Q2

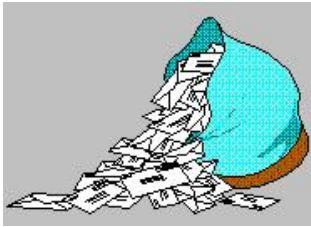## A newsletter of developments at QuasarSystems

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

*******Minimum Cession********

Q: Our company issued a YRT policy for $115,000 under a treaty that specifies a minimum (initial) cession of $10,000. Our company retains $100,000 and reinsures $15,000. Once the reinsured amount at risk becomes less than $10,000, what happens?

A: On the second screen of the treaty there are two fields that deal with minimum cession.

Under the Miscellaneous Box, the *"Minimum Cession"* field applies to policies at issue (minimum initial cession). If the calculated cession at issue is lower than this amount for a treaty, the face ceded to that treaty will instead be retained. If there are multiple reinsurers, the situation could be more complex. Some portions of the policy could be ceded and some (less than the minimum cession) could become retained.

In the recapture box, in the *"Amount"* field you would code the $10,000 for automatic recapture (also known as "minimum final cession" or "decreases to"). You can code an **A**

in the first field to automatically recapture the coded amount, or an **N** to notify you in the errors report if a policy's ceded amount-at-risk has dropped below $10,000. The notification on the errors report will be a *M1 message 1123*.

Change Date vs. Paid to Date

Q: Why is the termination not using the extract Change Date as the effective date of the termination?

A: Good question! Although *Change Date* is generally used as the effective date of a termination, there are instances where it is not.

If the termination is a lapse or surrender, status codes **2** and **3** respectively, and there is a *Paid-to-Date* field in the input extract, then the *Paid-to-Date* is used as the effective date of the lapse or surrender, not the change date.

It should be noted that this extract *Paid-to-Date* field is considered to be the Direct Paid-to-Date, not the Reinsurance Paid-to-Date. Further, it is the extract.[sys] file variable *Paid-to-Date* that matters, not the wording that displays on the screen. The *Paid-to-Date* field is only needed for Direct valuation or paying reinsurance premiums on the same basis as the insured. Only a few clients have the *Paid-to-Date* field in their extracts. If you do, be aware of its affect on these lapses and surrenders.

Other situations may cause the effective date to vary from the Change Date coded in the extract. For instance, on a Not Taken, status code **8**, the effective date will be the *Policy Date*. Another example is if the configuration field is set for calculations to the nearest month, then the effective date will be the monthiversary date closest to the change date.

Caution: There is another variable named *SetPaid-to-Date* or Reverse Paid-to-Date in some extracts. This field is only for use with certain Assumed processing situations.

Q: What is the difference between the PO Paid-to-Date, the RE Paid-to-Date? The X2 and R2 Paid-to-Date and the X4, R4 Paid-to-Date?

A: The *Paid-to-Date* is stored on the PO - Policy inforce file. It is the Direct Paid-to-Date, supplied by the *Paid-to-Date* in the input extract (the date to which the policy is paid for the direct insurer). The *Paid-to-Date* stored in the RE - Reinsurance inforce file is the date to which reinsurance premiums have been paid. This date is set by R² during transaction processing.

The Paid-to-Dates in the transaction database and valuation database (X2 and R2 records) are set from the PO file. The Paid-to-Dates on X4 and R4 records in the transaction database and valuation database are set from the RE file.

E3 0610 Allocate Error

When does the 0610 allocate error happen?
This error occurs when R² tries to allocate a policy and the information it has to work with is either incomplete or inconsistent, preventing the program from processing the policy. The error message includes information to help you research the reason for the error and find the way to resolve the situation. Policy processing that requires allocation include new business, increases, reissues, some types of manual overrides, and some policy changes.

How do you read the error?
All occurrences of this error begin with **E 3** to indicate a level three error, which means that processing on this policy was stopped and the policy did not process for this extract line. Note that if the policy was in the billing extract more than once, other *earlier* sort sequences may have processed, but this one and later sort sequences did not.

The error message then indicates the policy, policy sequence and joint sequence, followed by the error **0610** and the words **Allocate Error: Check Treaties:**

No Treaty Found
The amount being allocated may be the face amount of the policy, or in the case of an existing policy where the face amount is increasing, just the increase amount. The allocation may be on the base plan, a rider, or on an additional coverage. If no treaties were found, no amount is indicated and the lack of a valid treaty issue must be resolved first, as in Example 1.

Example 1
```
E 3 652118    ( ) 0610 Allocate Error : Check Treaties:  plan:AD605
(No TY Keys Found) INSURED, KEVIN    (TB BA)
```

RNS Override Trailer
If there is an *RNS Override trailer*, and the amounts in the trailer do not add up to the amount to be allocated, then the error will appear as in Example 2. The face amount to be allocated is listed, followed by each of the companies coded in the RNS trailer and their respective amounts to be allocated. In this instance, the amounts in the RNS trailer need adjusting so that the sum of the amounts to be allocated, including any retained amount, equals the face amount to be allocated.

Example 2
```
E 3 9960832   ( ) 0610 Allocate Error : Check Treaties:   Allocate=2,000,000;
RNS Trailers:O:C1:       :(750,000);O:R1:        :(750,000);O:R2:   :(750,000);
O:R3:       :(750,000); UNIVLIFE  INSURED, SUSAN  (NS FC IC)
```

Treaty Allocation, No RNS trailer
If treaties were found by R², and no *RNS Override Trailer* exists, then R² uses information from the extract, plan, and treaties to allocate the policy. In this instance, you will see the amounts that would go to the selected treaties. The error occurs when the amounts for all treaties ($542,630) does not add up the total face amount to be allocated ($635,327).

