



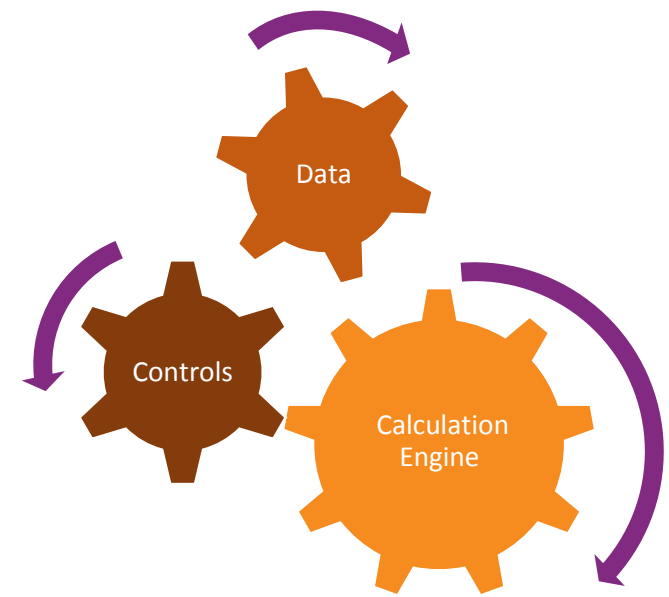
IASA 2019

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June 2-5, 2019 • Phoenix, Arizona

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Fundamentals of Automation & Controls for Property/Casualty Reinsurance

Session # 403

About Us

Martin Jackson is the Finance/Accounting Manager at MIIA P&C Group located in Boston, MA. MIIA is a self insurance group established for Massachusetts Municipalities with 2018 revenue of \$85 million and \$44 million of reinsurance recoverables.

Stephen DuPont is a Reinsurance Controller at the Liberty Mutual Insurance Group located in Boston, MA. Liberty is one of the largest P&C Insurer's in the USA with 2018 revenue of \$41.6 billion, and \$15.1 billion of reinsurance recoverables.

Myles Tilley is a Managing Director at Insurance Resolutions, Inc. (IRI), a specialty consulting firm located in Scituate, MA.

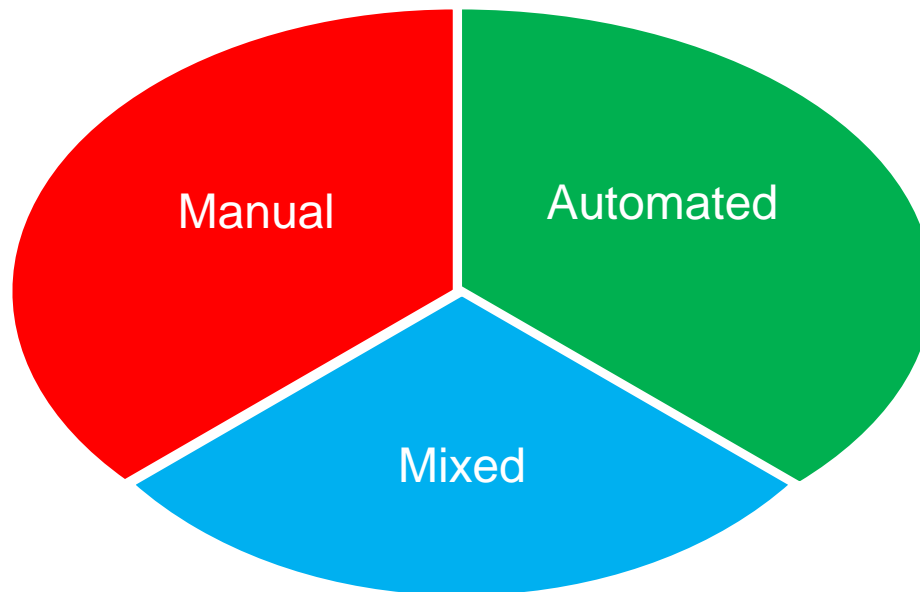
Session Objectives

After this Session you should have a basic understanding of:

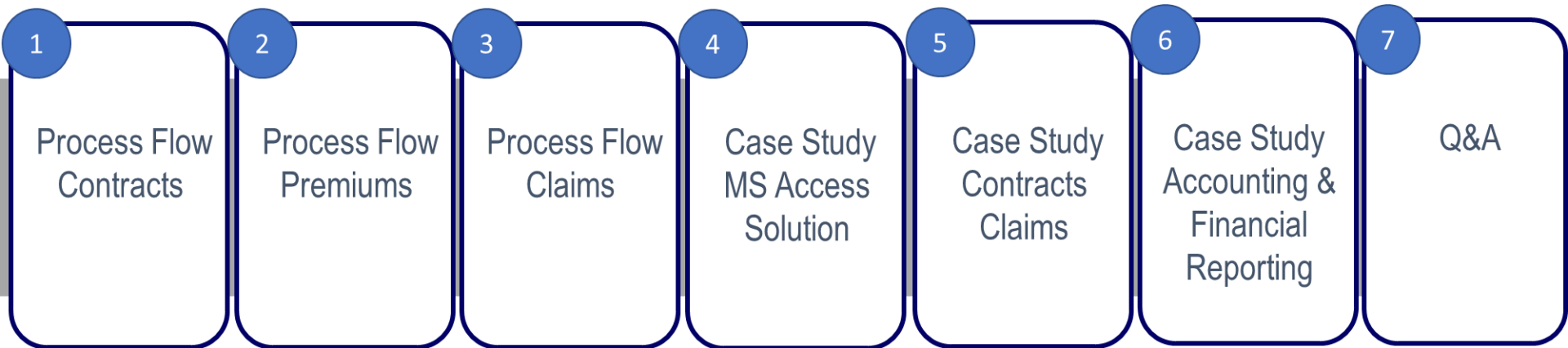
- **Reinsurance process flows for contracts, premiums, and claims**
- **Reinsurance process risks and controls designed to mitigate these risks**
- **Structure, content, and processing algorithms used in reinsurance automation**

Audience Poll

Are your current reinsurance processes?



Session Overview



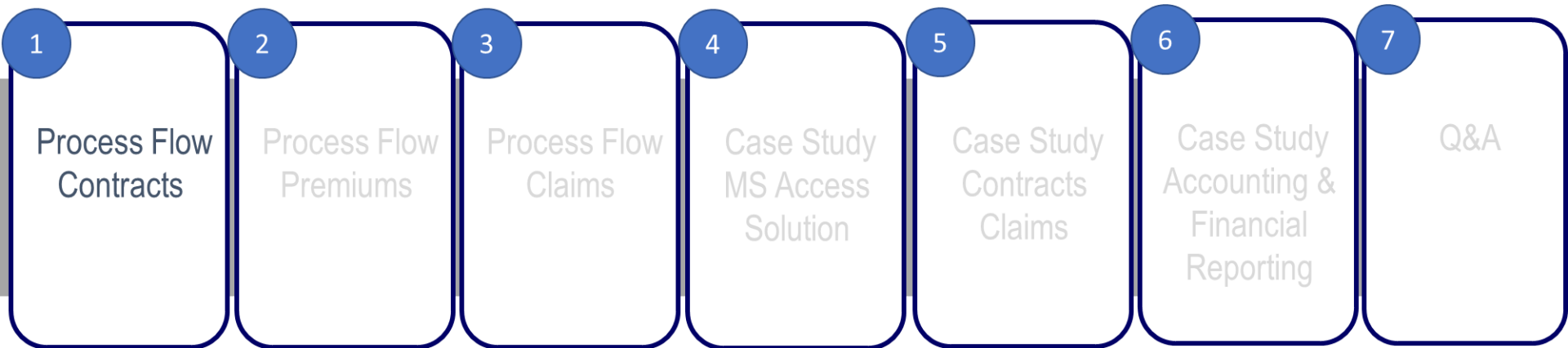
Warmup...



Refresh relevant technical knowledge/terms

- Treaty v. Facultative
- Proportional v. Excess
- Quota Share Proportional v. Surplus Share Proportional
- Losses Occurring v. Risk Attaching v. Claim Made Coverage
- LAE Coverage (Included, Excluded, Pro-rated)
- Reinsurance Collateral
- Commutation/Novation
- GAAP & SAP

Session Overview



Process Flow - Contracts

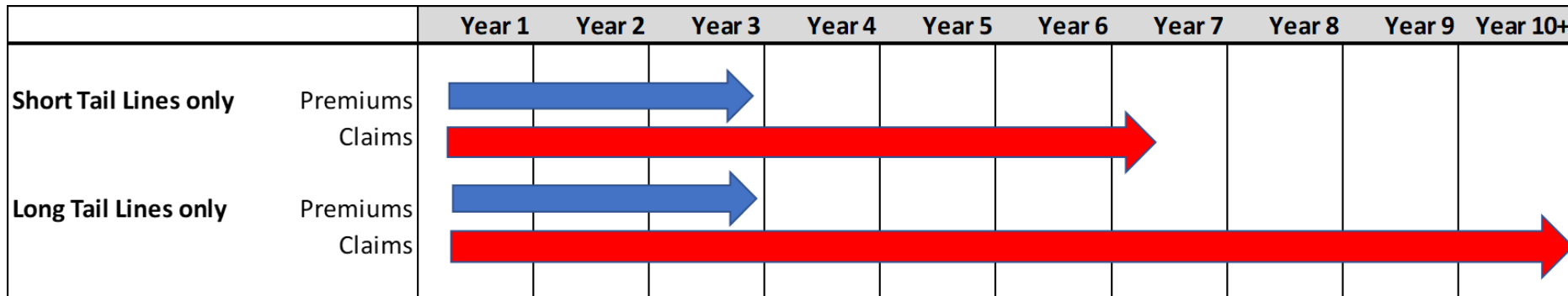
What is the life cycle of reinsurance contract?

