Q²
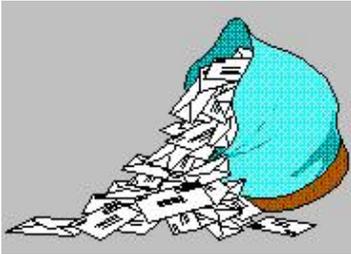
A newsletter of developments at QuasarSystems

We'd like to use this forum to inform you of changes and enhancements we've made to our system as we continue to improve the processing of *R²*, *The Reinsurance Resolution.*

Questions and Answers

Q: I was going over my errors report and noticed that some of the errors have negative signs before the error number. What does this mean?

A: The negatives on the error messages were an enhancement to version J43o of Qsre01p.exe. We found, at times, that even after we had corrected an error we would still receive the error message, due to the policy reversing and coming back on. The reversal contains the error, thus the error notification; the ON transaction uses the corrected record(s).   The negative sign shows that the error occurred on the reversal transaction, not on the forward transaction.

Q: When premium is calculated for the reinsurer, does Flat Extra apply to the reinsured face amount of the policy or the reinsured amount at risk?

A: Flat extras on R² are applied to the reinsured face amount, *not* the amount at risk. Flat extra is, by definition, a constant risk added to one's standard mortality charge. Since cash value builds over time, the amount at risk frequently changes.

Q: I am testing and initializing an area. Is there any way to get the qsremmyy.ers report without the printer code? I would like to sort by the various error numbers.

A: Qsre01p.exe produces a report without the printer codes called **T$qsre01.err**. This report contains the same information as the printer-ready report *(error level, policy number, error number, and error message)*. It is a flat ASCII text file found in the company *out* directory and can be opened in a text editor and sorted if desired. Qsre02p.exe runs after Qsre01p.exe and creates the printer-ready report, **qsremmyy.ers**.

Mailing Note

Have you tried mailing anything to Darlene lately? Darlene's mailing address has changed.   If you send information to Darlene via post or courier, please use this address:

Darlene Kosonic
Box 10095
27 Legend Ct.
Ancaster, ON L9K 1P3
CANADA

User Group 2004

Thanks to all that have registered for this year's User Group Meeting. We look forward to seeing you in August. Please watch for emails and mailings containing event information. If you still wish to register, please contact Kim Williams (KimWilliams@qsi-r2.com) for information.

It started with an innocent enough question. "I have multiple financial adjustments, each to specific reinsurers, but only some of them processed. Why?" We checked the obvious things. Were they all marked as status **88**? Or if some of the reinsurers were inactive, were those properly marked as status **89**? These were not the problem. The answer turned out to be joint sequences. The policy was a joint policy. And while there were multiple sequence 00 lines, one for each reinsurer, only one seq 0J line existed at the end of them all. In coding the financial adjustments, it is not enough to just create new extract lines for the seq 00 line, you must create the corresponding seq 0J lines. If your joint policies are coded with joint sequences 00, 0J, and 0K, you must create the corresponding 0K lines too. Furthermore, you must fill in the sort sequence for each set, otherwise all the seq 00 lines will sort together and all the seq 0J will sort together. The transaction program must have all joint policies coded to process as a full set of records for each transaction. Perhaps a review of all sequences would be helpful.

Policy Sequences

A policy sequence denotes a separate coverage to be ceded. Reasons for a separate policy sequence include: an underwritten increase at a date after the original policy date; a term rider on a permanent policy; an additional insured coverage that is not a joint policy; a policy comprised of conversions from two previous policies with different original policy dates; or the need to separate the face amount into separate blocks, such as for Retro pool and wheel splits. Policy sequences should start with 0 and increment by 1 (0, 1, 2, 3, etc.). The status code of the policy sequence is key to determining the type of transaction to be processed.

There is an RE01-b CF flag, *Solo Add Sequences*, that corresponds to the policy sequence. Setting this flag to **N** means *all* lower policy sequences must exist in the extract and each sequence must process successfully in order for the next sequence to process. Setting this flag to **Y** means each policy sequence will be considered independently and may process with or without the other policy sequences. Further, Qsxt19p and Cvpo19p (which are used to set the *additional coverages indicator* in the extract and PO respectively) will use this flag to determine which policy sequences to look for. If set to **N**, the program will only check for the next sequential policy sequence. If set to **Y**, it will look for any later policy sequence.

Joint Sequences

A joint sequence denotes additional insured information on a joint or multiple life policy. Joint sequences should start with 0 and increment alphabetically from J (0, J, K, L, etc.). There are two formats commonly used for joint policies. The recommended and most common format is policy & joint sequence 00, 0J, 0K where the joint billing information is supplied on the 00 sequence and the 0J and 0K records contain information on each individual insured. This format is necessary for frasierized premium and valuation calculations. This format is common for Last-to-Die policies as well. The second format is 00, 0J where the 00 record contains the joint or first insured information and the 0J record contains the second insured information. This format can be used for First-to-Die policies. This method is not recommended for Last-to-Die policies. It is impossible to supply the full joint equal age and rating information for premium purposes plus full information on both insureds.

