

# ....CPS BULLETIN....

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

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## Introduction

This is the first issue of the **CPS Bulletin** that has not had the contributions of Josh Windsor, a long-time employee that has left CPS. His talents will be missed, especially when it comes time to write the newsletter. Hopefully, this issue and subsequent issues will be as interesting and topical as when Josh wrote them.

We would also like to introduce our new office manager, Dayling Rodriguez. She has taken over for Lorraine Couch (known to most of you as "Cookie"), who retired on April 1<sup>st</sup> after more than 30 years at CPS. We are still learning all the tasks that Cookie did for the office that we took for granted and now have to be performed by someone else.

In this issue of **CPS Bulletin**, we write about what to consider when purchasing a laptop computer. Laptops have been outselling desktops recently and this article provides a summary of some of the features to look for. Our second article relates to annuity disclosure requirements. This topic was chosen due to the recent undercover (and not very flattering) report that was shown on Dateline NBC a couple of weeks ago.

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

## A Laptop Buying Guide

Laptops used to be viewed as the "poor cousin" of the desktop. They were a way to take your work with you, but no one expected them to be as powerful as a desktop. Times have changed. Today, laptops have become the primary systems for many computer users and laptops are actually outselling desktops. In this article, we will review some of the features a user should look for when purchasing a laptop.

When purchasing a laptop, consumers generally need to look at four items:

- Performance
- Design
- Features
- Price

As more and more power is packed into these laptops, performance is becoming less of an issue. Most laptops do not need to be pushed to their limits so users are usually making their purchasing decisions based on the design, features and price of laptops.

Before you begin your shopping, you should decide what type of laptop you would like to purchase. The two most popular categories are known as: "mainstream" and "ultraportable."

Laptops that weigh 4 pounds or less are known as "ultraportable," whereas ones weighing 5 to 7 pounds are considered "mainstream". The mainstream laptops deliver an excellent balance of portability and power. Ultraportables have a higher price than mainstream laptops and less power, yet they seem to be the wave of the future. The sleek design of these laptops is helping to drive sales. One such example of an ultraportable is the new Apple MacBook Air. Many of you have probably seen the commercial for this laptop, where it is so thin that it can fit into an envelope; it weighs-in at only 3

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pounds yet still has a 13 inch screen and a full size keyboard. You will have to sacrifice certain features if you want such a laptop, such as a built-in DVD burner.

If you plan to use your laptop mostly at home or in the office, then a mainstream laptop would probably be a better choice. They weigh between 5-7 pounds and have a screen of 13.3 or 15.4 inches.

When purchasing a laptop, one of the biggest decisions is whether to go with a Windows computer or a Mac. Windows laptops are often less expensive and tend to have a greater variety of ports and slots for plugging-in add-ons. On the other hand, Apple's operating system is generally viewed to be superior, faster than Windows, and far less prone to viruses.

In general, the amount of memory you will need is 2 gigabytes (GB) for an Apple laptop and 3 GB for a laptop using Vista. As for the processor, according to Walter Mossberg, the technology writer for the Wall Street Journal, "Any processor will be fine. Don't pay a penny extra for faster processor speed."

For storage, if you choose a mainstream laptop to use as your primary computer, you should look for 160- GB hard disk or more. Many laptops include a single hard drive that can hold as much as 300 GB.

Most people that use laptops today are never very far away from an electrical outlet. However, if your usage will require you to rely on the laptop's battery, be sure to look for a battery life of at least 3 hours.

You might also want to consider some of the other "cool" features that some of these laptops come with such as:

- **Blu-ray Drive** - By choosing a model with a Blu-ray drive you will be able to connect the laptop to your flat-screen TV and use the laptop to function as a standalone disc player.
- **Built-in Webcam** - Almost all mainstream laptops now offer a built-in webcam and microphone.
- **Built-in Wi-Fi** - You should look for laptops with built-in Wi-Fi using the newest and greatest technology (known as "N" version); these laptops typically cost a little more, but will be worth it if you plan to connect to the Internet.