Example 3
```
E 3 2275633-X ( ) 0610 Allocate Error : Check Treaties:   Allocate= 635,327;O:  :
:(542,630); 0992300Y03 INSURED, MABEL (CC)
```

The *plan code*, insured's *name* and the *transaction code* are listed next. At this point, the trace file can be used to determine which treaties are being selected and the amounts for each treaty.

E3 0610 Allocate Error Continued

How do I find the treaty or treaties this policy is using and the allocations to the reinsurers?
The trace file (*t$qsre01.trc*) will be created if the configuration record is set to create a trace file (screen two, Run Option *Trace Mode* set to **Y**). The trace file will first show the criteria used for selecting the eligible treaties. In the example shown below, the selection criteria is from plan **0992300Y03**: the three character *Reinsurance Treaty Plan* code **EXR**, the policy's *Policy Date* **28-Jan-01**, the insured's *issue age* **39**, the first character of the last name **I**, the *table rating* **blank** (standard), *Auto/Fac* code **F**, the *currency* **USD,** and lastly the three *Other TY Selection* criteria shown in User=**[1T]** .

```
T 1 2275633-X (  ) 20200 TY-Looking for Treaty Criteria: [0992300Y03] [EXR 28-Jan-01 Age=39 Alpha=I
Tbl=  F  Cur=USD] User=[1T  ]
```

After the transaction program checks the treaty file for all treaties beginning with **EXR**, each EXR treaty is checked to see if the policy's data meets the criteria selection within that treaty key. All treaties that match the policy's criteria will be listed in the trace file as a Valid TY.

```
T 1 2275633-X  (  ) 20201 TY-Valid TY [0992300Y03] EXR01C100
T 1 2275633-X  (  ) 20201 TY-Valid TY [0992300Y03] EXR01R100
T 1 2275633-X  (  ) 20201 TY-Valid TY [0992300Y03] EXR01R200
T 1 2275633-X  (  ) 20201 TY-Valid TY [0992300Y03] EXR01R500
T 1 2275633-X  (  ) 20201 TY-Valid TY [0992300Y03] EXR01R700
T 1 2275633-X  (  ) 20201 TY-Valid TY [0992300Y03] EXR01RA00
T 1 2275633-X  (  ) 20201 TY-Valid TY [0992300Y03] EXR01RC00
```

Verify the information with your coding.
You should now verify that the treaty selection criteria is what you expected. Then you should verify that all the treaties you expected were selected. If not, check the coding on the treaties not selected that you expected and see if the selection criteria were miscoded.

The trace file will then show the quota share allocations for each treaty based on the treaty and retention schedule coding. Below is information for three of the treaties. Similar lines will exist for all valid treaties.

```
T1 2275633-X(  )20202TY-Retention Schedule Found for[EXR01C100]1           0 100.00%
T1 2275633-X(  )20202TY-Retention Schedule Found for[EXR01C100]2     500,000   0.00%
T1 2275633-X(  )20202TY-Retention Schedule Found for[EXR01C100]3   5,000,000   0.00%
T1 2275633-X(  )20202TY-Retention Schedule Found for[EXR01C100]4 99,999,999   0.00%
T1 2275633-X(  )20202TY-Retention Schedule Found for[EXR01R100]1           0   0.00%
T1 2275633-X(  )20202TY-Retention Schedule Found for[EXR01R100]2     500,000  25.00%
T1 2275633-X(  )20202TY-Retention Schedule Found for[EXR01R100]3   5,000,000  50.00%
T1 2275633-X(  )20202TY-Retention Schedule Found for[EXR01R100]4 99,999,999   0.00%
T1 2275633-X(  )20202TY-Retention Schedule Found for[EXR01R200]1           0   0.00%
T1 2275633-X(  )20202TY-Retention Schedule Found for[EXR01R200]2     500,000  25.00%
T1 2275633-X(  )20202TY-Retention Schedule Found for[EXR01R200]3   5,000,000   0.00%
T1 2275633-X(  )20202TY-Retention Schedule Found for[EXR01R200]4 99,999,999   0.00%
```

From the full listing, you can verify that all the treaties selected are set to allocate their correct shares or percents.

Possible reasons for the 0610 error include:
* Not all the expected treaties are being selected
* More treaties were selected than you expected
* The allocations and percents to the selected treaties are not coded correctly.

These are just some possibilities. If needed, your liaison can help you analyze the trace file information. R² can only use the information and instructions as they are given. If you are experiencing allocate errors, follow these steps to determine what information is being provided. Happy sleuthing!

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:

Visit us at LOMA this May 22-25. Dan and Darlene will be attending and happy to answer any of your questions.
The current version of the Electronic Output Viewing Package is 02a.

Editor : Kimberly Williams
Quasar*Systems Inc.
8989 N. Port Washington Rd. - Suite 227
Milwaukee Wisconsin USA 53217-1668
www.qsi-r2.com
Voice: [414] 228-8622   fax : [414] 228-8857
email Q2@qsi-r2.com

DarleneKosonic@qsi-r2.com   [905] 304-8098   DanGapinski@qsi-r2.com   [414] 540-2421
DougSzper@qsi-r2.com   [414] 228-9286   JimSchoen@qsi-r2.com   [414] 540-2422
LauraLowry@qsi-r2.com   [414] 540-2420   LauraMueller@qsi-r2.com[414] 228-8622
KimWilliams@qsi-r2.com   [414] 540-2423