- Starts with decision to purchase
- Proceeds to contract formulation and reinsurer selection (“Set Up”)
- On and after contract effective date for life of contract:
 - Premium accounting and payment
 - Claims accounting, reporting, billing, and collection
 - Financial reporting (internal, external, regulatory)
- Concludes with closing of final claim and/or commutation/novation



Process Flow - Contracts

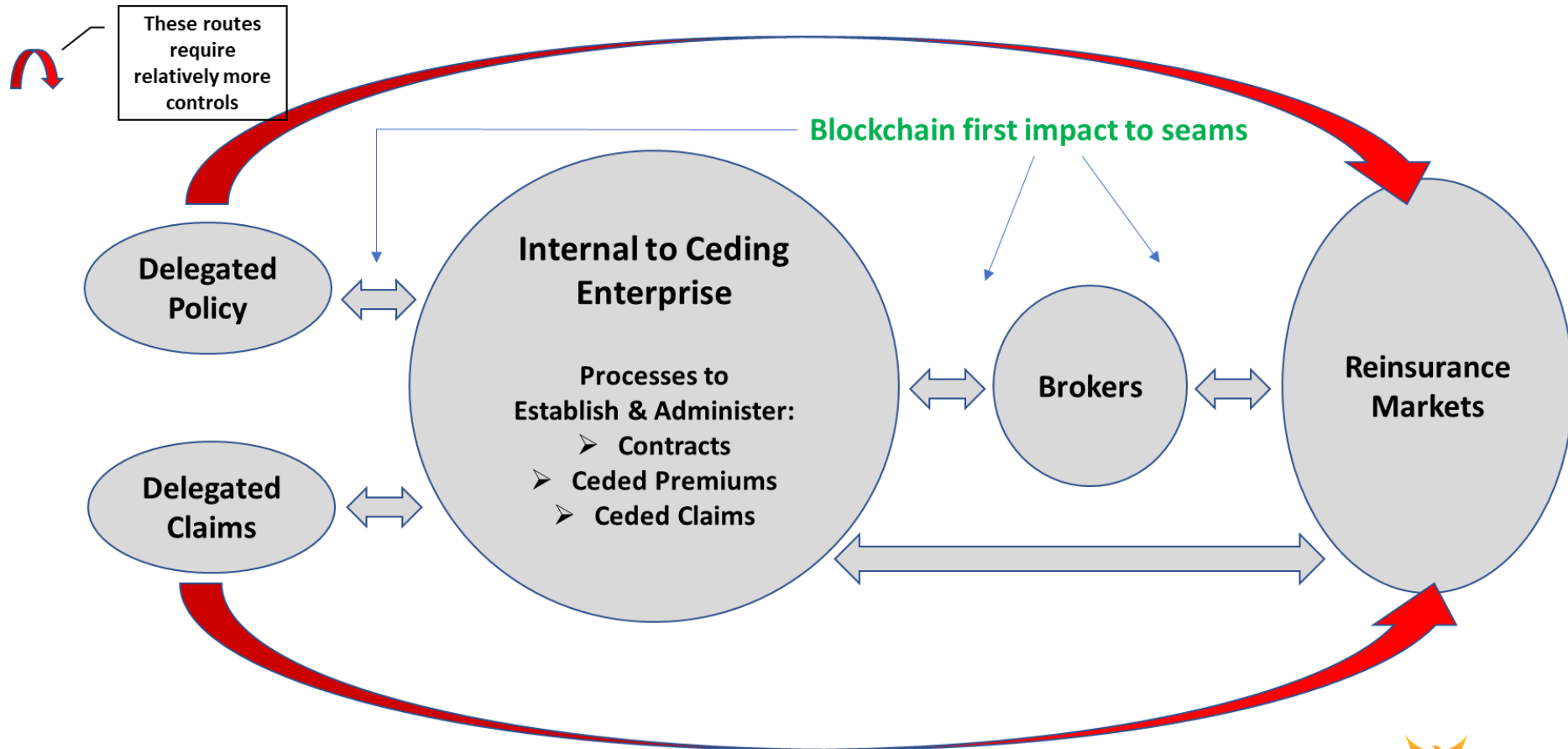
How Long does the life cycle last?



Thus: In any given calendar year, many years of contracts will be active for claim administration, accounting & reporting


Process Flow - Contracts

Reinsurance Administration Overview



Process Flow - Contracts

Contract Set Up

- 
- ✓ Contract Formulation & Negotiation
 - ✓ Reinsurer Selection
 - ✓ Accounting Model Selection
 - ✓ Contract Documentation & Preservation

Process Flow - Contracts

Contract Formulation & Negotiation



Process Risks

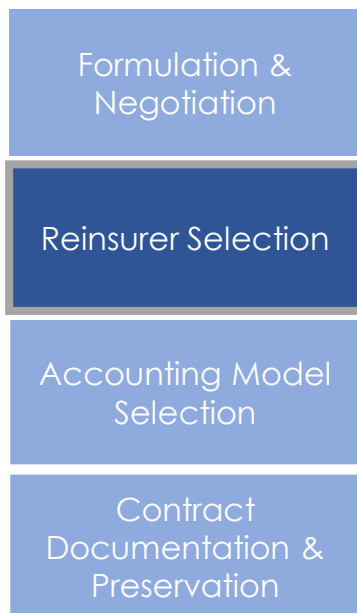
- Admin is not feasible / costly
- Risk and/or prior claim disclosures used for reinsurer pricing are inaccurate or incomplete
- SAP requirements not met

Typical Controls

- SAP62 Checklists
- Finance/Claim operations signoffs

Process Flow - Contracts

Reinsurer Selection



Process Risks

- Reinsurance bad debts
- Loss of SAP financial statement reinsurance credit

Typical Controls

- SAP62 Checklists
- Approved Reinsurer Lists
- Reinsurance Credit Committees
- Ensure collateral provisions are incorporated in reinsurance agreement

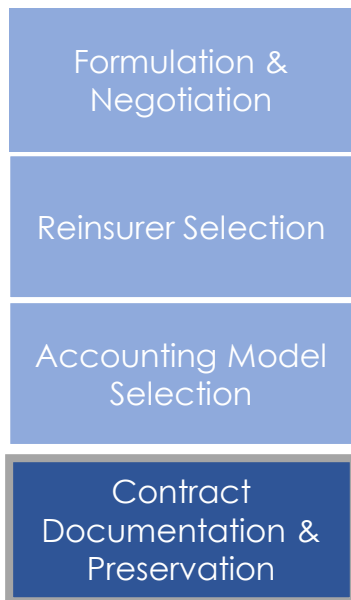
Process Flow - Contracts

Accounting Model Selection



Process Flow – Contracts

Contract Documentation



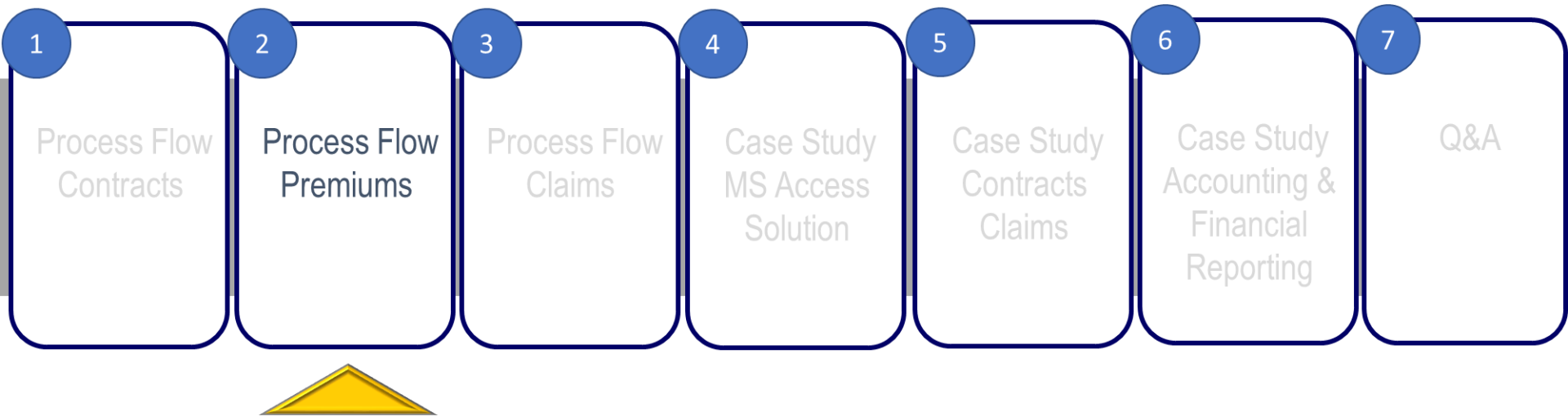
Process Risks

- Contract documentation misplaced
- SAP 90 day rule not complied with; requires retroactive accounting model for SAP
- Errors and omissions in administration

Typical Controls


- SAP62 Checklists
- Contracts electronically preserved
- Contracts easily accessible

Session Overview



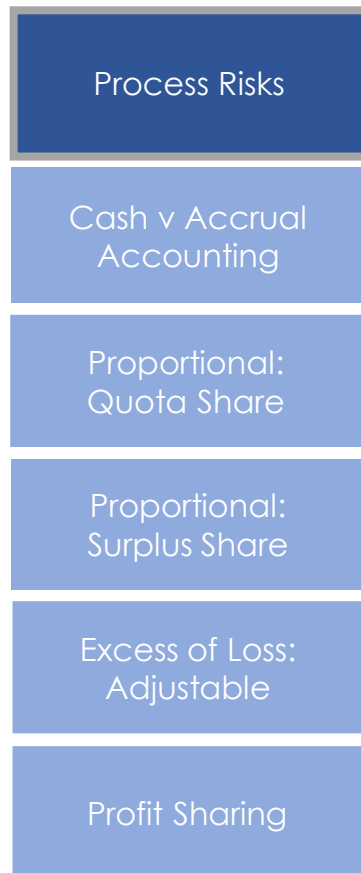
Process Flow – Premiums

Premium Accounting & Payment

- 
- ✓ Process Risks
 - ✓ Cash v Accrual Issues
 - ✓ Proportional: Quota Share
 - ✓ Proportional: Surplus Share
 - ✓ Excess of Loss: Loss Sensitive / Adjustable Premium
 - ✓ Profit Sharing

Process Flow - Premiums

Process Risk



Process Risks

- Excluded risk premium
- Exposure basis measurement errors
- Minimum premium not recognized
- Incorrect rates / shares
- Loss sensitive premium not recognized
- Profit sharing not recognized

Premium Leakage

Typical Controls

- Staff training
 - Reinsurance Technical
 - Direct Policy Technical
- Contract desk audits
- Actual v Plan variance analysis

Process Flow - Premiums

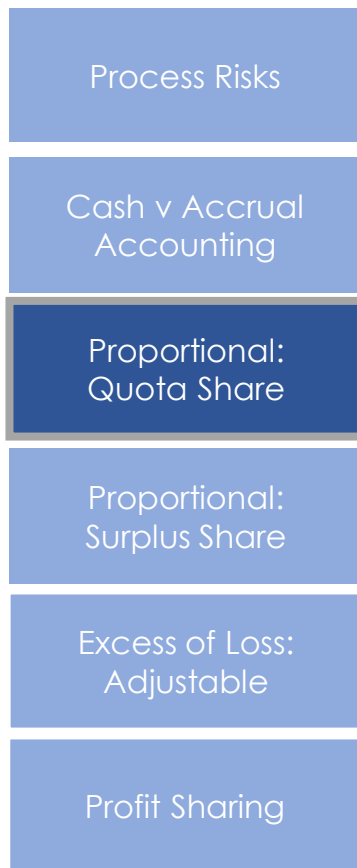
Cash v Accrual Issues



- Cash accounting
 - Usually straightforward with low process risk
- Accrual accounting
 - More complex with higher process risk
 - Requires determination of the reinsurance coverage period
 - Requires estimate of *ultimate ceded premiums*
 - Typically amortize *ultimate ceded premiums*
 - Compare recorded cash premiums to calculated accrual premiums at period close

