



TAI



TAI CASE STUDY: PEKIN INSURANCE



TAI .NET

Pekin Insurance eliminates manual reinsurance administration inefficiencies, cuts retention management efforts by 75% and proactively reduces reinsurance business risks by migrating to TAI .NET.

INTRODUCTION

Prior to 2015 Pekin Insurance was manually tracking reinsurance cessions, and these cessions were still administered by reinsurance partners. The company's decision to migrate its reinsurance administration to the TAI .NET platform was driven by three factors:

1. The need to improve upon the inefficient, inaccurate data and the time-consuming data validation efforts associated with manual processing
2. The desire to meet industry standards by joining other peer organizations who self-administer their businesses
3. The pressure from reinsurance partners to modernize operations

PROJECT TIMELINE

The migration took place over an eight-month period in four key phases:

- ✓ Initial system training
- ✓ Conversion validation
- ✓ Cycle/parallel testing and acceptance testing turnover
- ✓ Implementation and going live

ONSITE PHASE STUDY

Before the migration kicked off, TAI performed an onsite phase study to gain a comprehensive understanding of Pekin Insurance's current reinsurance operations. The TAI team needed to understand two main perspectives:

1. A technical standpoint

This perspective involved obtaining knowledge of Pekin Insurance's current administration system setup, security practices, and any other technical aspects of their operations. A TAI programmer was responsible for understanding these operations.

2. A reinsurance administration standpoint

This perspective involved stepping into the shoes of the reinsurance department to capture information on its entire administrative process, including blocks of business, types of products, and business volume. Understanding the administrative process also initiated the determination of how Pekin Insurance's manual processing would integrate into the automated flow of TAI. A TAI Business Analyst was responsible for obtaining and analyzing information on reinsurance administration.



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THE MIGRATION PROCESS

Phase 1: Initial Training and Data Preparation

The first phase of the migration process focused on introducing Pekin Insurance's team to TAI .NET, an introduction that included explaining how to navigate the system and use it to automate the company's administration. Another key aspect of this phase was preparing the data for Phase 2. This preparation involved initiating the conversion process, policy master validation, data analysis (to assist with data mapping), and data extraction.

Phase 2: Conversion Validation

During the conversion validation phase, analysis was performed against the data which required building out the following reinsurance information in TAI .NET:

- ✓ Treaties, rates, allowances, and tables
- ✓ Policy master records (to enable policy master conversion)

Once this data was populated in TAI .NET, the cession records were layered on top. Then, validation was performed in two steps:

1. **Convert (CNV):** This involved comparing Pekin Insurance's policy data to its reinsurance data to ensure the data was consistent. Any data discrepancies were flagged for reconciliation before moving forward.
2. **Build (BLD):** This involved taking Pekin Insurance's cession data and running a validation against the tables built in the system to ensure that calculations in TAI .NET matched those of current spreadsheets.

Phase 3: Cycle/Parallel Work and Acceptance Testing Turnover

Once the conversion phase was deemed successful, cycle/parallel work began. During this phase, TAI ran parallels and validated the setup of the cycles and flow of the process. Next, TAI began parallel training, which demonstrated how to run interface and monthly cycles and to validate the quarterly setup. At this point in the migration, Pekin Insurance's team could clearly comprehend the flow and automation of information through TAI. Once the training was complete, the system was turned over to the client for acceptance testing, which included running cycles, online processing, and report validation.

Phase 4: Implementation

During the implementation phase, Pekin Insurance's project team worked with TAI to clean up records with known discrepancies and other problems identified throughout the implementation process. The goal of any TAI implementation is to build the data "as is" to match the files provided by the clients and/or reinsurers. In the process of moving into production, the TAI team worked closely with Pekin Insurance to correct problems within the system and to capture adjustments for inclusion in the first month's reporting. The on-time completion of this clean-up process allowed Pekin Insurance to provide accurate, up-to-date data when 'going live' and reporting to both internal and external stakeholders.