- **LED-powered screen**- Getting an LED-powered screen will provide a brighter picture and will also help you save power.

The price for mainstream laptops range from bargain \$350 to high-end of \$3,000. PC manufacturers are offering laptops with a generous amount of features for under \$1,000. If you prefer an ultraportable laptop, the price range is from \$1,500 to over \$3,000.

The May, 2008 issue of PC Magazine recommends the following laptops:

	Price	Weight	Screen Size	Memory	Hard Drive	Battery
<b>Mainstream</b>						
Apple MacBook Pro	\$1,999	5.3	15.4	2GB	120GB	60Wh
Dell XPS M1530	\$2,200	6.2	15.4	2GB	160GB	85Wh
HP Pavilion dv6500t	\$899	5.8	15.4	2GB	120GB	47Wh
Toshiba Qosmo F45-AV425	\$1,599	6.8	15.4	2GB	300GB	43Wh
<b>Ultraportable</b>						
Acer Ferrari 1100	\$1,860	4.4	12.1	4GB	250GB	63Wh
Apple MacBook Air	\$1,799	3	13.3	2GB	80GB	37Wh
ASUS U6S	\$1,700	3.9	12.1	2GB	160GB	53Wh
Fujitsu LifeBook P8010	\$2,000	2.8	12.1	2GB	120GB	63Wh
Sony VAIO VGNSZ791N	\$2,499	3.9	13.3	4GB	250GB	63Wh

Laptops are changing the way consumers think about purchasing computers. As more and more power is packed into these computers, it is expected that consumers will continue to flock towards laptops instead of desktops. We will probably continue doing this until enough power can be crammed into our cell phones, which will then become the new computer of the future. ❖

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## What's New in Annuity Disclosure Requirements?

There is a growing concern among regulators that insurance companies are using deceptive marketing techniques to sell annuity products, particularly to seniors. In some cases, this has caused individuals to purchase products that were financially unsuitable for their needs. As is often the case, a few bad apples spoil the pie for everyone and a number of states are now imposing stricter suitability requirements for all companies (including fraternal).

This subject of misrepresenting annuity sales is getting more media attention as well. Recently, Chris Hanson of Dateline (best known for his "To Catch a Predator" reports) did an undercover story about agents selling certain types of annuity products to seniors. For those of you interested in seeing the report, it can be viewed at [www.msnbc.msn.com/id/24095230](http://www.msnbc.msn.com/id/24095230). While the report is not always fair to the insurance industry, it does point out a number of instances where the agents are less-than-forthcoming with the proposed insured.

In another high-profile annuity disclosure issue, the CA Insurance Department announced a \$10 million settlement in February, with Allianz Life Insurance Company for allegedly targeting thousands of seniors into purchasing unsuitable annuities. Allianz had deceptively replaced existing annuities and sold new, unsuitable annuities by using misleading sales materials. As a result, CA has introduced Assembly Bill 2464 that states the intent of the legislature to adopt the NAIC "Annuity Disclosure Regulation".

The NAIC has also adopted a suitability model regulation. The purpose of these regulations is to require that agents and companies selling annuities (particularly to seniors) take steps to ensure the suitability of the annuity for the consumer.

The suitability regulation imposes certain duties on insurers and salespeople when selling or replacing an annuity. Specifically, a salesperson that recommends the purchase of an annuity must have reasonable grounds for believing that the annuity is suitable for the consumer. If a salesperson is not involved, then the insurer takes responsibility for the suitability of the sale.

In order to determine if an annuity is suitable, the consumer is to disclose certain facts to the salesperson regarding his or her financial situation, including listing assets and other insurance products owned. The salesperson must make all reasonable efforts to obtain information concerning the consumer's (a) financial status, (b) tax status and (c) investment objectives in order to be able to judge whether or not an annuity is appropriate.

An insurer needs to maintain written procedures to demonstrate compliance and conduct periodic reviews of its records to detect any violations.

