LifeMaster is a first principles valuation system. It does not require factors to compute reserves. Instead, the basic valuation assumptions are linked to the in force records at the time of valuation, and the reserve is computed at that time. This feature is designed to eliminate the vast quantity of statutory, tax, and GAAP factors that are inherent in most traditional valuation programs.

The program reads policy information from a Valuation Master File (VMF), which is extracted from the Admin system. The table coding within the LifeMaster system contains policy descriptions and valuation assumptions that are used to compute the reserves. Valuation results are written back to the VMF, which can be used to generate a number of valuation reports.

If, as a consequence of very unusual plan design, factors are needed, the system also has the capacity to reference reserve factor tables.

In addition to reserves for statutory, GAAP and tax purposes, the following items are available:

- GAAP benefit reserves;
- GAAP expense reserves;
- GAAP FAS97 limited-pay-deferred-profit reserve;
- Alternate minimum reserve;
- DAC.

System Structure

LifeMaster can be thought of in three separate pieces:

A. A screen system which maintains all the valuation assumptions and tables;
B. A valuation program for statutory, tax, and GAAP valuations;
C. Report programs for reporting results;

System Inputs

A. **Plan Definitions**. A series of plan definition screens is used to define both the system names and structure of the plans to be valued. When the newly entered definition is saved, an associated table series is written by the system to the LMTABLE subdirectory. An entry may consist of any character other than a comma.

B. **Inforce Files**. The inforce files may be titled with any Windows® file name. Since the inforce file usually varies primarily by valuation date, we suggest including the valuation date as part of the file name (e.g., 200806.VMF).

   The VMF is separated into an input section, containing values extracted from the Admin System or created by the extract program, and an output section containing values calculated by the valuation program. The data dictionary identifies certain fields as required input. These fields contain information that the program requires to perform any valuation. Other input fields, identified as optional input, are only required when specific benefits are included in the valuation.

   LifeMaster is unique among valuation systems in that there is no standard format for the in force file. This is accomplished by software which reads a definition file containing the record definition for the valuation in force. This allows each user to put the fields in whatever order is most convenient and to include or exclude optional items (e.g., Geographic Area Code). The format of the record definition file and a description of each potential data item is contained in the data dictionary.

C. **Basic Values**. Basic values are stored in subdirectories such as CLAIMCST, DIV, GCASHVAL, GPREM, MORT, SELECT, SELFACT and WITH. Each basic value table has a name that is coded in the screen system. The file formats are identical to those used by all of the other systems (i.e., UL, health, deferred annuity and income-pay annuity).

System Outputs

A. **Assumption Creation and Updates**. Assumptions are normally created, deleted and updated through system screens. The data structure of these assumptions is one of the primary strengths of LifeMaster. The data in each LifeMaster screen is kept in a simple ASCII file in text format with entries separated by commas. All of these files can be easily built or edited with any text editor.

B. **Valuation**. When a valuation is run, the results of the valuation are inserted into the input file. No separate valuation output file is created. However, the reports can write out a text file or a spreadsheet file with the results. If errors occur in the valuation, error messages are written to separate text files for Stat, Tax and GAAP as appropriate. Also, an error flag is inserted in the inforce record. If the cause of the error is found and corrected, a revaluation run will recognize that only the policies with error flags need attention. Warning messages are also written to separate text files.

C. **Auditing**. An audit report is one of the options that may be requested when a valuation is run. Audits may be specified for a single policy or groups of policies.