Process Flow - Premiums

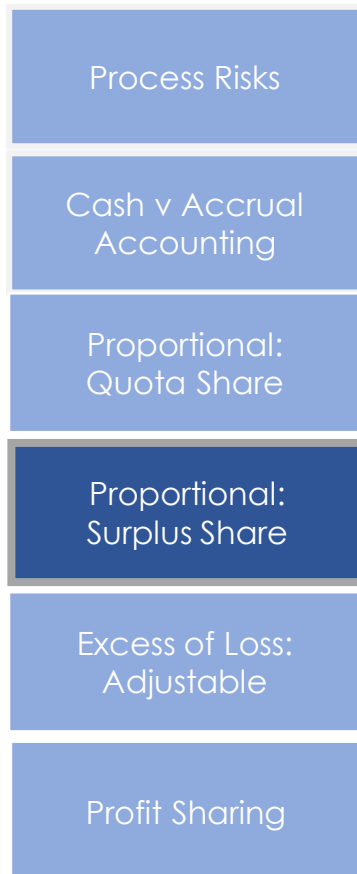
Proportional: Quota Share



- Generally very low process risk
- Higher process risk when elaborate coverage limitations are embedded
 - Aggregate Limits
 - Loss Corridors
- Ensure excluded risks are not included in premium calculations

Process Flow - Premiums

Proportional: Surplus Share



- Higher process risk than Quota Share
- Determination of cession percentages can be difficult
- Need mechanism to review cession percentages and support calculation
- Ensure excluded risks are not included in premium calculations

Process Flow - Premiums

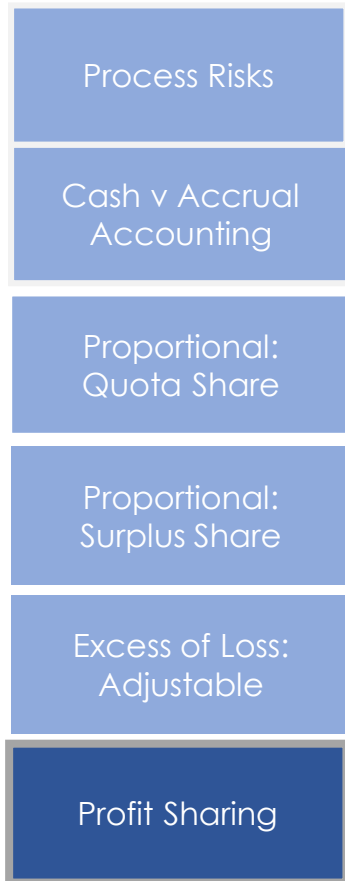
Excess of Loss: Adjustable Premiums



- Higher process risk than Proportional
- Premiums adjustable based on exposure proxies
- Measure specific exposure and incorporate into periodic premium accounting
- Ensure excluded risks are not included in premium calculations

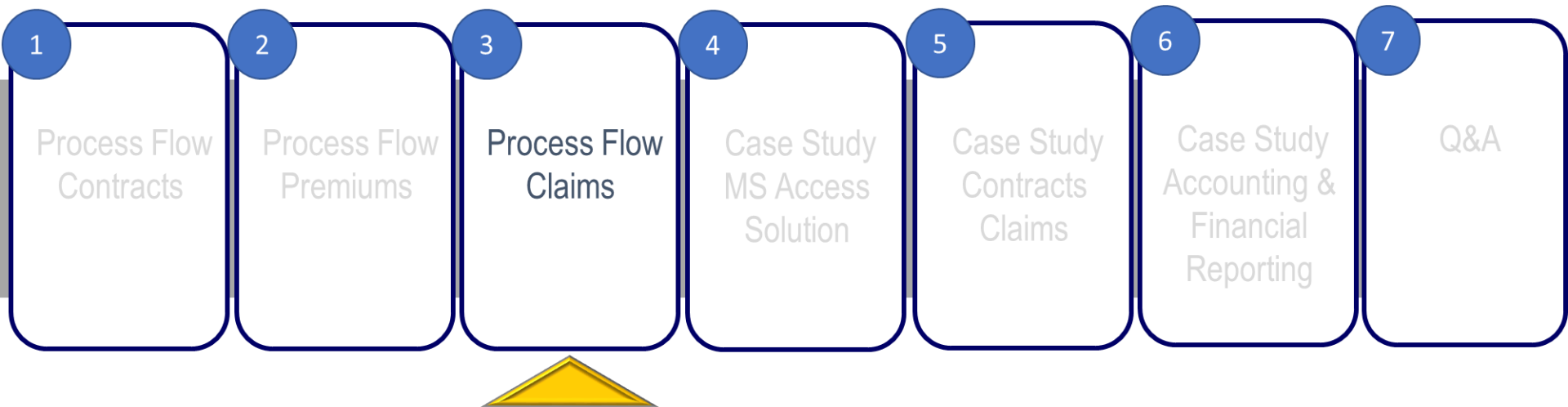
Process Flow - Premiums

Profit Sharing




- Measure profits according to contract terms and incorporate into periodic premium accounting

Session Overview



Process Flow – Claims

Claims Reporting, Billing, and Collections

- 
- ✓ Claim Data for Placement/Renewal
 - ✓ Proportional: Bordereau Reporting
 - ✓ Excess of Loss: Precautionary Claims
 - ✓ Excess of Loss: Claims Reporting and Collections
 - ✓ Claim Collateral

Process Flow - Claims

Placement/Renewal Claim Data



Process Risks

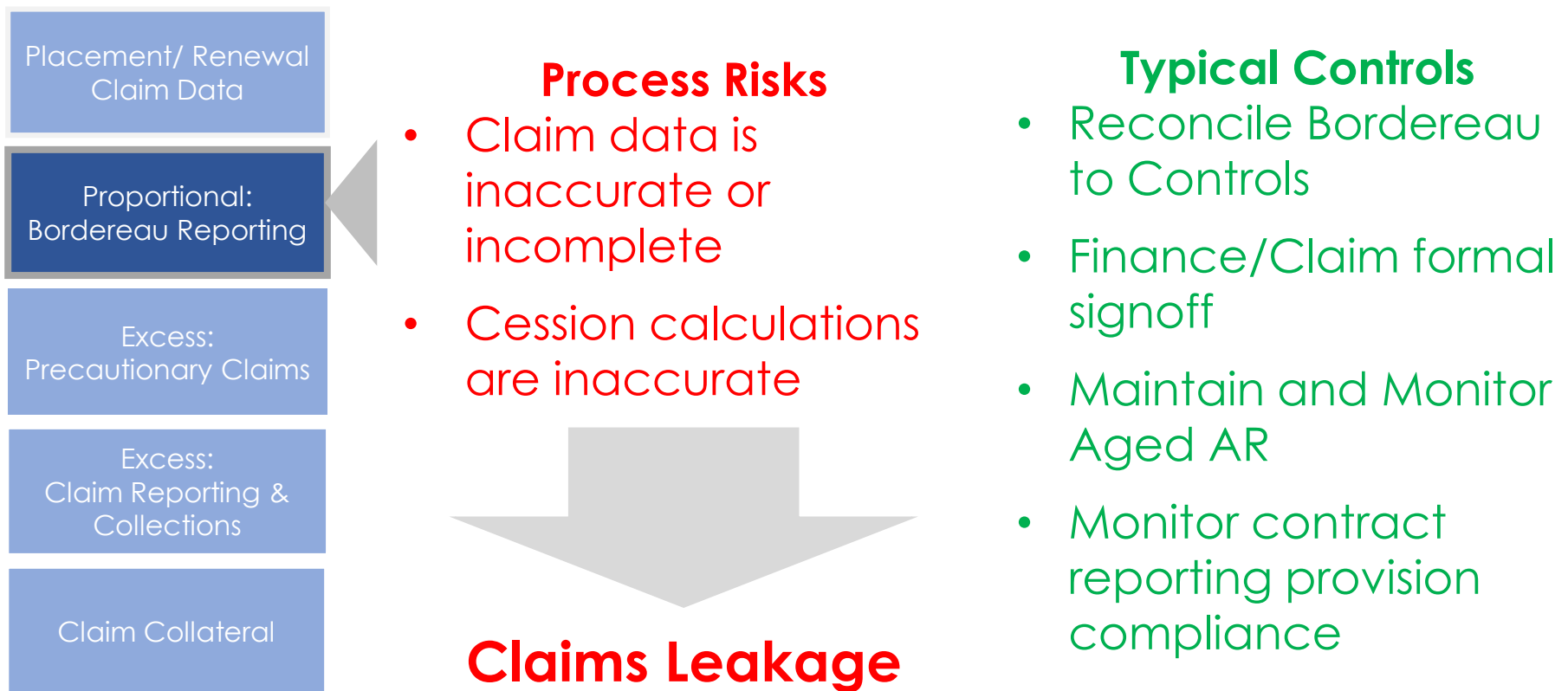
- Claim data is misstated
- Disclosure is inaccurate or incomplete
- Reinsurer disputes coverage

Typical Controls

- Staff training
 - Reinsurance Technical
 - Direct Policy Technical
- Finance/Claim formal signoff

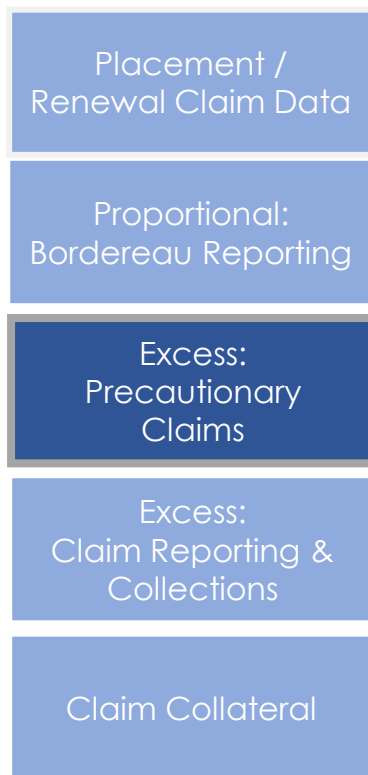
Process Flow - Claims

Proportional: Bordereau Reporting



Process Flow - Claims

Excess: Precautionary Claim Reporting



Process Risks

- Claim data is inaccurate or incomplete
- Reinsurer discomfort / disputes

Typical Controls

- Automate Reporting
- Direct Large Loss Notifications

Process Flow - Claims

Excess: Claims Reporting & Collections



Process Risks

- Claim data is inaccurate or incomplete
- Claim reports are not timely
- Reinsurance calculations are in error
- Reinsurer claims disputes



Claims Leakage

Typical Controls

- Use standard billing cycle
- Automate claim accounting
- Maintain FGU – ceded audit trail
- Maintain and monitor Aged AR
- Control/reconcile gross claims data

Process Flow - Claims

Claim Collateral (when required)