Another issue that is all wrapped-up in annuity disclosure is the use of professional designations by salespeople. Such designations include "Certified Senior Advisors", "Certified Senior Life Agent" and "Chartered Senior Financial Planner". These designations imply that the salesperson is some sort of expert when it comes to providing investment advice to seniors. A number of regulators are objecting to the use of these designations since the titles are often granted by for-profit entities that serve more as a marketing tool than as actual evidence of professional development. In February, 2008, CA amended a bill to provide that no salesperson shall use any title that would imply special expertise in the selling of insurance products to persons 65 years old and older.

If you are a fraternal selling annuities, you should be aware of which states have adopted the annuity disclosure and suitability regulations. Unfortunately, there is not a single source on the Internet that lists each of the states that have adopted the regulations. The following is a list of some states that have adopted the suitability regulation in one form or another:

CO	IA	MI	VA
CT	IN	MN	WV
FL	MA	OH	WI

In NY, Suitability questions only apply upon replacement.

The goal of these regulations is to protect the consumer from purchasing an unsuitable product given their financial position. Unfortunately, for many small fraternal that sell annuities, this means more paperwork for very little added benefit.

## An Update on Past Articles

### Blue Ray vs HD-DVD (January 2008):

And the winner is...Blu-Ray by Sony! It is now safe to purchase the next generation of DVD players so that you can watch movies in high definition. Once Warner Bros Studios walked away from Toshiba's HD-DVD format in January, there was very little Toshiba could do to prevent other studios from doing the same. Prices for burnable Blu-Ray discs are still high, but as time goes by, prices will certainly decrease. One feature of burnable Blu-Ray discs is that they can hold 50 gigabytes of data (compared with less than 5 gigabytes for a regular DVD disc).

### Windows Vista (April 2007)

Some new computer purchasers are having "upgrader's remorse" after having switched to Windows Vista. Microsoft just recently released Vista's Service Pack 1, which contains fixes to many of the bugs in the original version. Some users have been so unhappy with Vista that they have actually downgraded their Vista PC to Windows XP. The May, 2008 issue of PC Magazine even has an article explaining the steps you would take in order to downgrade to Windows XP.

## 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
- 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) ❖

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## Regulatory Update

### New York Assembly Bill 8813

Assembly Bill 8813 amended various provisions of the Model Fraternal Code in order to enact the "Fraternal Benefit Society Modernization Act of 2007." The purpose of this Bill is "to provide fraternal with the same opportunities to engage in investment practices that are currently provided for life insurance companies, and give the Superintendent broad powers in order to ensure fraternal remain solvent."

Life insurers and fraternal used to have the same investment authority. All of that changed in the mid-1980's when NY expanded life insurers' investment authority, but inadvertently excluded fraternal. To rectify this situation, NY amended the law earlier this year.

However, in order to address certain solvency issues, the new law increases the investment authority of only those fraternal that have (a) been in continuous operation for at least 5 years, **and** (b) receive 1 of the 3 highest ratings for minimum-claims paying, financial strength, or an equivalent rating from a rating agency. The law also grants the Superintendent certain powers to ensure that fraternal remain solvent and have the ability to pay all claims.

To give you an idea of the new powers the NY Superintendent now has over fraternal, one particular paragraph reads as follow: "Every authorized society shall at all times maintain a surplus not less than the minimum amount established by rule of the Superintendent."

The text of Assembly Bill 8813 can be found at:  
<http://assembly.state.ny.us/leg/?bn=A08813>. ❖

## Interest Rate Monitor

The following are some key interest rate benchmarks:

Benchmark	Current	3 Mths Ago	1 Year Ago
Fed Funds	2.00%	3.00%	5.25%
Prime Rate	5.00%	6.00%	8.25%
30 yr Mortgage	5.79%	5.04%	5.76%
5 yr AAA B&F*	4.50%	4.23%	5.05%
10 yr AAA B&F*	5.55%	5.36%	5.37%

\* B&F stands for Banking and Finance.

Source: [www.bloomberg.com](http://www.bloomberg.com) as of May 9, 2008.