This forum is used to inform you of changes and enhancements we've made to our Reinsurance Administration System as we continue to improve the processing of *R² - The Reinsurance Resolution*.

Coding Valuation Reserves

R² can automatically calculate most Statutory and Tax reserves for U.S. products. The following applies only to U.S. valuation.

Nonforfeiture/Reserve Basis:		
Mortality	Male Preferred Nonsmoker	- 1980 CSO ALB Male NS
	Male Standard Nonsmoker	- 1980 CSO ALB Male NS
	Male Standard Smoker	- 1980 CSO ALB Male SM
	Female Preferred Nonsmoker	- 1980 CSO ALB Female NS
	Female Standard Nonsmoker	- 1980 CSO ALB Female NS
	Female Standard Smoker	- 1980 CSO ALB Female SM
Interest		- 4.50%
Method		CRVM
Type of Reserves		Fully Continuous

Above is the information one might find in the product specifications regarding reserves. But how does one transfer this information onto R²? Reserve information can be coded in two places on R² - the third screen of the Plan Header file or the fifth screen of the Treaty. Coding the information on the plan header specifies the basis for direct policy reserves and can be used for ceded Coinsurance reserves. If the reserves vary by reinsurer, or the business is YRT, you may code the reserve information on the Treaty level. In either place, you will find a screen similar to the one shown below. You can take the information provided in your product specifications to fill in the majority of the fields. The rest of the fields can be filled in with a little input from your actuary.

```
┌─ Valuation Basis ──────────────────────────────────────────────────────┐
│                                                                         │
│   Section ▢   Line ▢   Table ▢    Year ▢   Var ▢   Sex ▢   Smoke ▢   Method ▢      Type 1 │
│                                                     Interest Rate    0.000% │
│           Number of Classes 0           Mortality Selection Factors ▢   │
│                                                                         │
│       Substandard Method ▢     Substandard Rate   0.00      Rounding 0  places │
│                                                                         │
└─────────────────────────────────────────────────────────────────────────┘
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Continued inside...

Coding Valuation Reserves

Section and Line
The *Section* and *Line* fields are used only for combining data in the totals section of the Valuation Report. While we recommend that the Section and Line fields correspond to the section in Exhibit 8 of the Statutory Annual Statement Blank, it can be defaulted to whatever you would like it to be.

Table
The Table is the first three characters of the mortality file that will be used when calculating reserves. We use the names **CSO** or **CET** to correspond with *Commissioners' Standard Ordinary* or *Commissioner Extended Term*.

Year
The Year is the fourth and fifth characters of the mortality file that will be used when calculating reserves. We use the year associated with the table: 1958 CSO would be **58**, 1980 CSO would be **80**, and 2001 CSO would be **01**.

Var
The Var is the sixth position of the mortality file key. The Var allows you to distinguish between different variations of the table (For example, **A** corresponds to *Age Nearest Birthday* and **B** corresponds to *Age Last Birthday*.)

Sex
If this field is non-blank it will override the Insured Sex Code in the Valuation Table selection. Generally, if the valuation qx's are determined with a Male/Female rate differential, this code is left blank. If reserves are on a unisex basis, then this should be coded with a **U**. The Unisex Valuation Table key then would also be coded with a U in the sex code.

Smoke
If this field is non-blank it will override the Insured Smoke Code for determining the Valuation Table to use. Generally, if the valuation qx's are

determined with a Smoker/Nonsmoker rate differential, then this code is left blank. If premiums are based on an aggregate basis, then this should be coded with an A. The Aggregate Valuation Table key then would also be coded with an A in the smoker code.

Type
Type of reserves
1	Curtate
2	Fully Continuous
3	Semi Continuous

Interest Rate
To be used for calculating statutory reserves and may be overridden by a rate in the Statutory Reserve File (*ccc*SR).

Reserve and Mortality Selection Factors
Used in conjunction with Valuation and only available on the Plan Header. This field can be coded as a **blank** or a **S**, but will be applied differently for CSO 1958,1980 vs. 2001.

For 1958 CSO
> There are no selection factor available for this table.

For 1980 CSO
> Tables loaded for CSO 80 are Ultimate tables with separate, 10 year selection factors applied. These selection factors are coded as SEL80AxA, where x is the sex (F, M, U).

For 2001 CSO
> Tables loaded for 2001 are 25 year Select & Ultimate tables. Coding this field as a **S** will trigger the use of Select rates; if coded as a **blank**, Ultimate rates will be utilized.

S	Use Selection Factors. For 1980 CSO table, the Valuation Table SEL80A will be used as ratios of the Valuation Table.
Blank	If you are not using selection factors leave this field blank.

Coding Valuation Reserves

Method
Method for calculating reserves

CRVM Commissioners' Reserve Valuation Method.

NLP Net Level Premium Valuation Method.

FPT Full Preliminary Term Valuation Method.

Px Percent of Gross Premium. If you place a one digit number along with a P in this field, R² divides the one digit number by 1 to get the Fraction Of Gross Premium to be used.

Pxx If you place a two digit number along with a P in this field, R² divides the two digit number by 100 to get the Fraction Of Gross Premium to be used.

Pxxx If you place a three digit number along with a P in this field, R² divides the three digit number by 1000 to get the Fraction Of Gross Premium to be used. (In all cases, multiple Fraction by 100 to get Percent.)
For example, P1 = 100%, P10 = 10%, P100 = 10%, and P01 = 1%.

N/A Zero Reserves

YRT Yearly Renewable Term Method $(1/2\ c_x)$

MRT Monthly Renewable Term $(1/24\ c_x)$

SubStandard Method
How substandard reserves are determined.

C or P Percent of Base Reserve.

M Use multiple of standard qx to calculate reserves. (This is the default method of processing on R².)

Number of Classes
This field is not currently used, but available for client specific modification.

SubStandard Rate
This field is not currently used, but available for client specific modification.

Rounding
When calculating substandard reserves, to how many decimal places should net premiums and reserves per unit be rounded.

Note - R² does not calculate Deficiency or XXX Reserves. A valuation extract is available for clients to develop these reserves.

If you have any additional questions after reading this article, we recommend you discuss the product with your actuary, and then contact your client liaison for assistance with coding. ✿

User Group 2006

Grab your cape and fly on over to Milwaukee this summer for the 2006 User Group Meeting.

This year's meeting will be held July 26-28 in Downtown Milwaukee. If you have not already registered but would like to attend, please contact us at usergroup@qsi-r2.com.

Attendees at this year's meeting will be learning/practicing how new products are coded (also handy for treaty amendments) and ways to use the various (and important) reports produced by the system. Hope to see you there! ✿

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.

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 02b.