

....CPS BULLETIN....

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Introduction

This issue of **CPS Bulletin** starts with an exciting development in one of the Holy Grails of computer development – that of voice recognition software. Microsoft is throwing its not so inconsiderable weight behind getting voice recognition into every computing aspect within the span of the next 10 years.

Our second article addresses the interest that must be paid on death claims. Since fraternal benefit societies sometimes have a number of claims that are received after a long period of time has elapsed since death, we are often asked, what are the legal obligations of fraternal benefit societies in that situation? How fast must payments be made and is any interest required to be added to claim proceeds? We have attempted to review the position in the states of most interest to our clients by means of an article, which starts on page 3.

We have also provided an update on the progress of the 2001 CSO Table and the Patriot Act in our regular *Regulatory Update* section.

We hope that you enjoy receiving this newsletter. If you have any comments or suggestions on how we can improve **CPS Bulletin**, please contact us by visiting our company web site at www.cpsincorp.com ❖

His Master's Voice...

Have you ever wished that you could just say the words and your computer would automatically start typing them? Voice/speech recognition software (VCR) is currently offered by several companies and aims to provide a fast, easy and accurate way to turn speech into text. Users can dictate into virtually any Windows-based application at speeds up to 160 words per minute and achieve reasonably high levels of accuracy. Some of the benefits of the software are:

- Speeding up routine tasks on the PC, such as creating documents, entering data, launching applications, sending e-mail, completing forms, and browsing the Web.
- Lowering the cost of transcribing recorded dictation and reducing delays for professional organizations.
- Increasing productivity when out of the office by transcribing recorded dictation from mobile devices, such as Microsoft Pocket PC and digital recorders.
- Providing protection from Repetitive Strain Injuries such as Carpal Tunnel Syndrome.
- Addressing ADA and Section 508 mandates (rigorous government standards) for ensuring software is accessible to people with disabilities.
- Some VCR products are integrated with Microsoft Office, which allows users to create new documents, or change the layout of existing documents, using their voice.

For the last five to ten years, many experts have been expecting voice recognition software to take off in a really big way. This has not happened. However, in March, Microsoft launched its Speech Server product line, which it expects to begin shipping this spring. Now that Microsoft has entered the VCR market, we can expect things to move along at a faster pace.

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At Gartner's Symposium/ITxpo on March 29, Bill Gates said: "Many of the holy grails of computing that have been worked on over the last 30 years will be solved within this 10-year period, with speech being in every device".

Continuous speech software does not really understand truly natural, that is, conversational, speech; you must enunciate clearly and not slur your words. When you are not dictating text but giving commands to the computer, you may have to use phrases defined by the software. These tend to be choppy orders, like "copy all to clipboard" or "file-print" or "begin dictation."

Thus, it takes time to train yourself and the software to determine the software's limits. Although some software-makers claim that users can train the software to recognize their voice patterns in just five minutes, you should allow yourself at least a couple of hours of practice to achieve transcription accuracy of 95% plus.

Current versions of VCR software are much improved from their predecessors and the software now optimizes itself for each user's usage patterns. Users can instruct the speech recognition software to instantly analyze sentence structure and word use frequency in previously created documents. The software then automatically adjusts the recognition engine to match the user's unique writing patterns, thereby further increasing accuracy.

The time and effort needed to proofread a document created by voice has been significantly reduced. Many VCR software products will read back email and document text aloud in a human-sounding synthesized voice.

To train yourself when using VCR software, start with what's simplest/easiest and then build on that. A new user might first learn the basics of dictation (e.g., clear enunciation, determining where speaking the punctuation and line/paragraph commands is necessary, etc.). The dictation would be initially performed for the least risky purposes, like notes to oneself or first drafts of documents. The next step in the training might be learning at least one method of correcting recognition errors. After that, you might start editing documents by voice, using the built-in

movement and selection commands.

The cost of a basic version of VCR software can be as low as \$60-70. However, most users would look for a more professional version, which might run between \$120-200. Specialized applications, such as for medical offices, will be significantly more expensive. Once you have mastered the software, you may wish to invest in additional items such as a recorder kit, which enables you to record up to 40 minutes of speech and download it at your leisure. This item retails at about \$200-250.

If you blanch at paying these amounts for specialized software, you should know that if you have Windows Office XP, your computer already has some speech-recognition capacity of its own. Reviewers at *PC World* note that this XP feature isn't as robust as professional software such as ViaVoice or Dragon. It does not have natural language capabilities, which means that it has to be manually switched between dictation and command mode. Thus, you cannot correct mistakes as you go. The professional versions have the additional advantage of having been adapted for American, Australian, British, Indian and Southeast Asian speakers of English. Still, if you happen to have Office XP, this is a cheap way to test the VCR waters.

