

# Q<sup>2</sup>

## A newsletter of developments at QuasarSystems

Issue 20 - June 1999

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 *R<sup>2</sup>, The Reinsurance Resolution*.

### User Group 1999

The deadline for registration for the August 1999 User Group is 30-Jun-1999. If you want to attend, please email or talk to Kim Walters: [Kim.walters@qsi-r2.com](mailto:Kim.walters@qsi-r2.com) 414 228-8622. **Please remember to contact the hotel and Kim Walters at QSI to confirm your attendance.** This year's topics will include:

- ★ New User's Session
- ★ Windows and Windows Menus
- ★ Interactive Problem Solving
- ★ Things to do in a cycle

### Menus

We've spent a lot of effort standardizing the menus of our clients. When you switch to the windows menus, you'll notice that the menus are structurally equivalent to the DOS menus. The Windows menu program Qsre05p can run either DOS or Windows applications as well as batch files and even applications that you have developed yourself.

We are testing some new accessibility options on our menus that will allow you to tailor the menus and menu items on an individual basis. You can make items available, visible but not available, or neither on an individual or class basis. You will be able to make some files read-only. This security is only in a test phase and we are still working out the various capabilities of the system.

### Welcome our New Employees

We are very excited that Heather Huff and Laura Mueller have officially joined us full-time. They both join us as graduates of Marquette University.

### Transactions (RE01)

We've made a number of minor changes to the main transaction generator with versions 42c and 42d. We now recognize changes in currency, negative policy fees and changes in birthdates on joint insureds.

### Policy File (PO)

The requests are all in on enhancements to a new larger PO File. Changes will include a date embedded in the PO File that will allow the menu program to warn you if you are rerunning a month without restoring or restoring twice without running.

Other changes will include some user-definable fields to allow users to pass information through to the output files. We will also add an indicator to show if there is a notify trailer on the policy.



*Liberty Insurance Services*

# Testing Billing / Valuation Samples

There may be times when you would like to test how a few policies process through the billing and valuation programs. We provide a method to extract specific policies. See Issue 12 for details on using *Anre17* to create a policy sample, which will be named T\$sample.zip.

With this article, we take you one step further; we explain how you would go about creating a directory so that you can test your extracted policies through the system without affecting your production area.

Step 1 - create a test area. Assume that your production company is "**AB**". For our purposes, assume that you are creating the test company in the same region as the company you are testing. We will name this new company area "**KE**" (for Ken Evans). *Use your own initials for this area.* You can do this in Windows95/98 or NT by doing a Copy and Paste from WindowsExplorer and renaming the new directory "**KE**".

Step 2 - add a line to Setup.CNF  
"Ceding Company = **AB**".

Step 3 - delete all files in the OUT directory. You must have an OUT directory and if your OUT directory is under the company directory it will be copied. If your output area is under REINS, you must create it. (i.e. KE\_OUT)

Step 4 - From "REINS" run anRE17 (or qsRE17p.exe) to create your sample. (See Issue 12 for details on creating your sample)

Step 5 - Unzip your test file (T\$Sample) into your test area. Once unzipped, files must be renamed before running.

Step 6 - Rename the T\$ Files back to their original names (i.e. T\$PO -> PO; T\$re01in.xtr -> anre01in.xtr). This could all be set up to be done automatically through your menus.

Step 7 - When starting the menus, select your test company.

You are now ready to run your test policies. Since you have copied the data files, your test will behave just as it would against the full extract, but you will be able to run against just a small sample.

Sample inforce files that are created reflect processing that has been performed on the entire block of business. The inforce files from which you are extracting a sample should be ready to run the billing for the specific month you would like to test. This ensures that the sample policies will also be ready to run the billing for the same month. QSRE17 will create a Policy Exhibit which will contain *Beginning Inforce* data based on the inforce policies that were extracted.

If you want to test how a policy will behave in a specific month, it is important to extract that policy before you run the month. If you wait until after you process a month, whatever you are testing will have already been done and the inforce files will be extracted as they are after the change. To accomplish this, you may want to restore your sample area before running the extraction program.



## Questions and Answers

**Q:** *If an error occurs during processing, can we recover from the point the error occurred, or do we have to start over?*

**A:** It depends on what type of error you are talking about and where the error occurs. If there is an error in the preprocessor, it can just be rerun, no restores are necessary or wanted. If there is an error in the billing run, you would have to restore the inforce files back to where they were prior to the billing run. You would not need (nor would you want) to rerun the preprocessor. If there is an error in the valuation run, then you just need to rerun valuation, no restores needed or wanted.