Process Risks

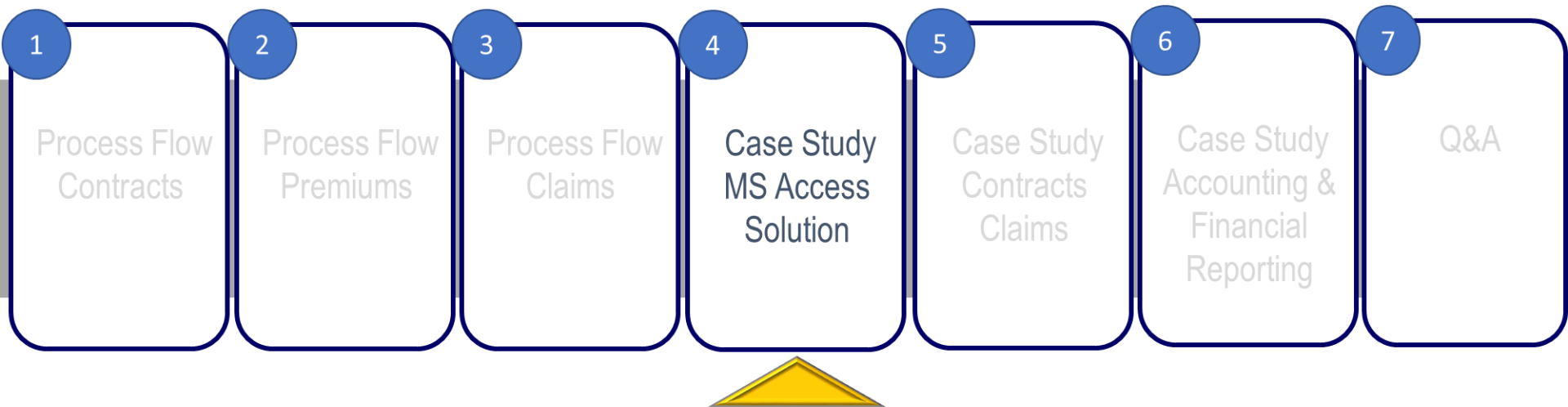
- Required collateral not obtained
- Required collateral insufficient
- SAP financial statement credit lost
- Bad debts realized

Typical Controls

- Evaluate at least annually
- Apply contract provisions
- Maintain and Monitor Collateral Information

