

Q²

A newsletter of developments at QuasarSystems

Issue 11 - December 1996

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*.

Valuation Enhancements:

Our reserve valuation system has been expanded to include Continuous Reserve calculations as well as Curtate and Semi-Continuous. These are coded as "type" 1, 2, or 3 in the Plan Header or Treaty file valuation fields.

The reserve basis consists of a reserve method, an interest rate, a valuation table, and a calculation type.

For example, the method can be CRVM, NLP, or YRT. In addition to the above actuarial calculations, special types of valuation are provided. For example, coding the Method as P100 would indicate that reserves are to be 100% of the Gross premium. An alternative to annual YRT is MRT. This is "monthly renewable term", appropriate for Universal Life plans paid on a monthly basis. The Net Premium is 1/12 of the Annual YRT premium and the Reserve is 1/12 of the YRT reserve.

Typical tables are the 1958 CSO and the 1980 CSO. These tables can either be on an age nearest or age last birthday.

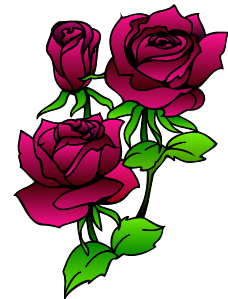
We have recently added a feature to permit the Treaty valuation basis to override the Plan Header valuation basis. There are, therefore, three alternatives for coding the reserve methodology and basis. Many clients simply code the valuation basis in each Plan Header and leave the Treaty Valuation data blank.

For some recent clients, the valuation basis is defined by the Treaty rather than the Plan. The same Plan ceded under different Treaties will then use different reserve bases. We have therefore coded the valuation information in the Treaties and left the Plan Header data blank.

The third option handles the exceptional cases where the various reinsurers on one product may want reserves on different bases. In this case, the Plan Header is coded with the primary valuation basis. For each reinsurer that uses a different valuation basis, the Treaty records for that reinsurer can be coded with the alternate basis information. If it is simply a different interest rate, then only the Treaty valuation interest rate need be coded. The rest of the information will come from the

Plan Header.

In order to avoid unnecessary recalculation, the system will perform the initial reserve calculation using the Plan Header information then check to see whether any of the Treaty information differs from the Plan Header. If not, then the same reserve factors will be used. Otherwise, the reserve will be recalculated.



"... that we might have roses in December."

Viewing Inforce Files

We recently added a new method for searching and viewing the Inforce policy information contained in the R² System Inforce files. For those familiar with R², the system uses three files of in force information, as follows:

PO: contains the Policy level information; the PO key is the 10 character policy number, plus a one character sequence for Joint or additional coverages.

RI: contains the Coverage information for each benefit on a policy. The RI key is the 11 character PO key, plus a benefit sequence. There are one or more RI records for each PO record.

RE: contains the reinsurance or retention information for each coverage. The RE key consists of the 12 character RI key plus a sequence for each reinsurer. There are one or more RE records for each RI record.

The Inforce files are available for *viewing only* by Users via the menus. Each of these records uses a full screen to display all the information stored in the record. The transaction generator creates and updates records in the

inforce files. Manual updating of the inforce files is usually unnecessary (and we strongly discourage it).

Until recently, these files could only be viewed one at a time. If a User wanted to look at the various coverages on a policy and see the reinsurance on each, this would have to be done in two steps: first view the coverages in the RI file, then the reinsurance information in the RE file. This is awkward and has been an inconvenience to us and to many Users.

We have now created a program (ANRE20.EXE) which looks at **all** information related to a policy and displays it on the screen. The same hierarchy of information (PO, RI, RE) is retained, but displayed in a simple layout. Since the file records contain more information than can be displayed on a single screen, we have chosen to limit the information we display to a single line for each record. This way, most policies can be displayed on a single screen, including riders and reinsurance allocations. We have included what we believe are the most commonly used data in each record type. If

after viewing this information you find you need more detail on a coverage, you can always go back and view the individual records to see all of the data.

We have included the ability to search for a specific policy based on the Policy Number or the Insured's Last Name. You can also scroll back and forth through the file, using the <Page Up> and <Page Down> keys.

An even more recent feature has been added to **print** the information shown on the screen. This is done using simple print commands, and is therefore not formatted, except for a Form Feed after each policy.

If you do not yet have this feature in your system menus, talk to your service representative. As always, if you have any suggestions for additional information or features that would be useful to you, please let us know.



Questions and Answers

Q: *What happens if we set up our Plan Headers or Treaties and discover that one of the fields is in error or was overlooked? Do we have to manually update all of the records?*

A: When there is a simple error in one or more fields of **every** record in one of the data files, manually updating all of the records can be tedious and prone to error. In such cases we can provide a program to modify that field in all of the records. This is especially helpful for Clients running multiple companies or regions, where the same change is needed for each of several companies. Creating such a program can require as little as one hour of programming and testing. Before embarking on the manual journey, you might want to contact us about an automated solution.

Q: *How is the benefit amount for Waiver of Premium coverage determined?*

A: Originally, the R² system had only one method for determining Waiver Benefit Amounts. Gross Annual premiums for the base coverage and all riders and benefits were calculated from the Plan Header rate information and added together. This total annual premium was assumed to be the Waiver Benefit Amount.

More recently, we have added the ability for the Client to specify the Waiver Benefit Amount in a field in the Input Extract. This gives the Client control of this benefit and provides for more flexibility.

Q: *How are ages used in Original Age Conversions?*

A: For an Original Age Conversion, the premiums and allowances are based on the Age and Duration measured from the Original policy date. This is simple enough if the conversion occurs on an anniversary. However, for off anniversary conversions, there are often unexpected complications.

R² uses a simple method to perform off anniversary Original Age calculations, which reduces to the normal method for anniversary conversions.

Clients may provide either the Original Age or Age at conversion in the Input Extract. A flag in the configuration file tells the system which age is being used for that company.

During the initial processing of each such conversion policy, the system determines both the Original Age and Conversion Age. These are the insurance ages as of the Original Policy Date and Conversion Date, respectively. The difference in these ages is stored as “years since underwriting” in the PO file. Premium and allowances are paid based on the policy date and anniversaries of the Converted Policy. These premiums are determined according to the attained age and duration of the Converted policy, adjusted for the “YSU”. This provides a consistent method for Original Age Conversions.

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:

Wishing you all a Happy Holiday Season and a Healthy New Year!

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



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