

# ....CPS BULLETIN....

The Newsletter of CPS Actuaries and Computer Programming & Systems, Inc.

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## Introduction

**IMPORTANT NOTE:** After 40 years in the same office, CPS is moving! Our new address beginning September 1, 2007 will be:

45 Church Street, Suite 201  
Stamford, CT 06906.

This issue of **CPS Bulletin** reviews the increasingly complex compliance requirements faced by Fraternal and sets out a time-table to help fraternal officers to meet these deadlines. We look forward to readers' assistance in filling in any requirements that we may have missed, so that we can disseminate a comprehensive listing to the whole fraternal community.

From time to time we update readers on the way that the Internet is changing our lives and the lives of our children and grandchildren. The Internet has enabled us to realize Nancy Sinatra's dream of "You only live twice" by enabling those who so wish to also live a virtual existence. Two interesting applications that have become major items are the emergence of social networking groups (the best known being MySpace and Facebook) and the easy availability of video clips on line through such channels as YouTube. We talk a little bit about both of these very popular networks in this bulletin.

If you have any comments or suggestions, please contact us by visiting us at [www.cpsincorp.com](http://www.cpsincorp.com) ❖

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## Deadline Mania

In recent years, the number of miscellaneous regulatory filings has been increasing. It seems that each month another state is requiring a new filing of some sort. These filings are sometimes required even if the filing is not applicable.

This article will list various filings required by certain states and regulatory bodies. If there are any states that are not listed that you would like to see added to the list, please let us know. If we have missed any filings, please contact us so we can update this article.

Rather than list the requirements by state, we have chosen to prepare the list by the month the filing is due. We show the day the filing is due, the state/regulatory body that is requiring the filing, and a brief description of the filing. Where possible, we have shown the reference for such filing (e.g., a circular letter or statute).

### January:

- 31 NH: Annual report of complaints (RSA 417:4)
- 31 Indivs: 1099's and annual letters to members with IRA's.

### February:

- 1 NY: Replacement Regulation 60 Electronic Reporting (Circular letter #5 - 2006)

### March

- 1 NAIC: Annual statement file
- 1 IL: Life & Health Policy Inforce Count Supplement
- 1 FL: File jurat over Internet using REFS
- 1 NY & PA: File valuation workpapers
- 15 Various: Regulators asset adequacy issues summary (states include FL & VA)
- 15 WI: Fraternal compulsory surplus calc.
- 30 CT: Unclaimed Property Report (NIL report not required)
- 31 IRS: Electronic filing of 1099s
- 31 NFCA: Annual statement file and RBC Excel file.

See Deadlines on page 2

**Deadlines** continued from page 1

**April**

- 1 All: Management Discussion & Analysis
- 1 All: Investment Interrogatories
- 1 NY: Preliminary Unclaimed Property Report (NIL report required)
- 1 CA: Fraternal Annual Information Statement
- 30 PA: Unclaimed Property Report (NIL report not required)

**May**

- 1 IL,IN, MA,NJ: Unclaimed Property Report (NIL report required)
- 1 NY: Issues Regarding Liquidity survey
- 1 NY: Submit response regarding 'Ability to Withstand Additional Claims from Severe Mortality Events (e.g., Bird Flu)'
- 15 FL: File jurat over Internet using REFS
- 15 WI: Fraternal compulsory surplus calc.
- 15 IRS: 990 Form
- 15 All: Quarterly statement file
- 31 IRS: 5498 form for members with IRAs

**June**

- 1 NY: Disaster Response Plan Electronic Reporting (Circular letter #7 - 2007)
- 1 All: Audit report
- 1 FL: File accountant letter of qualification over Internet using REFS

**July**

- 31 IRS: Form 5500 for pension plans with fiscal year ending 12/31

**August**

- 15 All: Quarterly statement file
- 15 FL: File jurat over Internet using REFS
- 15 WI: Fraternal compulsory surplus calc.

**September**

- 10 NY: Final Unclaimed Property Report (NIL report required)

**October**

- 15 IRS: Form 5500 for pension plans with fiscal year ending 12/31 that filed for an extension

**November**

- 1 MI: Unclaimed Property Report (NIL report not required)
- 15 All: Quarterly statement file
- 15 FL: File jurat over Internet using REFS
- 15 WI: Fraternal compulsory surplus calc.

