number* is recorded for informational purposes. If the *original policy number* exists then it will display on transaction reports, otherwise, the word “conversion” will appear. The preprocessor can then use this conversion file to fill in necessary fields of the extract.

Once the extract has the correct conversion fields, the administrator must determine whether the new plan and new treaties would allocate the correct amounts to the right reinsurers. There are three categories that need to be checked: the reinsurers, the amounts to each reinsurer, and the premium rate (usually dictated by the treaty) paid to the reinsurer. If any of these things would not be allocated or processed correctly by automatic processing of the new plan, then the administrator has two options: (a) add the necessary allocation information to *Convert.Xtr* or (b) manually create

an override reinsurance (RNS) trailer.

If the administrator does not want the transaction generator (Qsre01p.exe) to choose the reinsurers, treaties, and allocations based on the policy's new plan then he should define this information in *Convert.Xtr*. The preprocessor can then create reinsurance trailer which will allocate the conversion policy based on the provided data.

The transaction generator recognizes conversions in either of two ways. A policy with an inforce status and an *original policy date* later than the insured's birth date and prior to the policy date is automatically deemed an *Attained Age Conversion*. However, if the status code is any of the following, it is considered an *Original Age Conversion*.

71 An *Original Age Conversion* which uses the *Original Policy Date* for treaty selection.

72 An *Original Age Conversion* which uses the *New Policy Date* for treaty selection.

81 A *Preliminary Term* for an *Original Age Conversion*.

82 A *Preliminary Term* for an *Original Age Conversion* which uses the *New Policy Date* for treaty selection and premiums.

83 A *Preliminary Term* for an *Original Age Conversion* which uses the *Original Policy Date* for treaty selection and premiums.

A conversion policy needs to have a proper conversion status when doing an allocation. Which status you choose solely affects treaty selection. If you specify a treaty code in the *Convert.Xtr*, then there is no difference between a status 71 or 72. On R², if a converted policy was put in force without a conversion status, then it needs to be reissued with a conversion status and the *original policy date*.

Choosing whether to involve some testing to see whether the conversion policy chooses the correct

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treaties. If an automatic conversion policy chooses the right reinsurers for the right amounts and the correct rates, then a reinsurance trailer (or *Convert.Xtr*) can be coded without a treaty code. However, you will need to decide whether to use a status 71 or 72 based on which date you want the system to use when selecting treaties. If an automatic conversion policy does not choose the right reinsurers or the correct rates, then you must specify the treaty code in a reinsurance trailer of type "T" or "X". In this case it would not matter whether you use a status of 71 or 72 since the treaty selection will have already been made. If you are using the *Conver.Xtr* and having the RNS trailer created, the non-blank data in the *Convert.Xtr* will determine the correct RNS layout to use.

Conversion statuses 71 and 72 both take the difference between the original and new issue date and calculate *Years Since Underwriting* (YSU). The YSU is used as an adjustment which is subtracted from the attained age (age as of the new policy date) and added to the duration. This will cause rates to be paid "Point in Scale."

Several configuration flags affect conversions. The following paragraphs four detailed descriptions of the "Conversion Extract," "Conversion (Age to Use)," "Conversion Duration," and "Conversion Method" configuration flags.

The "Conversion Extract" flag tells whether the issue age in the extract is the age as of the original policy date "O" (original age) or the default "P" for Policy Date. The issue age in the extract is as of the new policy date (attained age).

Conversions (age to use) specifies whether the Extract age "E" or calculated age "N" will be used in conversions. There are times where the new policy may have been issued with a *rating age* that is not the actual age that the insured should have been, such as to save age. This flag tells whether to use the actual calculated age or the *rating age* in the extract. The default for this is "N," use to calculated age.

The **Conversion Extract Age** and **Conversion (Age to Use)** CF flags work together. If Conversion Extract Age is set to "O" (Original date) and "Age to Use" is set to "E" (Extract age), then the transaction program will use the age from the extract for the original age and calculate the attained age and YSU. If "Age in Extract" is set to "P" (Policy Date/Attained Age) and "Age to Use" is set to "E" (Extract Age), then the transaction program will use the age from the extract for the attained age and calculate the original age and YSU.

Conversion Duration will tell whether the duration in the Anre01in.Val trailers are based on the original or new policy date. "Y" indicates that conversions use the transaction duration (Original Policy Date). "N" indicates that conversions begin at duration (New Policy Date).

Conversion Method relates to a specific method of adjusting the conversion transaction duration. This flag should ordinarily be set "D." The second method, "M," (the "M&G" method) was created for a client who adjusted the transaction duration and age by one additional year - when the new policy date did not occur on a policy anniversary. For example, if Charlie Brown was born on 01-Jan-1950 and was 20 when he took out a policy on 01-Jan-1970, and if on 01-Jul-1980 he converted, his actual age is 30 1/2 and his duration is 10 1/2. The "M&G" method would make him 21 at his original date and calculate from there.

This article has covered the basic principles of conversions, conversion status codes, and the configuration regarding conversions that regulate processing. This topic can be complicated; when you are ready to code actual conversions, Quasar*Systems will work with you to set them up properly. ☺

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 send an email to us at Q2@qsi-r2.com. The main topics of past issues were:

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| Issue 1 - Multiple Life Processing | Issue 9 - Year 2000 | Issue 17 - Retention Management, Reserves Q&A |
| Issue 2 - Retention Management | Issue 10 - Backups | Issue 18 - T\$POSrt.Idx, Trailers Q&A |
| Issue 3 - Trailers, Help Screens and Policy Page Producer | Issue 11 - Viewing Inforce Files | Issue 19 - Sorting Files |
| Issue 4 - Report Generator and Retention Schedules | Issue 12 - Extracting Test Data, Status Codes, Transaction Codes | Issue 20 - Testing Billing / Valuation Samples |
| Issue 5 - Transaction Processing and Reinsurance Overrides | Issue 13 - Trailers | Issue 21 - Standards for Backup Procedures |
| Issue 6 - Input Extracts | Issue 14 - R ² Windows | Issue 22 - Warnings and Errors |
| Issue 7 - Schedule S | Issue 15 - What's in a footer? | Issue 23 - Conversions |
| Issue 8 - Report Generator | Issue 16 - Expanded Files | |

Be sure to stop by and visit with Jim, Heather, and Darlene if you are at the Canadian Reinsurance Convention on April 12, 2000.



We would like to thank everyone who stopped by our booth at LOMA in San Diego. Laura Mueller and Darlene had a wonderful time talking to you. Although they were in San Diego to work, they did find time to play.



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