

# ....CPS BULLETIN....

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## Introduction

**IMPORTANT NOTE:** After 40 years in the same office, CPS has moved!

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In this issue of *CPS Bulletin* we discuss the way that the Internet is fast changing the way insurers are submitting policy and other forms for approval to the various insurance departments. Currently a number of departments are mandating the use of electronic submission tools.

Conversely, one of the areas that has appeared nearly untouched by the electronic revolution has been health-care. We still have to go to the doctor's office and (unfortunately in some cases) to the ER, we carry our prescriptions to the pharmacy (except occasionally where the doctor calls it in) and everywhere we hear the ubiquitous demand; "Your Insurance Card, please". No electronic transactions there, thank you very much, or so it seems. Now there may be some movement on that front although significant progress seems a lifetime away.

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

## Serff's Up!

It is crunch time!

New life insurance policies being issued after December 31, 2008 must use the 2001 CSO Mortality table. Accordingly, all insurers who have not yet submitted their policy forms for approval for use as of January 1, 2009 must begin to do so very soon.

The regulators, anticipating an overload situation, have taken steps to assist us in this process. The first step is the promotion by the NAIC of an electronic form and rate filing system called SERFF. Using SERFF, insurers are able to submit form filings to the state insurance departments in order to receive the states' approval (or disapproval).

SERFF (the System for Electronic Rate and Form Filing) is software that enables a company to submit the submission form filings electronically over the Internet. It facilitates electronic storage and communication regarding filings and their progress. The system is designed to improve the accuracy of form filings, to speed approval processes and reduce the time and costs associated with the regulatory filing process.

Virtually all state insurance departments participate in the SERFF system to some extent or other. For example, Texas currently accepts annuity filings through SERFF but not life insurance filings. Notable exceptions are California and Florida, where SERFF acceptance is very limited.

There are now currently ten state insurance departments that have made SERFF mandatory. These states are the following, with the mandatory date next to each state:

SD	5/1/07	RI	10/1/07	NH	1/1/08
IA	7/1/07	AL	11/1/07	KS	1/1/09
UT	7/1/07	DE	11/1/07		
DC	7/1/07	MN	1/1/08		

In addition, Georgia has mandated it for P&C filings and Colorado for selected life and health rates.

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It is thus imperative to implement the use of SERFF. At CPS, we have registered with SERFF and are currently using it whenever possible.

The other advantages of SERFF:

- One can often determine the up-to-date requirements of any participating insurance department just by logging in.
- If paper filing is used, one has to take special steps to know whether a paper filing has been received by the relevant department and once the paper filing is in the system, one has no way of knowing how the filing is being addressed. Once one submits a SERFF filing, it is easy to track its progress. The system tells you when it has arrived at the relevant department, who is reviewing the filing, whether it has been approved or if more data is required. It also allows you to send notes to the reviewer (for example, in response to observations made by the reviewer and posted on the system).
- The electronic forms can be copied, amended and revised as necessary, resulting in significant time savings for multi-state filings.

The main disadvantage of SERFF is that it continues the trend of making us slaves to the technology rather than its masters and thus requires very precise formatting of the submission. For example, the writer of this article submitted one pdf attachment that included 2 items required by a particular state. The submission was rejected since each item had to be in its own pdf file and thus a re-filing had to be submitted from scratch.

Also SERFF may well require additional investment in software (such as Adobe Acrobat).

In addition, please note that IA, RI and NH are requiring that any filing fees be paid using Electronic Funds Transfer through SERFF. In order to do this, a company must appropriately register for this service with the NAIC. This is actually an advantage when compared with the alternative approach, which is to enter the check information electronically and then send the check by regular mail.

The regulators have gone even further and added yet

another system to make form and rate filings easier still. It is an enhancement to SERFF called the Insured Compact ("IIPRC"). While virtually all states participate in mainstream SERFF, only 30 currently participate in IIPRC, the notable exceptions being NY, NJ, CA and IL. The main advantage of IIPRC is that once a product has been approved by one compact state, it may be used in all the compact states.

However, only certain, clearly defined categories of insurance may use IIPRC. For example, whole life comes into IIPRC's ambit but a whole life graded benefit plan is not currently eligible. One complaint about using the compact is that in order to get the forms approved, you must meet the most stringent requirement of each state where you are submitting the form. For example, if one state requires a 1 year suicide clause and all other states allow 2 years, you must use the 1 year clause everywhere in order to get the form approved. Thus, you may end up with a policy form you would not want to issue in all states.

The filing fees for the compact are steeper than for regular SERFF. The SERFF fee is \$15 per state per filing on a pay-as-you-go basis, with the possibility of pre-buying blocks of 100 such filings at \$10 per filing. For IIPRC filings, the cost is a flat fee of \$500 for each filing which would allow you to issue the form in all states that are part of the compact.

For fraternalists whose products are mostly Traditional Life or Universal Life and who do not have extensive NY or NJ operations, the use of the compact could speed up matters considerably.

There is a smaller compact called MSRP (for Multiple State Review Process) which includes CA, DC, FL, GA, TX, LA, and NV, where again a filing approved by one state will validate it in all six (plus DC). However this facility currently encompasses only Individual Annuity filings and is likely to give way in the future to IIPRC.

