

# CLIENT CASE STUDY

## Treaty Risk Assessment

Large US Insurer Proactively Mitigates Risk and Reduces  
Financial Volatility through TAI's Treaty Review Service

# CLIENT CASE STUDY: TREATY RISK ASSESSMENT

Large US Insurer Proactively Mitigates Risk and Reduces Financial Volatility through TAI's Treaty Review Service.



**A large insurer in the US, active in mergers and acquisitions, knew that integrating new blocks of business meant they were potentially exposed to reinsurance data and financial risks.**

They knew a thorough review of reinsurance treaties, its associated systems data and administrative practices had to be conducted upon integration to decrease volatility and mitigate risk. However, they did not have the bandwidth or an established approach to take on such a daunting and time consuming project.

Additionally, the team processing these new blocks didn't have the in-depth knowledge and familiarity with the complexity and nuances of the treaties. Without adequate time to gain a full understanding, misinterpretation of treaty language could occur which could result in negative downstream impact.

While it would be ideal to review entire blocks of business upon acquisition to fully understand the incoming data, it is a very complex, and time consuming process. Knowing they didn't have the extra resources or expertise to take on such a cumbersome task and wanting to proactively get ahead of potential issues or errors, they reached out to TAI to help tackle the comprehensive review of their treaties.



## TAI'S SERVICES WERE A FIT FOR THREE REASONS:

1. Proven and repeatable review methodology that captures all relevant treaty information and surfaces any unidentified discrepancies and errors in interpretation or system setup.
2. In depth reinsurance business and system expertise, especially on the client's existing TAI software, eliminating any need to provide additional training or knowledge transfer.
3. Specialization in reinsurance administration, ability to deliver sound advice based on best practices, resources to fix errors identified and execute road to recovery plan.



TAI has a proven and repeatable review methodology that captures all relevant treaty information and surfaces any unidentified discrepancies and errors in interpretation or system setup.



## DID YOU KNOW?

**Here are 5 other scenarios that have triggered companies to engage us for treaty reviews:**

- ✓ To review current blocks of business before preparing to acquire a new block of business
- ✓ To reduce the risk of data mapping errors before converting or upgrading reinsurance systems.
- ✓ To make an internal audit more seamless
- ✓ To gain a treaty summary that accurately outlines how the business should be administered
- ✓ To determine if inaccurate treaty data is causing financial fluctuations

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## THE SOLUTION

**TAI's comprehensive treaty review process provided the insurer with the following:**

1. A full understanding of their risk portfolio
2. A familiarity with their blocks of business
3. A summary of errors or inconsistencies including:
  - Incorrect premium payments
  - Cessions being ceded to incorrect treaties
  - Overpayment due to double calculations or incorrect pay percentages
4. Corresponding financial impact of errors/inconsistencies found
5. Validation of accurate reinsurance administration moving forward

## HERE'S HOW WE DID IT:

**Our team of experts reviewed the blocks of business using four phases:**

1. Summarize and compile all treaty terms and parameters into a structured format to prepare the data for testing
2. Validate set up of treaty terms, retention, premium factors and allowances by identifying any discrepancies that existed between actual treaty values and values coded in the administrative system
3. 100% cession level testing to ensure compliance to treaty terms and correct premium payments
4. Compile all exceptions found at each phase of testing and quantified the impact of them from a financial and risk perspective

## THE ROAD TO RECOVERY

Upon completing this in-depth review, we provided the client with a summary of errors and ‘road to recovery’ plan to improve consistencies and fix errors, ultimately reducing the risk of future financial impact.

## THE RESULTS

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### Improved Risk Management

Overall, going through a comprehensive review of treaties improved the insurer's ability to manage risk as they could understand their entire portfolio, detect potential financial exposures and validate the accuracy of data. Ultimately giving them confidence in their reinsurance administration operations.

### Understanding Flow of Information

The treaty risk assessment provided a solid understanding of various information flows including how data entered on the direct side affects reinsurance and how data flows from the direct administration system to the reinsurance system. By understanding this, they could identify issues with feeds, track sources of errors and ensure proper data flow moving forward.

### Improved Data Quality

A large component of the comprehensive assessment process focused on data quality. This led to improved accuracy and completeness of the data the insurer reports to their reinsurance partners. Which in turn, improves reinsurers' ability to model and estimate financial activity.

### Development of Treaty, Product and Plan Mapping

Prior to the assessment the client didn't have proper treaty, product or plan mapping. Having this in place since the reviews has given them a better understanding of their business and risk portfolio which in turn makes it easier to validate assumptions when administering treaties.

### Greater Synergy Within the Company

During the engagement TAI's service team actively worked with the insurer's internal administration and treaty teams. This led to increased communication between the teams making their treaty management process more efficient as they were both on the same page.

### 3x Increase in Treaties Under Review

TAI was initially engaged on an one year assignment to assess the risk of a set of reinsurance treaties. Upon completion and the client's satisfaction with the rigor and success of the assessment, the number of treaties under review increased by 3X and the contract extended for an additional two years.

## ABOUT TAI

 [TAIRE.COM](https://www.taire.com)



TAI is the market leader in life reinsurance systems in North America with clients in the United States, Bermuda, the Caribbean and Hong Kong. TAI is focused on simplifying life reinsurance administration through software and services. TAI software automates reinsurance administration for life insurance companies and TAI services identifies and solves areas of reinsurance risk that are impacting the bottom line. Over 90% of the top insurers in North America, by life face amount issued, trust TAI software for their life reinsurance administration. As the industry merges and consolidates, TAI can support its customers through changes in their technology and business model.

**Specialties:** Reinsurance Administration and Reporting System, Data and Analytics, Software Integration, Reinsurance Operations, and Risk Management

**Software Solutions:** .NET System (Life & Annuity), Insights, Connector



## IS TREATY DATA PUTTING YOUR REINSURANCE OPERATIONS AT RISK?

Book a free 30 minute consultation to uncover potential risk factors in your treaty system data.

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