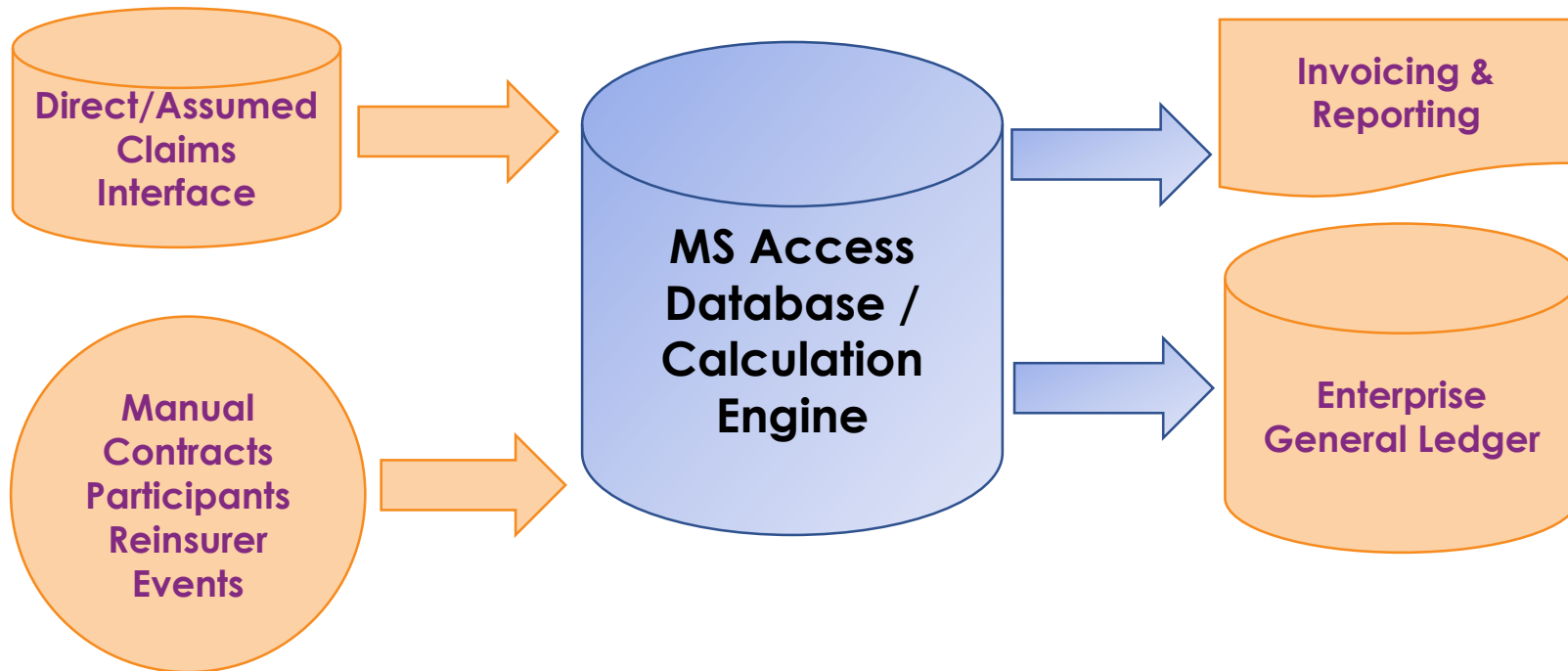
Claims Leakage

Session Overview



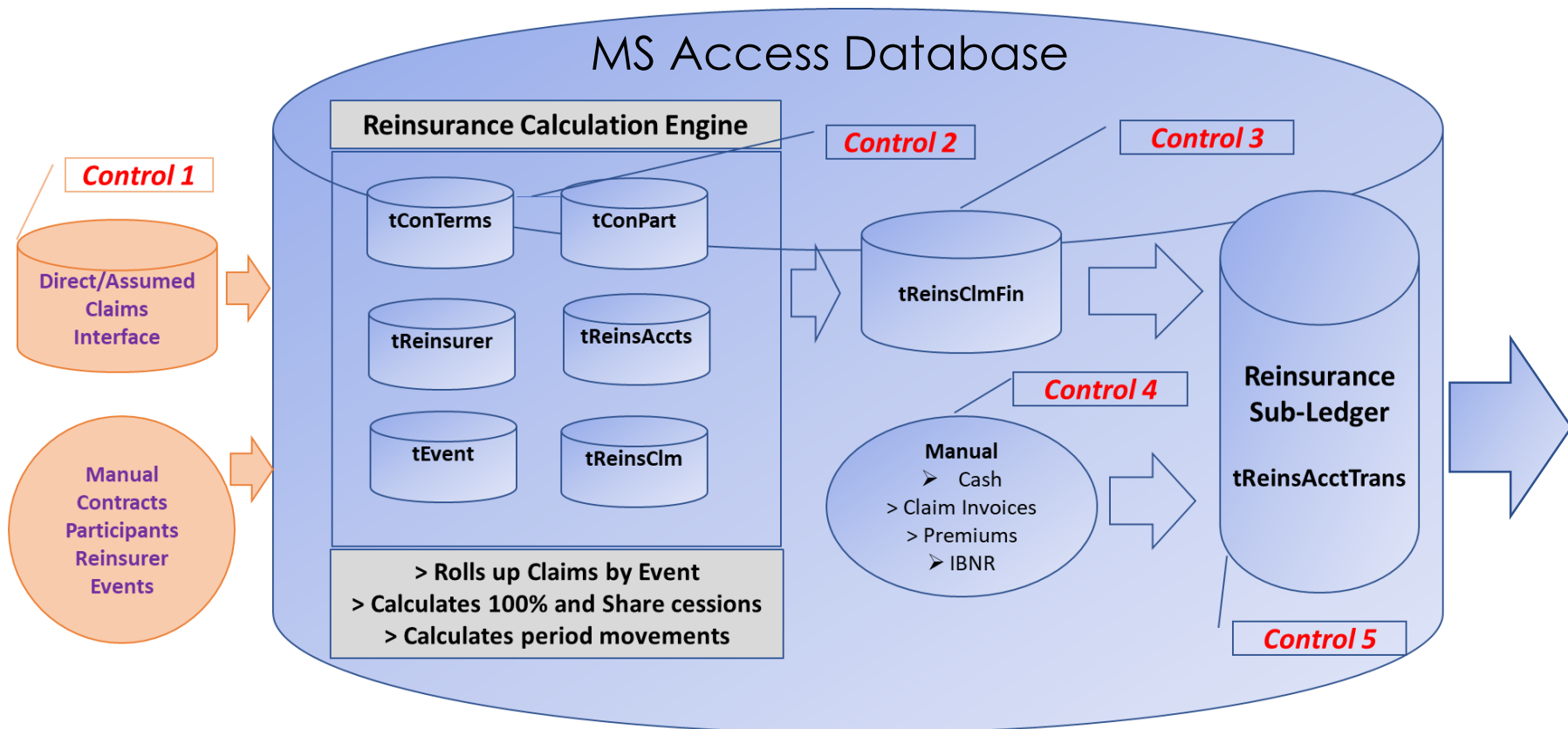
Case Study – MS Access Solution

MS Access Automated Solution



Case Study – MS Access Solution

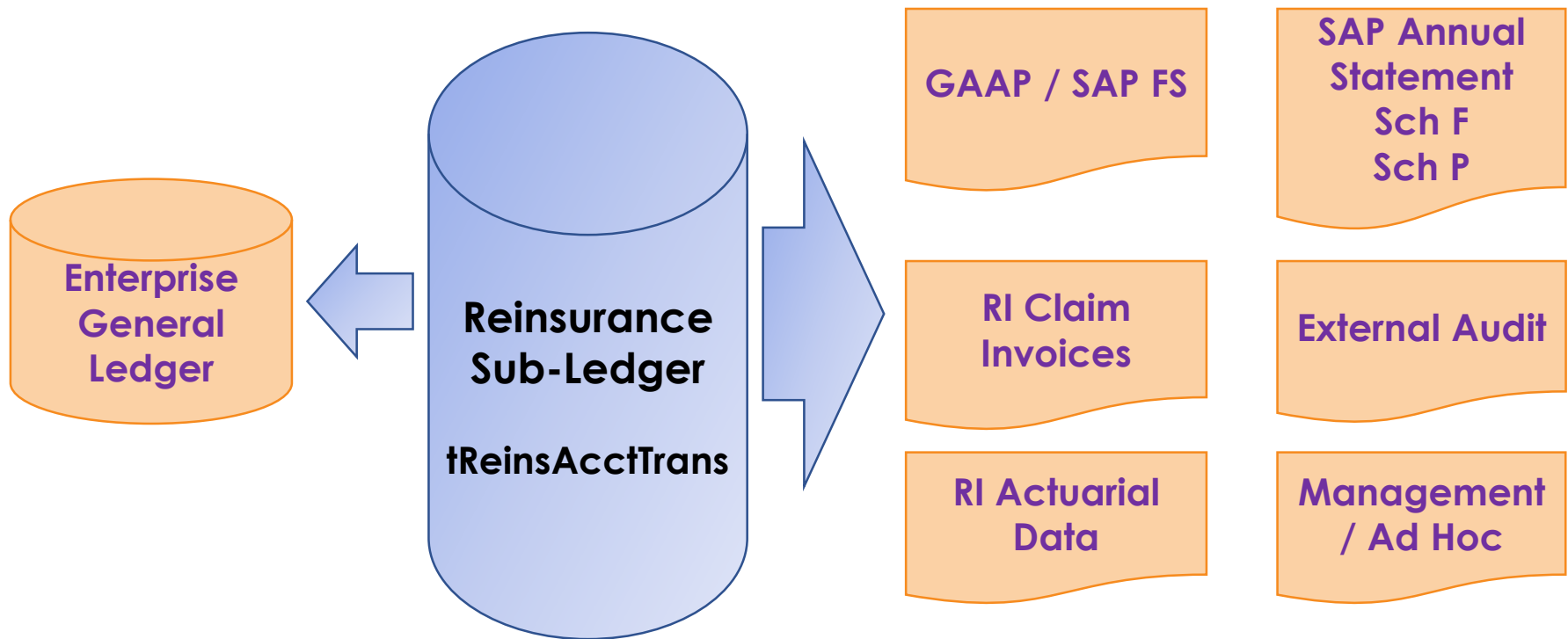
MS Access Automated Solution - Overview



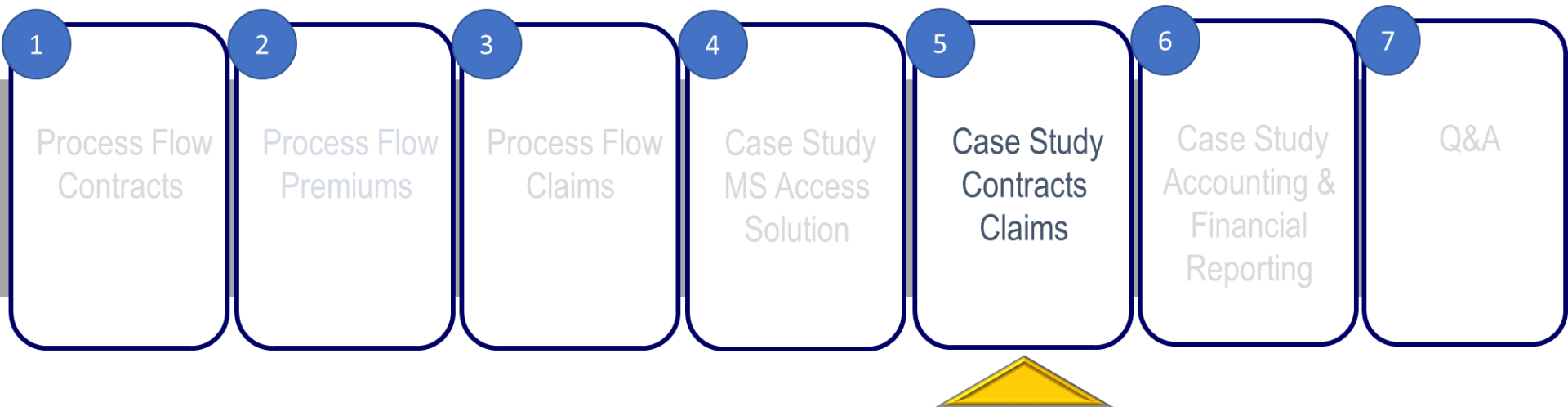
Key Controls: **1** – Reconcile to Actuarial Datasets, **2** – Confirm to sources, **3**– Test Calculations, **4** - Reconcile Cash Suspense, **5** – Reconcile all Accounts to GL, Actuarial Reports

Case Study – MS Access Solution

Interface & Reporting Capabilities



Session Overview



Case Study- Contracts/Claims

Case Study - Contracts

- ✓ Placement Slip for Camelback Insurance Prof Liab XOL
- ✓ Contract Set Up – SAP Requirements
- ✓ Contract Set Up – Reinsurer Assessment
- ✓ Contract Set Up – Accounting Model
- ✓ Key Data Elements for Contracts
- ✓ MS Access Table Illustrations

Case Study – Contracts/Claims

Case Study – Placement Slip

Placement Slip

Set Up
SAP Requirements

Set Up
Reinsurer
Assessment

Set Up
Accounting
Model

Key Contract
Data Elements

MS Access
Illustrations

<u>Placement Slip</u>	
Professional Liability Excess of Loss Reinsurance Agreement ("The Contract")	
Cedant: Camelback Insurance Company	
CLASS	All policies issued by the cedant classified as Professional Liability.
TERM	Claims made during the 12 month period commencing January 1, 2019
LIMITS	100% of \$750,000 ultimate net loss (UNL) in excess of \$250,000 per occurrence. Max all occurrences \$10M
DEFINITIONS	UNL includes all payments made by cedant in settlement of claims of policies covered. UNL excludes LAE. In addition to its payment of UNL, Reinsurers will pay their proportion of LAE
PREMIUM	Deposit \$1,500,000 annually payable in quarterly installments at 1/1, 4/1, 7/1, and 10/1. Adjustable at 12/31 at 5% of subject earned premiums. Minimum premium \$1,200,000.
OTHER	United States Dollars, Insolvency Clause, Intermediary Clause, Claim settlements Claims Information provided by cedant dated 12/15/2018
Subscribing Reinsurers:	
Accepted Share:	45% 40% 10%
Reinsurer:	Tempe Re Flagstaff Re Tucson Re
FEIN:	02-556020 04-786334 04-564233
By:	<i>John Soren</i> <i>Amy Sted</i> <i>Mitchell</i>
Date:	12/29/2018 12/26/2018 1/10/2019
Ref:	1110/2019 RC25/2019 G45710/2019

Case Study – Contracts/Claims

SAP Requirements

- Placement Slip
- Set Up SAP Requirements**
- Set Up Reinsurer Assessment
- Set Up Accounting Model
- Key Contract Data Elements
- MS Access Illustrations

Placement Slip
Professional Liability Excess of Loss Reinsurance Agreement ("The Contract")
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OTHER United States Dollars, Insolvency Clause, Intermediary Clause, Claim settlements
Claims Information provided by cedant dated 12/15/2018

Subscribing Reinsurers:

Accepted Share:	45%	40%	10%
Reinsurer:	Tempe Re	Flagstaff Re	Tucson Re
FEIN:	02-556020	04-786334	04-564233
By:	<i>Jan Soren</i>	<i>Angela Sted</i>	<i>Michael</i>
Date:	12/29/2018	12/26/2018	1/10/2019
Ref:	1110/2019	RC25/2019	G45710/2019

Required SAP terms are present



Executed within 90 days of effective date



Case Study – Contracts/Claims

Reinsurer Assessment

- Placement Slip
- Set Up SAP Requirements
- Set Up Reinsurer Assessment**
- Set Up Accounting Model
- Key Contract Data Elements
- MS Access Illustrations

Placement Slip
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PREMIUM Deposit \$1,500,000 annually payable in quarterly installments at 1/1, 4/1, 7/1, and 10/1. Adjustable at 12/31 at 5% of subject earned premiums. Minimum premium \$1,200,000.

OTHER United States Dollars, Insolvency Clause, Intermediary Clause, Claim settlements
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Reinsurer:	Tempe Re	Flagstaff Re	Tucson Re
FEIN:	02-556020	04-786334	04-564233
By:	<i>Jana Sosa</i>	<i>Amy Stark</i>	<i>Michaelment</i>
Date:	12/29/2018	12/26/2018	1/10/2019
Ref:	1110/2019	RC25/2019	G45710/2019

All Reinsurers:

- On Credit Committee "approved" list
✓
- Authorized in Domicile State
✓
- Collateral not required
✓

Case Study – Contracts/Claims

Accounting Model / Documentation

- Placement Slip
- Set Up SAP Requirements
- Set Up Reinsurer Assessment
- Set Up Accounting Model
- Key Contract Data Elements
- MS Access Illustrations

Placement Slip
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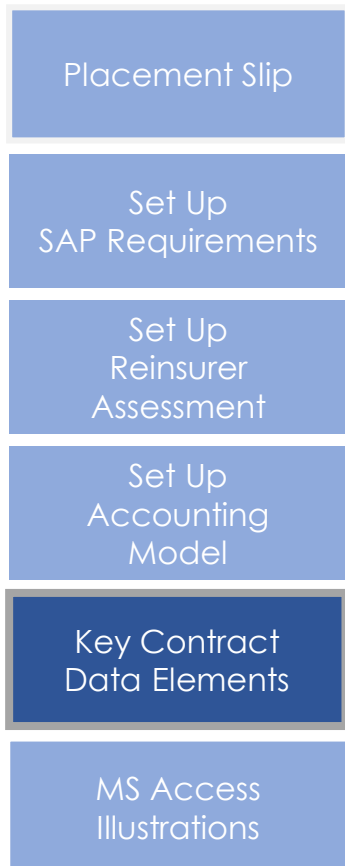
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By:	<i>John Soren</i>	<i>Steph Stank</i>	<i>Michael Gorman</i>
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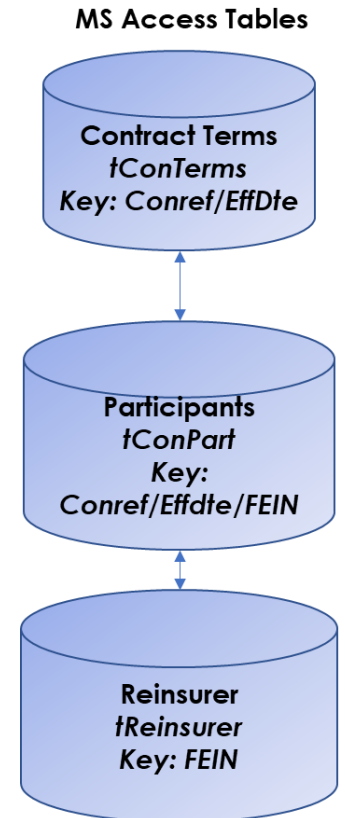
- Contract Transfers Risk ✓
- Contract is Prospective ✓
- Model = Prospective Reinsurance ✓
- Documents Preserved ✓

Case Study – Contracts/Claims

Key Contract Data Elements



- Contract Ref
- Effective Date
- Expiration Date & Basis
- Limits & Retentions
- Loss Attachment Basis
- LAE Basis
- Estimated Ultimate Premium
- Premium Amortization Period
- Contract Participants and shares
- Reinsurer details
- Accounting Model



Case Study – Contracts/Claims

MS Access Table: tConTerms

- Placement Slip
- Set Up SAP Requirements
- Set Up Reinsurer Assessment
- Set Up Accounting Model
- Key Contract Data Elements
- MS Access Illustrations

Field Name	Data Type	
ConRef	Short Text	Contract Reference
EffDte	Date/Time	Term Effective Date
ExpDte	Date/Time	Term Expiration Date
RIBasis	Short Text	RI Basis
Lyr	Number	Layer
LOB	Short Text	Coverage
Ret	Number	Retention
Lmt	Number	Limit
RBasis	Short Text	Retention Basis
LBasis	Short Text	Limit Basis
OccurMax	Number	All Occurrences Maximum Retention
MemMax	Number	Per Occurrence Maximum Retention

Camelback's contract:

ConRef : PROF-2019L1

EffDte : 1/1/2019

ExpDte : 12/31/2019

RIBasis : CMD

Lyr : 1

LOB : 17.2

Ret : 250,000

Lmt : 750,000

Rbasis : per occurrence

Lbasis : per occurrence

LAEBasis : Pro Rata

AggLmt : 10,000,000

Acctg Model: Prospective

Case Study – Contracts/Claims

MS Access Table: tConParts

- Placement Slip
- Set Up SAP Requirements
- Set Up Reinsurer Assessment
- Set Up Accounting Model
- Key Contract Data Elements
- MS Access Illustrations

Field Name	Data Type
ConRef	Short Text
EffDte	Date/Time
SecFEIN	Short Text
SecShare	Number
RIRef	Short Text

Tempe Re Participation:
 ConRef : PROF-2019L1
 EffDte : 1/1/2019
 SecFEIN: 02-556020
 SecShare : 45%
 RIRef : 1110/2019

Flagstaff Re Participation:
 ConRef : PROF-2019L1
 EffDte : 1/1/2019
 SecFEIN: 04-786334
 SecShare : 40%
 RIRef : RC25/2019

Tucson Re Participation:
 ConRef : PROF-2019L1
 EffDte : 1/1/2019
 SecFEIN: 04-564233
 SecShare : 10%
 RIRef : G45710/2019

Case Study – Contracts/Claims

MS Access Table: tReinsurer

- Placement Slip
- Set Up SAP Requirements
- Set Up Reinsurer Assessment
- Set Up Accounting Model
- Key Contract Data Elements
- MS Access Illustrations

Field Name	Data Type
SecFEIN	Short Text
SecName	Short Text
Address1	Short Text
Address2	Short Text
City	Short Text
State	Short Text
ZipCd	Number
Phone	Number
FormerName	Short Text


Tempe Re:
 SecFEIN: 02-556020
 SecName : Tempe Reinsurance
 Address1 : 100 Main Street
 Address2 : Suite 700
 City : Tempe
 State : AZ
 ZipCd : 85280

Flagstaff Re:
 SecFEIN: 04-786334
 SecName : Flagstaff Re Corp.
 Address1 : 55 Canyon Ave
 Address2 :
 City : Flagstaff
 State : AZ
 ZipCd : 86001

Tucson Re:
 SecFEIN: 04-564233
 SecName : Tucson Insurance Co.
 Address1 : 10 Starr Pass Rd
 Address2 :
 City : Tucson
 State : AZ
 ZipCd : 85737

Case Study- Contracts/Claims

Case Study - Claims

- 
- ✓ Key Data Elements for Claims
 - ✓ Claims Data Conditioning
 - ✓ MS Access Calculation Engine Features
 - ✓ MS Access Table Illustrations

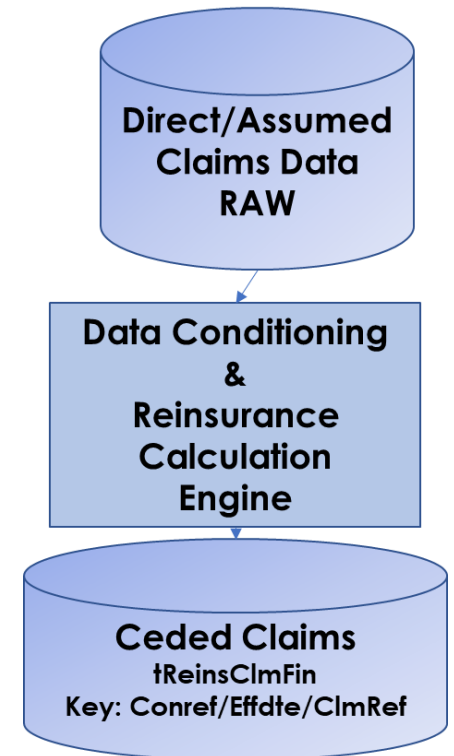
Case Study – Contracts/Claims

Key Claim Data Elements



- Policy Ref
- Claim Ref
- Master Claim Ref / CAT code
- Date of Loss (Occurrence)
- Date of Report (Claims Made)
- Policy Effective date
- Line code
- Paid Loss inception to date*
- Paid LAE inception to date*
- Incurred Loss inception to date*
- Incurred LAE inception to date*
- Quarter ending

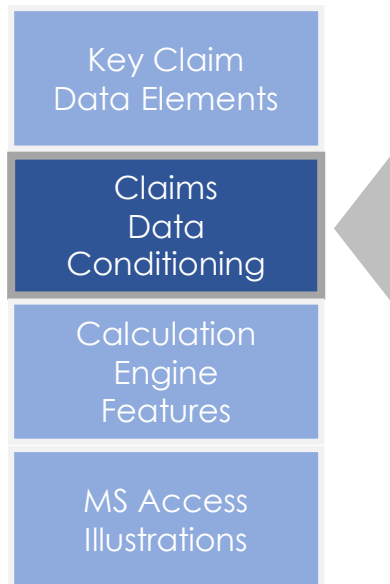
MS Access Tables



*** Maintain both “ground up” and associated 100% “ceded”**

Case Study – Contracts/Claims

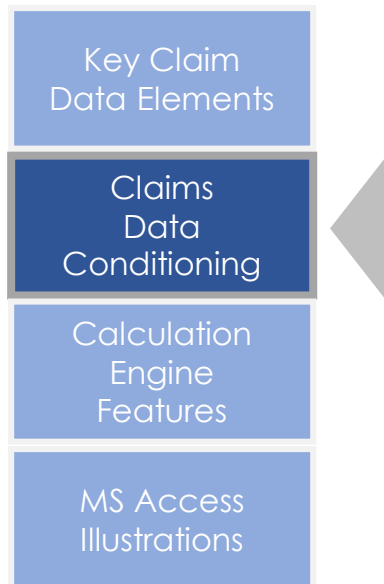
Claims Data Conditioning



- Commonly sourced from multiple disparate claim systems
- “Data Conditioning” is required to prepare uniform dataset for input to Calculation Engine
- Maintaining an audit trail to connect “Conditioned” claims data back to underlying claims system data

Case Study – Contracts/Claims

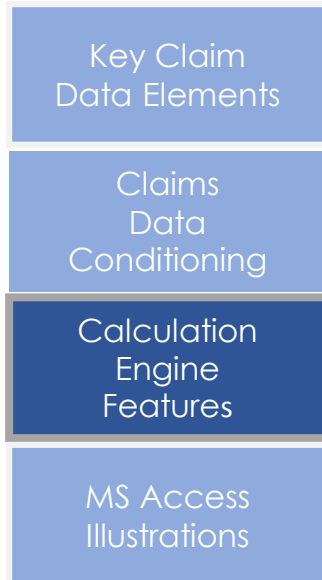
Claims Data Conditioning



- Data conditioning may consist of:
 - Creating consistent data buckets for “Loss” and “Expense”
 - Creating consistently formatted common data elements
 - Associating multiple claims involved in one occurrence
 - Correcting for coding errors in underlying claims systems

Case Study – Contracts/Claims

Calculation Engine Basic Features

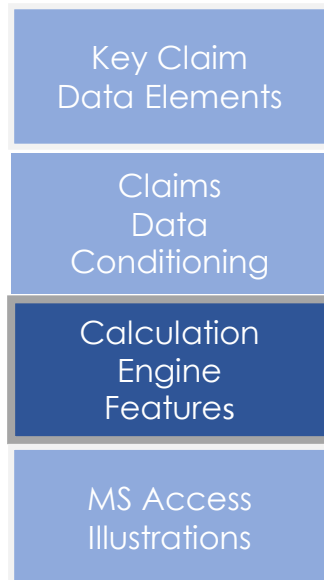


For each record in **tConTerms**:

- Conditioned claims dataset is searched for any claims that qualify for cession
- Determine if a financial cession exists by performing calculations based on contract rules
- When a Loss Incurred or Paid cession is determined, there may be an LAE incurred or LAE Paid cession
- Write records to the tReinsClmFin table for each claim where a financial cession exists

Case Study – Contracts/Claims

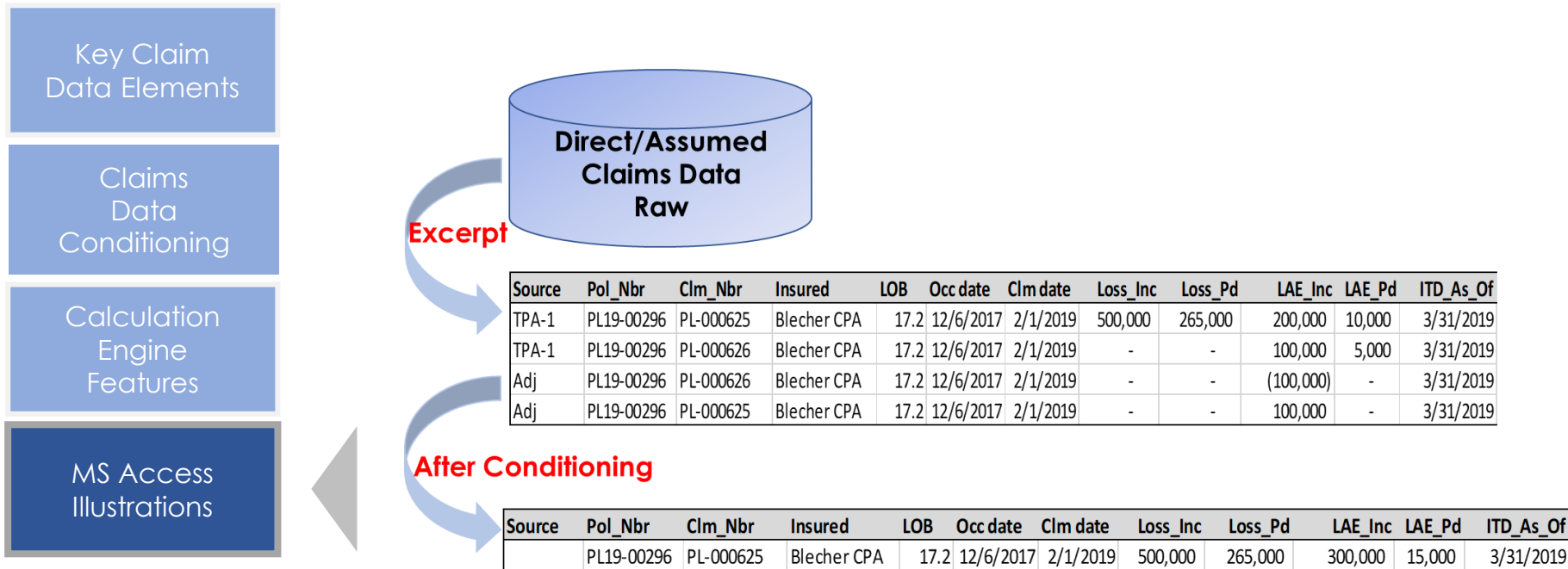
Calculation Engine Advanced Features



- Reinsurance contracts “inure” to other contracts
 - Requires establishing cession “priorities”
 - Requires performing calculations in “waves” and preserving intermediate “net’s” for use in lower priority contract calculations
- Reinsurance contracts have Aggregate Deductibles
- Reinsurance contracts provide Aggregate Coverage
- Reinsurance contracts include Aggregate Limits such as limited reinstatements