**Q:** *Can you give me a quick review on how the Plan Header points to the reinsurance treaty? As I understand it, the plan mapping file maps the extract plan code to a new plan code that is the same as the Plan Header key. The 3 character treaty code points the product to a set of treaty records. This code equals the first three positions of the treaty key. What information from the extract is used to build the rest of the treaty key?*

**A:** You are correct, the three character treaty code from the plan header code is used. For new business, the program goes to the plan header and looks up the after-preprocessor plan code (i.e. the plan after the plan mapping is done) and gets that three character treaty code. Then it goes to the treaty file and selects ALL treaties beginning with that three character code. From there it uses the selection criteria (large right hand box on the first screen within the treaty) and drops off all treaties that don't meet all the selection criteria. A blank treaty rating is equivalent to standard. The Other TY Selection (OTY) will be kept if blank, but ONLY if all treaties are

blank. If ANY treaties have (OTY) coded, then OTY selections have to match exactly. The remaining treaties will be allocated according to the allocation/quota share coding located on the second screen in the upper left.

**Q:** *If the Statutory Reserve (xxxSR) file contains overrides for the valuation interest rates, then why do I have to code interest rates in the Plan Header (PH)?*

**A:** The SR file contains overrides for valuation interest rates and mortality tables by year of issue. These are not absolute overrides. According to the Valuation Regulations, there is a maximum interest rate permitted for a life insurance product that depends on the year it was issued. Some companies use a valuation interest rate that is lower than this legal maximum. That is fine. However, whenever a Plan is coded with an interest rate higher than the annual maximum, the Valuation system will use the SR file to override that rate. This ensures that the reserve for any policy does not use an interest rate that exceeds the legal maximum for the year of issue.

For example, assume that a company starts issuing a Term product in 1990 when the Statutory maximum rate was 5.5%. Also assume they choose to use a lower valuation interest rate of 5.0%. The PH is coded with 5.0%. In 1993 the statutory maximum drops to 5.0%, which is the same as PH. In 1995 the Statutory maximum drops to 4.5%. The calculation for these policies will use 5.0% for policies issued in 1990 thru 1994. For policies issued 1995 or later, the Statutory maximum of 4.5% would be used.

**Q:** *Does the Tax Reserve (xxxTR) file work the same way?*

**A:** No. Calculation of Tax Reserves has a different purpose than Statutory. Statutory reserves

requirements are set by the various States to provide conservative (high) reserves for the protection of policyholders. Tax reserve requirements are set by the Federal Government to provide minimal (low) reserves that will be permitted as Tax deductions for the Life Insurance Company. The interest rates required for Tax reserves are always equal to or higher than those permitted for Statutory Valuation. Since these Tax reserve interest rates are minimums, they will always override the lower Statutory interest rates.

**Q:** *How can I tell what interest rates are actually used for any specific policy?*

**A:** Statutory and Tax reserve interest rates and mortality tables are shown by coverage and by reinsurer in the R<sup>2</sup>VLmmyy.TAN or R<sup>2</sup>VLmmyy.QSI file.



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 Q<sup>2</sup> please send an email to us at Q2@qsi-r2.com. The main topics of past issues were:

Issue 1 - Multiple Life Processing  
Issue 2 - Retention Management  
Issue 3 - Trailers, Help Screens and Policy Page  
          Producer  
Issue 4 - Report Generator and Retention  
          Schedules  
Issue 5 - Transaction Processing and  
          Reinsurance Overrides  
Issue 6 - Input Extracts  
Issue 7 - Schedule S  
Issue 8 - Report Generator  
Issue 9 - Year 2000

Issue 10 - Backups  
Issue 11 - Viewing Inforce Files  
Issue 12 - Extracting Test Data, Status Codes,  
          Transaction Codes  
Issue 13 - Trailers  
Issue 14 - R<sup>2</sup> Windows  
Issue 15 - What's in a footer?  
Issue 16 - Expanded Files  
Issue 17 - Retention Management, Reserves  
          Q&A  
Issue 18 - T\$POSrt.Idx, Trailers Q&A  
Issue 19 - Sorting Files  
Issue 20 - Testing Billing/Valuation Samples



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