THE RESULTS

Overall, the decision to implement TAI has made Pekin Insurance's entire reinsurance administration process more efficient. They have experienced significant gains in the following areas:

✓ **Discovery and correction of errors existing in 17% of cessions**

During the conversion process, Pekin Insurance discovered that 17% of its cessions contained an error or inaccuracy. These mistakes included incorrect face amounts, terminated policies that still had active reinsurance, and incorrect reinsurance rates reported under the wrong treaty. These errors have been corrected since implementing the TAI system, and the client has initiated the recovery process with various reinsurance partners. If the client had continued to use manual practices, these errors would have been undetected and potentially widespread with unknown financial impact and consequences.

✓ **Transparency and accuracy in reporting**

One of Pekin Insurance's biggest gains when converting to TAI was gaining access to seriatim data, which are detailed billing records including billing inforce and policy exhibit. Access to this data allowed the client to generate a detailed policy listing of its business that previously would not have been possible with a manual process. Access ultimately translated to more transparency, analysis opportunities, and accuracy in reporting.

✓ **75% time reduction in retention analysis**

Retention tables are built within TAI .NET to match internal policies. The retention capabilities ensure that the amount of risk the company is willing to hold matches the risks it is taking. Instead of having to perform retention analysis manually, the system automatically decides for the user based on policy setup. After implementing TAI, Pekin Insurance reduced the amount of time typically taken to perform retention analysis by 75%. Plus it was performed with much higher confidence in the underlying data because of TAI .NET's built in life retention capabilities.

✓ **Ability to process a wide range of reinsurance agreements**

By using TAI, Pekin Insurance can quote many different types of reinsurance agreements and administer them with ease. The company has even accommodated various coinsurance agreements that it would not have previously accepted.

✓ **Elimination of key person risk**

Prior to TAI, the client only had one person with intimate knowledge of their reinsurance agreements and how they were administered. As part of the TAI implementation effort, Pekin Insurance invited a team of business analysts to join the dedicated reinsurance administrator to obtain detailed knowledge of the TAI .NET system. By dispersing system knowledge across a team, Pekin Insurance eliminated key person risk.

ABOUT PEKIN INSURANCE

Headquartered in Pekin, Illinois, Pekin Insurance has been in business since 1921 and provides a full range of auto, home, business, and life insurance products. Pekin Insurance offers insurance coverage in 21 states through its growing agency force of nearly 10,000 independent agents.



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✓ **Reduction of resources used to administer reinsurance**

The automation and streamlined approach that TAI software provides has reduced processing times at Pekin Insurance by 50%. The reduction of time has allowed them to deploy staff to work on other important business initiatives such as regulatory compliance. Furthermore, their reinsurance analysts can better focus on the key functions of their role, notably data analysis and true exception handling. Previous time-consuming, manual processes would not have allowed for the time to perform these functions properly.

✓ **Disaster protection and business continuity security**

Pekin Insurance held paper cession cards for all its reinsurance prior to moving to TAI .NET, but they posed a significant risk to business continuity. A fire or any other disaster that impacted the physical office building could have been disastrous for reinsurance operations.



In addition to improving its administration processes, Pekin Insurance also benefited from having access to TAI’s resources, expertise and reinsurance network:

✓ **Reinsurance Knowledge from TAI**

As the client set out to convert their reinsurance, they struggled to understand some of the older treaties dating back to the seventies. Pekin Insurance has benefited from the wealth of reinsurance, industry, and system knowledge the TAI team possesses, knowledge that proved particularly valuable during the migration.

✓ **Relationships with Reinsurers**

During the conversion process, Pekin Insurance was also having trouble getting answers on outstanding questions from one of their closed block reinsurers. They leveraged TAI’s network of reinsurance connections to get the answers.



“TAI knows reinsurance. Its system can administer near anything you can dream of and their knowledgeable staff can help you figure out just how to do that.”

Jocelyn Duncan, Director of Life Operations, Pekin Insurance

 **ABOUT TAI**

TAI is the market leader in life reinsurance systems in North America. Providing life companies with a complete software solution to self-report all reinsurance business; ceded or retroceded in an electronic format to share with reinsurance partners.

 **ABOUT TAI .NET**

TAI .NET is the base system for automated reinsurance administration processing. It provides life insurance companies with the software needed to timely and accurately communicate reinsurance data among trading partners.