If you would like to learn how to submit forms through SERFF, you can get an on-line demonstration of how the system works by contacting SERFF via [www.serff.org](http://www.serff.org). If instead you would like someone else to do the submission for you, please call us and we will be happy to help. ❖

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## Electronic Medical Records

You may have seen the recent announcement that Microsoft made its long awaited entry into consumer health care Thursday, October 4, by unveiling a personal electronic medical record platform designed to be compatible with other health care technology.

What are Electronic Medical Records ("EMR") and why are they so popular all of a sudden?

EMR have been important for a decade or more, ever since people realized technology's potential to improve medical care. The prominent areas that are being addressed are as follows:

1. Keeping medical charts in electronic form rather than paper. The same revolution that is transforming offices everywhere can change your personal medical records. By putting them into electronic format they become more portable, more accessible to you and to other doctors. For example, when you switch doctors or seek a second opinion, no longer will there be the probability that the new doctor will not have all the important information; he or she will have access to all your medical information either on-line or by some memory device that you will carry with you. If you are, God forbid, injured in an accident, your portable medical records will provide the ambulance crew and the hospital staff with vital information that could save your life. In the future one can envisage information being encoded in your body, say under a fingernail or somewhere under your skin, allowing the data to be readily scanned by a specialized scanner. Even today the possible use of RFID (Radio Frequency Identification) tags, which are the chips used by stores for inventory control via barcodes, on humans is so real that earlier this month Governor Schwarzenegger banned the forced implantation of RFID tags on people in California.
2. Doctors' orders will no longer be handwritten. Doctors will speak these into a recording device that will update the electronic chart. Already there is software (see *CPS Bulletin* of April 2004) that

specializes in medical terms. This will help to track doctors' orders so that very little falls between the cracks, speed up the flow of medical treatment and enable prescriptions to go to pharmacies automatically. All this will also reduce the possibility of errors by doctors (the machine will say: "Doctor, did you really mean 100 mg? The PDR says 10 mg."), by pharmacies (did the doctor write Alteria or Alterra?), as well as nurses and other auxiliary health workers.

3. Assisting doctors in diagnosis. A UK study found that junior doctors were able to increase their correct diagnosis rate, using computer assisted diagnostic tools, from a surprisingly low 50-60% to the near 80% level of senior Attending Physicians.
4. Insurance information will be exchanged electronically, hopefully reducing administration costs.
5. Adding GPS to the system can help locate doctors in an emergency and also locate patients (e.g., Is the patient in therapy?, in the lounge?, etc...)
6. Enable patients to more effectively research their medical conditions. This is important since informed patients should make better patients by asking doctors the right questions, supplying the appropriate information to health care professionals and taking better general care of themselves.

Based on the above, you can see that EMR will have the potential to lessen waiting time for treatment, trim down administrative costs, reduce errors and improve access to vital information.

How long before any of this potential translates into reality? EMR were first mentioned about a decade ago and many companies have been producing software that does parts of the methods described above in some form or another. The fact that none of these have emerged as an industry standard suggests that no set of products has emerged as a recognized leader.

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It is hoped that Microsoft's entry into the field will speed up standardization and allow various software companies to bolt onto the platform the software that will eventually provide a coherent useful system.

In the meantime, what can we use of what is available? One possibility is to make our own EMR by requesting from all our health care providers copies of our relevant documentation and storing that data in the form of PDF documents or photo images. This could be done, for instance, on a memory stick, adding a health summary including a note of all the supplements we take. This will enable a new health care provider to scan the information on the memory stick and familiarize herself or himself with your situation at a glance. In addition, you could use the storage device to include other important information such as a Living Will and a Limited Power of Attorney indicating whom you might wish to make medical decisions on your behalf in the event you are unable to do so.

CPS would be happy to advise our clients on how they can proceed to create their own EMR. ❖

## 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

### Suitability Requirement for Annuities in PA:

The PA Insurance Department is very close to adopting a suitability regulation for annuity products. PA's version of the regulation is similar to the NAIC Model Regulation, except that the PA version will apply to all issue ages (whereas the Model Regulation only applies to issues 65 and higher). The suitability form will require the applicant to provide annual income and net worth figures so that the society can ensure that the annuity being purchased is suitable considering the applicant's financial status and investment objectives. The regulation will allow the applicant to refuse to provide such information.

### New York Updates

- (i) The New York Department has already issued its requirements for EDP filings by insurers licensed in the state in respect of the 2007 Annual Statements. Those requirements are now available on its Web Site.
- (ii) The Department has also come up with a product outline for equity Index Products. These outlines are guides used by the Department to indicate to insurers the information that may or may not be included in policy forms and the items that the Department will be enforcing in scrutinizing submissions. ❖

## Interest Rate Monitor

The following are some key interest rate benchmarks:

<i>Benchmark</i>	<i>Current</i>	<i>3 Mths Ago</i>	<i>1 Year Ago</i>
Fed Funds	4.75%	5.25%	5.25%
Prime Rate	7.75%	8.25%	8.25%
30 yr Mortgage	5.89%	6.26%	5.89%
10 yr Trsy Note	4.40%		
30 yr Trsy Bond	4.67%		

Source: [www.bloomberg.com](http://www.bloomberg.com) as of October 29, 2007.