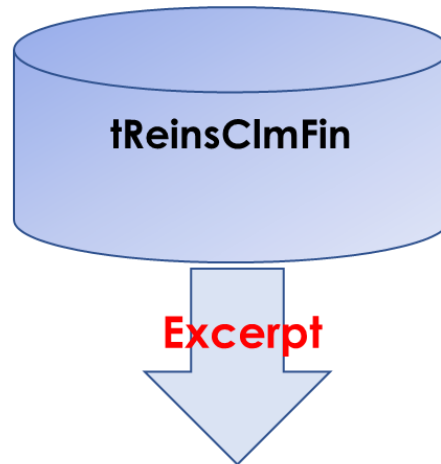
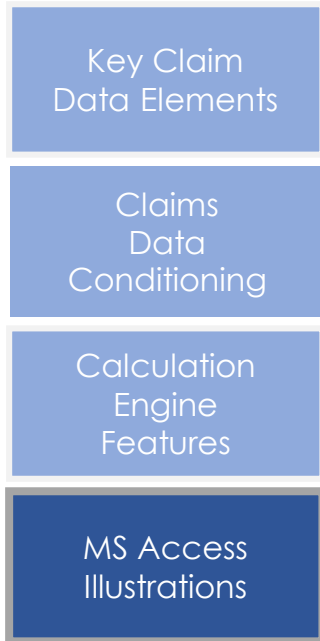
Case Study- Contracts/Claims

MS Access Table: Direct/Assumed Claims Interface



Case Study- Contracts/Claims

MS Access Table: tReinsCImFin



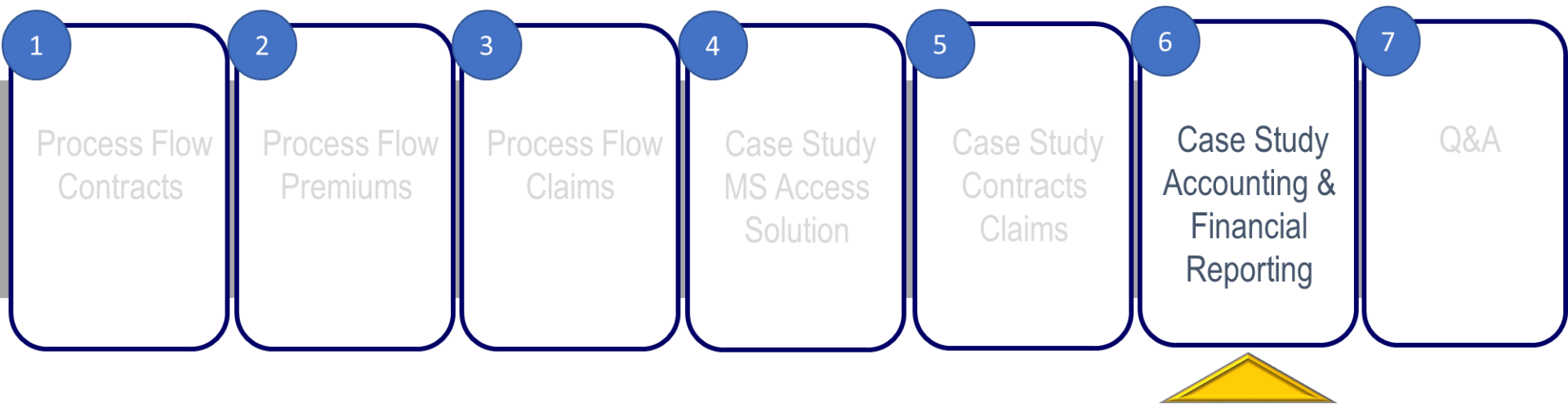
!! Most Importantly, this table holds the latest Calculation Engine Results AND an audit trail from the underlying claims to the related cessions to various reinsurance contracts.

$$15,000 \times 15,000 / 265,000 = \$849$$

Clm_Ref	ConRef	LOB	FGU_Pd_Loss	FGU_Pd_LAE	FGU_Inc_Loss	FGU_Inc_LAE	Ced_Pd_Loss	Ced_Pd_LAE	Ced_Inc_Loss	Ced_Inc_LAE
PL-000625	PROF-2019L1	17.2	265,000	15,000	500,000	300,000	15,000	849	250,000	150,000

$$300,000 \times 250,000 / 500,000 = \$150,000$$

Session Overview



Case Study- Accounting and Financial Reporting

Case Study – Accounting and Reporting



- ✓ Key Data Elements for Accounting

- ✓ Sources of Entries

- ✓ Chart of Accounts and Rules

- ✓ MS Access Table Illustrations

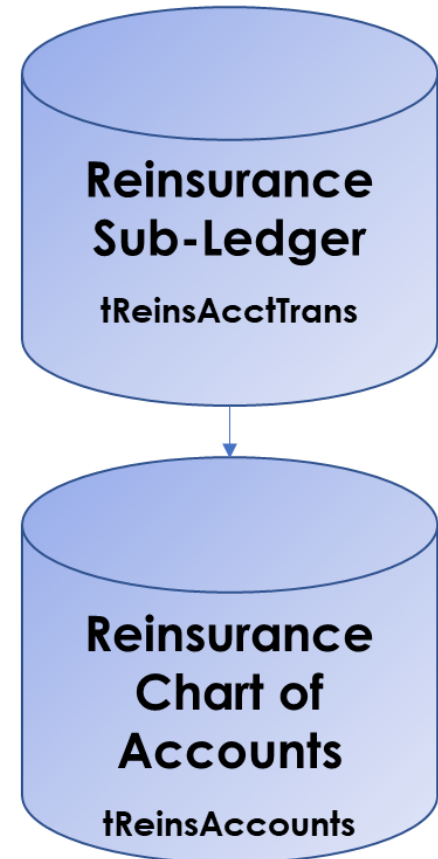
Case Study – Accounting and Financial Reporting

Key Data Elements – Account and Reporting



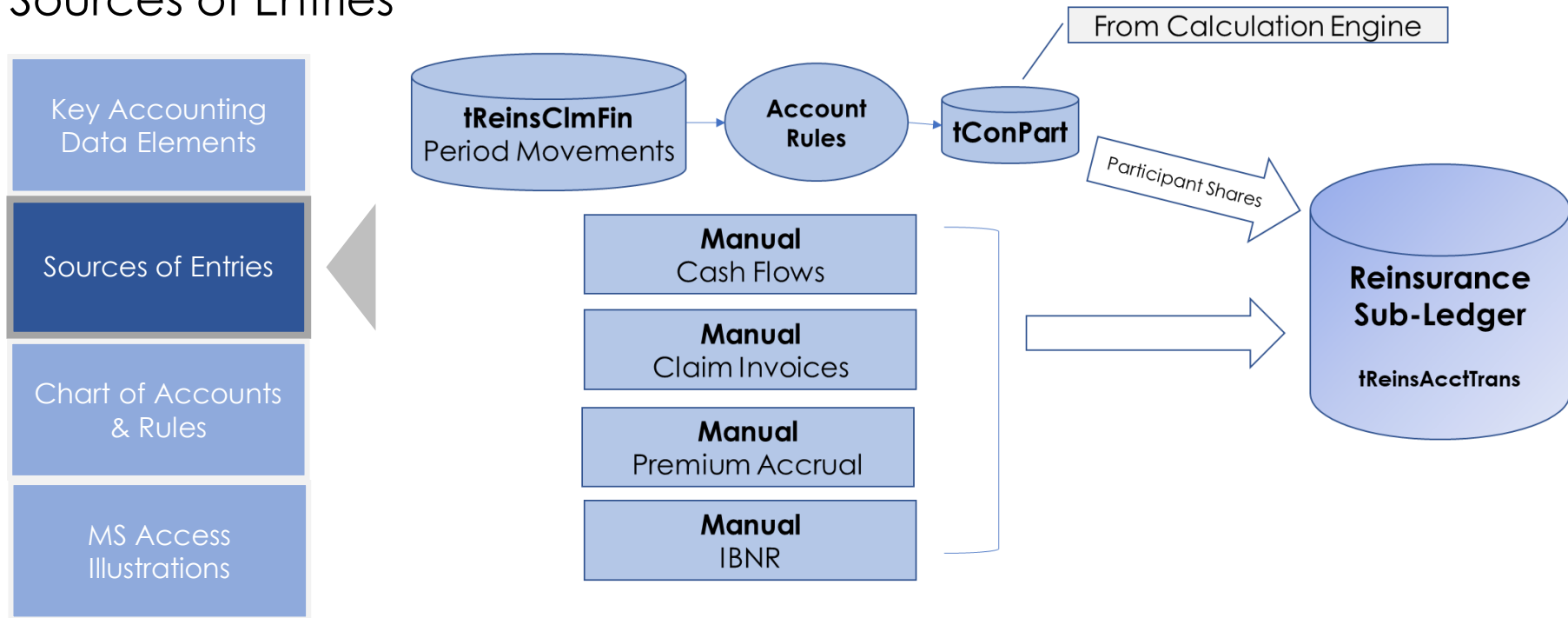
- Contract Reference
- Contract EffDte
- LOB
- Clm_Ref
- FEIN
- SL_Account
- Jrnl_ID
- Jrnl_Desc
- InvoiceRef
- InvoiceDate
- Acct_Per
- Amount

MS Access Tables



Case Study – Accounting and Financial Reporting

Sources of Entries



Case Study – Accounting and Financial Reporting

Chart of Account and Rules



SL_Account	Account_Name	From Calculation Engine				Manual Entries				
		Ced Pd Loss +	Ced Pd LAE +	Inc Ced Loss +	Inc Ced LAE +	Claim Cash +	Claim Invoice +	Premium Cash +	Premium Accrual+	IBNR +
1001	Reinsurance - cash suspense					D		C		
1500	Reins. Recoverable Unbilled	D	D				C			
1550	Reins. Recoverables - Course Collection					C	D			
2000	Case Loss Reserve - ceded	C		D						
2050	Case LAE Reserve - ceded		C		D					
2500	IBNR Loss Reserve - ceded									D
2550	IBNR LAE Reserve - ceded									D
2800	Unearned Premium - ceded								D	
5000	Ceded Premiums Written							D		
6000	Change in Unearned - ceded								C	
7000	Loss paid - ceded	C								
7050	LAE paid - ceded		C							
8000	Change in Case Loss Reserve - ceded	D		C						
8050	Change in Case LAE Reserve - ceded		D		C					
8500	Change in IBNR Loss Reserve - ceded									C
8550	Change in IBNR LAE Reserve - ceded									C

Case Study – Accounting and Financial Reporting

MS Access Table - tReinsAcctTrans

Source: Claims from Calculation Engine

Key Accounting Data Elements

Sources of Entries

Chart of Accounts & Rules

MS Access Illustrations

ConRef	LOB	CLM_Ref	SecFEIN	SL_Accou	Jrnl_ID	Jrnl_Desc	InvoiceR	InvoiceDa	ACCT_PI	Amount
PROF-2019L1	17.2	PL-000625	02-556020	1500	CEDED20190331	CEDED Activity 201903			201903	7,132
PROF-2019L1	17.2	PL-000625	02-556020	2000	CEDED20190331	CEDED Activity 201903			201903	105,750
PROF-2019L1	17.2	PL-000625	02-556020	2050	CEDED20190331	CEDED Activity 201903			201903	67,118
PROF-2019L1	17.2	PL-000625	02-556020	7000	CEDED20190331	CEDED Activity 201903			201903	(6,750)
PROF-2019L1	17.2	PL-000625	02-556020	7050	CEDED20190331	CEDED Activity 201903			201903	(382)
PROF-2019L1	17.2	PL-000625	02-556020	8000	CEDED20190331	CEDED Activity 201903			201903	(105,750)
PROF-2019L1	17.2	PL-000625	02-556020	8050	CEDED20190331	CEDED Activity 201903			201903	(67,118)

These records are produced by the Calculation Engine and represent Tempe Re share (45%) of the movements in tReClmFin for the period ending 201903, applying rules on prior slide.