**December**

NONE

In addition to the above filings, there are other requirements that do not necessarily have a specific filing date, but they must be completed or reviewed annually. These include:

- Illustration certification for those societies that illustrate dividends/non-guaranteed elements when issuing new policies. The certification by the actuary and a company officer must be submitted to certain states annually.
- Privacy notice to members, indicating how the society protects the privacy of its membership.
- Review of disaster recovery plans, as required by various states, including NY.
- File Suspicious Activity Reports with the Federal Financial Crimes Enforcement Network. This should be completed in connection with the society's anti-money laundering program. Each society should establish and maintain a written anti-money laundering program that is reasonably designed to prevent the society from being used to facilitate money laundering or the financing of terrorist activities. The anti-money laundering program should be reviewed regularly to see that the provisions of your program are being complied with.
- File any By-Law changes with the states where you are licensed as soon as reasonably possible after the change has been adopted by the society.
- Send notification to the states where you are licensed whenever your society has a change in officers. NY requires notification to a number of different agencies within NY, including the Consumer Services Bureau, Service of (court) Process, the Life Bureau and the Principal Clerk depending upon which officers have changed.

The rate of new filings seems to be increasing at a very rapid rate each year. We would have thought that the use of the Internet would have eliminated the need to make more and more filings since state insurance departments could get the information more easily on-line. Unfortunately, that is not the case. It seems that the states believe that since the Internet makes filings so much easier, they are requesting additional information. It's important to keep track of the various filings because even though many of them are inconsequential, the fees for late filings can be anything but inconsequential. ❖

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## All The World Is A Stage...

Some of the most significant changes in the application of computer technology have been on the Internet. From time to time, **CPS Bulletin** has updated readers on significant developments in this space. In this article we would like to focus on two areas. One is the emergence of YouTube as a major player on the Internet and the second is social networking on the Internet exemplified by services such as Facebook and MySpace.

What is YouTube? It is a popular video sharing website where users can upload, view, and share video clips. Videos can be rated, and the average rating and the number of times a video has been watched are both published. Unregistered users can watch most videos on the site; registered users have the ability to upload an unlimited number of videos.

The wide variety of site content includes movie and TV clips and music videos, as well as amateur content such as short original videos. YouTube was named *TIME* magazine's "Invention of the Year" for 2006 and in October 2006, Google announced that it had reached a deal to acquire the company for \$1.65 billion.

I did not realize the power of YouTube until the other day. I asked my son whether he wanted to go to see a particular concert. We found that the ticket reservation page linked us to a couple of YouTube videos where we could watch two 3½ minute clips from previous concerts. After seeing the videos, my son immediately said he had no interest in the band, so we went to a movie instead.

Candidates for the 2008 Presidential election have been using YouTube as an outlet for advertising their candidacy. Voters can easily look up propaganda or make videos supporting or demoting the candidates. Some people believe that YouTube played a significant role in the 2006 defeat of Republican Senator George Allen due to a video clip of him making allegedly racist remarks that was replayed continuously by YouTube viewers during his campaign. Political commentators have also begun to join in the YouTube world of politics. Many of them make videos on YouTube critiquing the presidential candidate's YouTube videos or are simply using YouTube as a medium to get their opinions heard. Recently, CNN held a Democratic presidential debate where questions were asked not by a moderator, but rather by individuals that submitted the questions using a YouTube video.

YouTube is in the process of arranging to offer every music video ever created while still remaining free of charge. Warner Music Group and EMI have confirmed that they are among the companies in talks to implement this plan. Last year, Warner Music and YouTube signed a deal in which YouTube will be allowed to host every music video Warner produced, while sharing a portion of the advertisement income. Additionally, user-created videos on YouTube will be allowed to use Warner songs in their soundtracks.

MySpace.com and Facebook.com are a class of web sites that are termed "social networking" sites. People are given a web address where they can post information about themselves, and they can very conveniently contact other people on the same social networking site.