The status code of the joint sequences is key to determining how premiums are paid on a policy, especially as related to First or Last-to-Die policies. A status of 61 will indicate that a joint sequence is for informational purposes only and no premium is billed on this joint sequence. An inforce status (such as 1, 71, 72) would pay a premium. Premium paying examples: 1) a Last-to-Die policy with policy & joint sequences 00, 0J, 0K would use status 1, 61, 61 respectively and pay one frasierized or joint equal age premium on sequence 00. 2) a First-to-Die policy with policy sequences 00, 0J would use status 1, 1 and pay a premium on each life.

As noted by the discovery at the beginning of this article, an important thing to remember with joint policies is that all joint sequences must be present in the extract as full sets. That means you must have all joint sequences 0, J, K present for proper processing of each transaction.

Sort Sequences

When you need more than one transaction to process and they need to be done in a specific order, R² uses a sort sequence. The sort sequence determines the order of the transactions when the extract gets sorted. For example, in a single report period you want to process a reinstatement, make a policy change (such as a face or amount at risk adjustment), and then terminate the policy again. The first sort sequence should be 0, then increment by 1 (0, 1, 2, etc.). For regular processing this sequence is usually left as blank or zero.

What's Up with Paid-Ups?

Hear Ye, Hear Ye! Hail the arrival of a new TY field. As you may recall, Screen 1 of the TY (lower center - Change Methods box) shows a field entitled **Paid-Up**. This field was originally designed to indicate whether reinsurance premiums should be paid on Non-Forfeiture policies: Reduced Paid-Up (*status 9*) and Extended Term Insurance (*status 10*).

In April of 1995 we introduced *status* **19** for regular paid-up policies, such as single premium policies or for plan codes that became paid-up when the insured had reached a specified age. This status expected the reinsurance (RE) paid-to-date to be set to the *Maturity Expiry Date*, so no premiums would ever be required. As history would have it, some status **19** policies were placed inforce with the reinsurance paid-to-date only being set to the next anniversary and the policy continued to process every year like a regular policy.

Opinions seem to have varied over the years as to how status 19 policies should behave. Some thought that status 19 paid-up policies should follow the Paid Up TY flag. Others believed that status 19 paid up policies should never pay a premium.

Recently, two related items came to light. 1) The status 19 policy premiums were not linked to the TY Paid-Up field. 2) Although status 19 should

not be linked to this field, it should have its own field to regulate whether reinsurance premiums are to be paid. Hence, the creation of a new TY field. The original Paid-Up field is now labeled **Nonforfeiture** and regulates only RPU status 9 and ETI status 10 policies.

We labeled the new field **Paid-Up**, and it is for status 19 policies only! There are three things that you will need to do to set up and utilize this new field. First, install an updated TY.xxx file in order to display the field. Second run the program CVTY01p (version 18f or later) to properly set this field to the correct value (or manually set the field if you have a small number of treaties). And last but not least, install Qsre01p (version J43o or later) to recognize and use this field.

CVTY01p uses a parameter to indicate how the new field (*Paid-Up*) should be set. There are four choices.

1) Always set *Paid-Up* to **N** - No, do not pay reinsurance premiums for status 19 policies.

2) Always set *Paid-Up* to **Y** - Yes, pay reinsurance premiums on status 19 policies.

3) Set *Paid-Up* to the same value as the Nonforfeiture field (previously the Paid-Up field).

4) Set *Paid-Up* based on the Reinsurance Method.

If Reinsurance Method is *YRT*, set Paid-Up to **Y**.

If Reinsurance Method is *Coinsurance* or *Mod-Co* set *Paid-Up* to **N**.

Your client liaison will gladly help you with all of the file updates and properly setting this new field.

More helpful hints about sequences

Yes, we know that we are being obsessive, but please bear these sequence reminders in mind when processing...

1) If you retrieve files from inforce, please be certain to say YES to the "Add All Sequences" question, if you are using an older version of Qsxx03p. Versions after 14Apr04 no longer ask the question - they automatically pull all sequences.

2)   If you have a joint policy that has a status 61 on the J and/or K record, DO NOT change the status code for processing changes! These records have a unique PO layout. Changing the status code will eliminate the unique layout and make correctly reinstating a policy impossible. Changes should only be made to the base record's status, with the exception of the death of one insured (status 66).

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:

The current version of the Electronic Output Viewing Package is 01z.

QUASAR*SYSTEMS