For example: 100% ceded paid loss/LAE of \$15,849 translates to \$7,132

Analogous records are stamped out for the Flagstaff Re (40%) and Tucson Re (10%) shares.

Case Study – Accounting and Financial Reporting

MS Access Table - tReinsAcctTrans

Source: Claims Invoicing

Key Accounting Data Elements

Sources of Entries

Chart of Accounts & Rules

MS Access Illustrations

Camelback Insurance Company
100 Main Street
Scottsdale, AZ

Reinsurance Claim Invoice

Reinsurance Contract Reference	PROF-2019L1
Effective Date	1/1/2019
Limits	95% of \$750,000 excess \$250,000
Reinsurer Name	Tempe Re
Reinsurer Share	45% part of 95%
Invoice Reference	3/31/2019
Claimant Name	Mark Watson
Insured Name	Blecher CPA
Claim Reference	PL-000625
Accident Date	12/6/2017
Claim Made Date	2/1/2019
Valuation Date	3/31/2019

	Paid	Reserve	Incurred
Ground-up Loss	\$ 265,000.00	\$ 235,000.00	\$ 500,000.00
Ground-up LAE	15,000.00	285,000.00	300,000.00
Subtotal	280,000.00	520,000.00	800,000.00
Ceded Loss	15,000.00	235,000.00	250,000.00
Ceded LAE	849.06	149,150.94	150,000.00
Subtotal	15,849.06	384,150.94	400,000.00
Your Share 45%	7,132.08	172,867.92	180,000.00
Recoveries through Valuation Date	-		
Prior Invoices Outstanding	-		
Amount Due this Invoice	7,132.08		
Total Balance Due	\$ 7,132.08		

CLM_Ref	SecFEIN	SL_Accou	Jrnl_ID	Jrnl_Desc	InvoiceRef	InvoiceDate	ACCT_P	Amount
PL-000625	02-556020	1500	BILL20190331	INVOICE			201903	(7,132)
PL-000625	02-556020	1501	BILL20190331	INVOICE	INV03312019	3/31/19	201903	7,132

This entry moves the receivable from “unbilled” to “in course of collection” and supports aging functionality.

Analogous entries are created for Flagstaff Re and Tucson Re.

Case Study – Accounting and Financial Reporting

MS Access Table - tReinsAcctTrans

Source: Manual Premium Cash Flow

Key Accounting
Data Elements

Sources of Entries

Chart of
Accounts & Rules

MS Access
Illustrations

ConRef	LOB	CLM_Ref	SecFEIN	SL_Account	Jrnl_ID	Jrnl_Desc	InvoiceRef	InvoiceDate	ACCT_PER	Amount
PROF-2019L1	17.2		02-556020	1001	CASH201903	Check 347668 dated 2/7/2019			201903	(168,750)
PROF-2019L1	17.2		04-786334	1001	CASH201903	Check 347669 dated 2/7/2019			201903	(150,000)
PROF-2019L1	17.2		04-564233	1001	CASH201903	Check 347670 dated 2/7/2019			201903	(37,500)
PROF-2019L1	17.2		02-556020	5000	CASH201903	Check 347668 dated 2/7/2019			201903	168,750
PROF-2019L1	17.2		04-786334	5000	CASH201903	Check 347669 dated 2/7/2019			201903	150,000
PROF-2019L1	17.2		04-564233	5000	CASH201903	Check 347670 dated 2/7/2019			201903	37,500

Records payment of Deposit due at 1/1/2019 to each Reinsurer

Case Study – Accounting and Financial Reporting

MS Access Table - tReinsAcctTrans

Source: Manual Premium Accrual Entry

Key Accounting Data Elements

Sources of Entries

Chart of Accounts & Rules

MS Access Illustrations

ConRef	LOB	CLM_Ref	SecFEIN	SL_Account	Jrnl_ID	Jrnl_Desc	InvoiceRef	InvoiceDate	ACCT_PER	Amount
PROF-2019L1	17.2		02-556020	2800	CEDPRM201903	Ceded Premium accrual at 3.31.2019			201903	(42,188)
PROF-2019L1	17.2		04-786334	2800	CEDPRM201903	Ceded Premium accrual at 3.31.2019			201903	(37,500)
PROF-2019L1	17.2		04-564233	2800	CEDPRM201903	Ceded Premium accrual at 3.31.2019			201903	(9,375)
PROF-2019L1	17.2		02-556020	6000	CEDPRM201903	Ceded Premium accrual at 3.31.2019			201903	42,188
PROF-2019L1	17.2		04-786334	6000	CEDPRM201903	Ceded Premium accrual at 3.31.2019			201903	37,500
PROF-2019L1	17.2		04-564233	6000	CEDPRM201903	Ceded Premium accrual at 3.31.2019			201903	9,375

Assume latest estimate of subject earned premium for Prof Liab for 12 mos CY 2019 is \$37.5 million

100% ceded ultimate premium estimate is therefore \$1.875M (5% x \$37.5M)

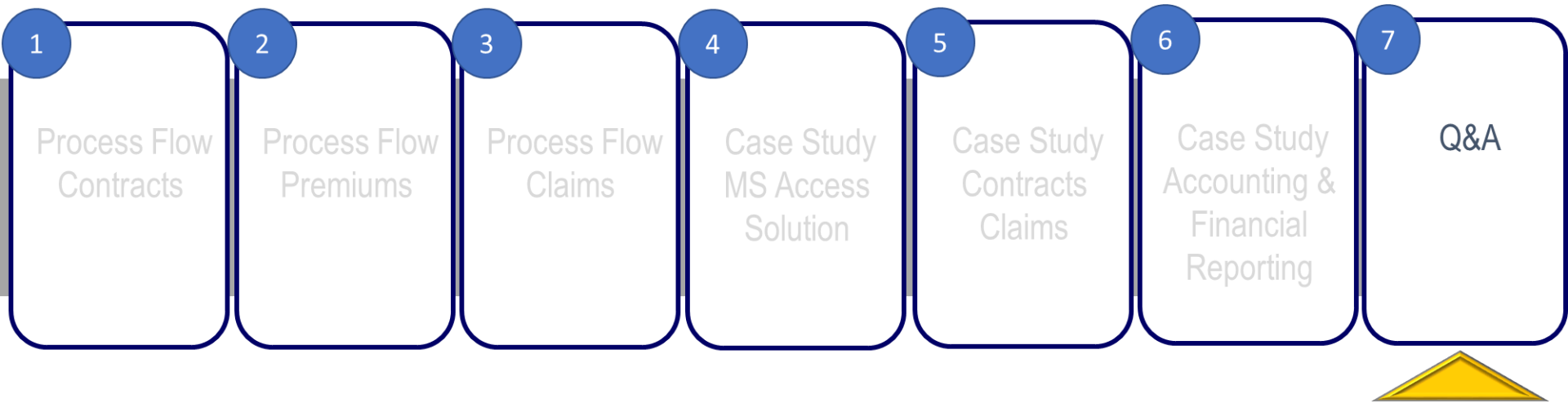
At 3/31/2019 we should amortize 25% of this against earnings = \$468,750 if 100% placement

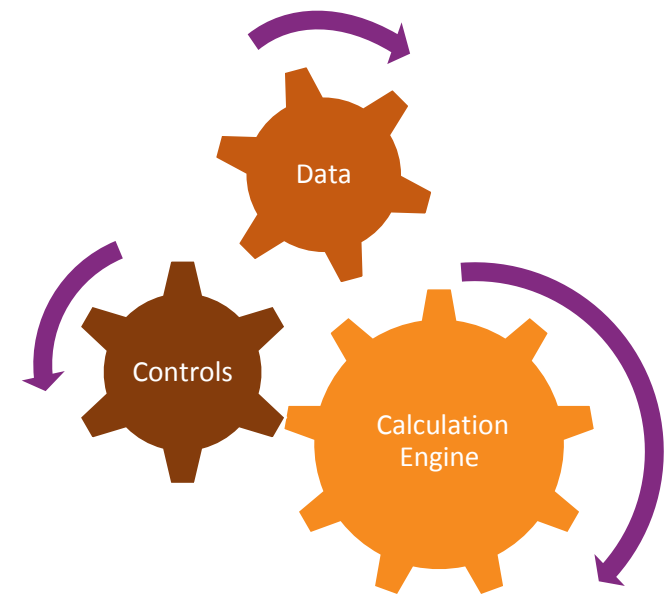
Tempe Re (45%) = \$210,938 and \$168,750 charged to date ; requires add'l charge of \$42,188

Flagstaff Re (40%) = \$187,500 and \$150,000 charged to date ; requires add'l charge of \$37,500

Tucson Re (10%) = \$46,875 and \$37,500 charged to date ; requires add'l charge of \$9,375

Session Overview

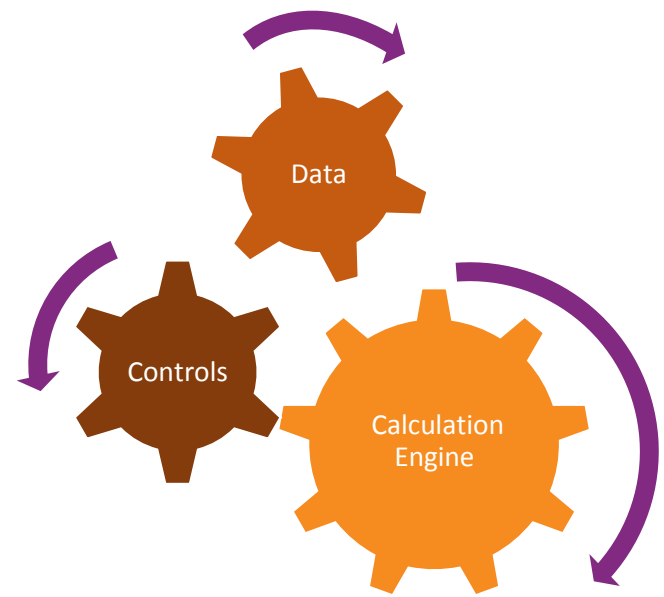




Fundamentals of Automation & Controls for Property/Casualty Reinsurance

Session # 403

Closing Remarks



Fundamentals of Automation & Controls for Property/Casualty Reinsurance

Session # 403

Questions ?