The growth of MySpace has been incredible. In July 2004, the site was one of many online networking hopefuls, with fewer than 3 million accounts. Today, MySpace has nearly 100 million accounts and claims to be adding more than a million new accounts each week. By some statistics, MySpace.com is now the most active site on the entire Internet.

Facebook has been growing as well. Originally created for college students (a user needed an e-mail address that ended with the .edu extension in order to register), the site has been opened to all users since the end of 2006. One of the big differences between MySpace and Facebook is that the friends you add are usually your real friends on Facebook; on MySpace, it is more of a contest to see who can accumulate the most friends, regardless of how many of them you actually know. For example, on MySpace you can add Barak Obama as a friend (and receive messages from him daily), whereas this is not as common on Facebook.

In one sense, MySpace and Facebook are massive online role-playing games, probably the world's biggest. Each member makes a page that represents how they want to appear to their friends and, if their profile is not set to "private", to the rest of the world. In the play "As You Like It", Shakespeare's character Jacques states: "All the world is a stage, and all the men and women merely players". Could anything be more true of the virtual world we encounter when we go online?

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MySpace is not always a safe space. Many teens seem unaware that unless they have taken specific action, what they are posting on MySpace can be viewed by anyone in the world who has an Internet connection. They post pictures and blog away, oblivious to the possibility that parents, teachers whom they are denigrating or maliciously impersonating, police, sexual predators and other strangers may be monitoring every post. Stories abound of individuals that have been arrested or fired from their job based on information that they had on their MySpace page.

Like YouTube, the power of popular Internet sites such as MySpace and Facebook is growing. MySpace.com announced in July that it will be hosting a series of so-called town hall events with many of the candidates who are vying for nomination in the 2008 U.S. presidential primaries. The events are to be held on college campuses from September through December and will each feature one candidate. Viewers of the event Webcast will be able to submit their own questions through MySpace's instant-messaging service. ❖

## About CPS

*CPS Actuaries and Computer Programming & Systems, Inc.*

CPS is an independent company with over 40 years of client service. We offer a wide range of computer and actuarial services, including the following:

- Actuarial valuations
- Annual and quarterly statement preparation
- Policy administration software
- NAIC compliant illustration software
- Web site hosting, instant messaging, and e-mail
- Design, install and maintain local and wide area networks
- Hardware & software installation and upgrades

For more information regarding our services, please call us at **203-324-9203**, or visit our web site at **[www.cpsincorp.com](http://www.cpsincorp.com)** ❖

**CPS, Inc.**

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## Regulatory Update

### NY Requires Whole Life Policies to Mature

The NY Department will require all new Whole Life policies to specify a Maturity Date no later than the last age of the underlying mortality table. It will also expect existing contracts to be administered in accordance with this principle. This means that new policies, based on the 2001 CSO table, will be able to mature at age 120 but existing policies based on the 1980 CSO table will have to mature no later than age 100. For earlier mortality tables the maturity ages will vary between age 96 and age 104.

Since the Department expects the insurer to add interest from the maturity date, NY members surviving beyond age 100 (or other maturity age) will accrue interest from that date.

In addition, and this is useful, NY will permit policy forms to include a statement to tell the insured that there may be tax consequences to surrendering or continuing the policy beyond a certain age and that professional tax advice should be sought.

### IRS Expands 990 Compliance.

Currently tax exempt organizations (such as fraternal) are not required to complete 990 tax returns unless their gross receipts exceed \$25,000.

Starting in 2008, the IRS will require such organizations to complete a 990 or 990-EZ or a 990-N (also known as the e-Postcard). Very few fraternal have gross receipts of less than \$25,000, but if any of your society's lodges have their own individual tax exempt ID, they may indeed be required to file under the new rules. ❖

## Interest Rate Monitor

The following are some key interest rate benchmarks:

<i>Benchmark</i>	<i>Current</i>	<i>3 Months</i>	<i>1 Year Ago</i>
Fed Funds	5.25%	5.25%	5.25%
Prime Rate	8.25%	8.25%	8.25%
30 yr mortg	5.88%	5.49%	5.97%

Source: [www.bloomberg.com](http://www.bloomberg.com) as of July 17, 2007.