

Introduction

PolySystems' Income Pay Annuity System provides important financial support for annuities that are in a non-accumulation status. The support covers all common forms of income pay annuities including single and joint life, certain periods, structured settlements, deferred pensions and supplementary contracts. The calculations performed allow the user to report statutory, tax and GAAP reserves and to project future cash flow events.

The system accepts input from the company administrative system and manual entry via screens and menus. The income payment structures are described via one or more annuity payment records linked to a base record. This record design allows the flexibility needed to describe structured settlements, for example, without adding unnecessary complexity to the structure of simpler annuity forms.

The Policy Detail History file (PDH) holds the accumulated history of each individual annuity. This file contains the base records, annuity payment records, death records, retirement records and factor records. The PDH file is used both to provide consistency checking when current annuity data is processed as well as to provide input to the valuation/projection process. Valuation results are stored in a separate, point-in-time, reserve roll-up file. Projection results are stored in separate cash flow files by plan code.

The valuation process computes statutory, tax and GAAP reserves. The statutory routines include the adjustments described in Guidelines 9A and 9B. The GAAP procedures support *SFAS 60*, *SFAS 91*, or *SFAS 97* calculations with the user choosing which accounting standard to follow.

The projection process operates concurrently with the valuation. Assumptions are added to estimate future deaths. Administrative expenses are projected. Statutory, tax and GAAP reserves are projected using the same basic calculation structure as the valuation.