In order to use VCR software, you may need additional hardware. Specifically, you will need the following:

- Creative Labs® Sound Blaster® 16 or equivalent sound card supporting 16-bit recording
- CD-ROM drive, which is required for installation
- Noise-canceling headset microphone
- Speakers, which are required for playback of recorded speech and text-to-speech features

Over the years, computers have evolved from punch cards to typing on a keyboard to using a mouse. The next phase seems to be towards voice/speech recognition so that, in the near future, your voice may do many more tasks on the computer. ❖

Interest on Death Claims

There may be a number of reasons why death claims are not settled immediately. The most common are: (a) the insurer is not informed of the death in a timely manner, (b) the insurer is informed of the death but is unable to locate the beneficiaries, (c) the insurer receives insufficient documentation regarding the death, and (d) there are disputes between beneficiaries. You will note that none of the reasons given above are the fault of the insurer. It is only in rare cases that the insurer is at fault for losing documentation, failing to process a claim promptly or sending the settlement to an incorrect address.

States require insurers to pay interest on claims that are not paid promptly, regardless of whether or not the insurer is at fault. States generally have a grace period during which no interest will accrue. If you pay the claim in that period, then you can just pay the claim. Measuring when the grace period begins is one of the key elements.

Most states begin the grace period on the date of death. For example, IN allows insurers a 30-day grace period after the date of death to pay the claim; if the claim is paid during that period, then no interest needs to be paid. If the claim is paid after that period, then interest will accrue from the date of death. States that require interest to accrue from the date of death include CA, CO, CT, IL, IN, NH, NY, NC, OH, PA, RI, VT, VA, WA and WV. This appears to be a harsh penalty for the insurer in instances where they are not notified about the death until after the grace period. In such cases, however, the insurer has had the use of the claim proceeds and was able to earn interest on the proceeds. Thus, there is theoretically no loss to the insurer when the interest to be paid is at a market rate of interest, regardless of whether the claim is paid promptly or after a delay. However, some states impose a fixed rate of interest, which can be punitive when market rates are low, as they are now. In such cases, the savvy beneficiary could intentionally leave the proceeds with the insurer to take advantage of these rates.

There are other states that begin their grace period once proof of death is received in the home office and (in some instances) surrender of the policy. States that require interest to accrue from the date proof is

received include FL, ME, MD, MA, MI, NJ and WI.

The following table shows the grace period allowed by various states. Please note that depending upon the state, the grace period begins either on the date of death or the date proof is received in the home office.

Grace Period:	Required By:
0 days	CO, FL, NY, OH, RI, VT, VA, WA, WV
10 days	CT
15 days	IL
30 days	CA, IN, ME, MD, MA, NC, PA, WI
60 days	MI, NJ

For NC and PA, if you pay within 30 days of receiving proof, then no interest is payable. If you pay after that period, then you must accrue interest from the date of death. The same is true for IL if you pay within 15 days of receiving proof.

The prescribed rate of interest in most states is a market related rate, although some states use a fixed interest rate. The most common market related rates are the rate of interest on proceeds left on deposit with the insurer or the rate the insurer uses for an interest settlement option. NJ has its own index; they require insurers to use the average rate of return on the state of New Jersey Cash Management Fund for the preceding fiscal year.

The following table shows the prescribed interest rate for various states.

Prescribed Interest Rate:	Required By:
Rate paid on proceeds left on deposit.	CA, CO, IN, MD, MA, NC, PA, VT (6% min.), WA (8% min.), WV
Rate paid on interest settlement option.	CT, OH, NH, NY, VA
Moody's Corporate Bond Yield Average	FL
9%	IL, RI
1.5% per month	ME
12%	MI, WI

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Some states require insurers to pay a higher rate of interest if for some reason the claim is not paid promptly after receiving the appropriate paperwork. For example, WA requires that insurers pay interest from the date of death using the interest rate that's credited on proceeds left on deposit; if the claim is not paid within 90 days of receiving proof of death, then beginning on the 91st day, interest accrues at the above rate plus 3%.

There are some variations among the states and it is important that fraternalists be aware of these variations. For example, both MD and PA have a special rule if the beneficiary waits a long time before making the claim. In these states, while interest must be accrued from the date of death, if proof of death was submitted more than 180 days after the date of death, then interest is payable only from the date proof is received until the date the payment is made. Another variation is in MA, where interest doesn't begin accruing until after the 30-day grace period.

In October 1999, the NFCA prepared a summary of the state laws that apply to interest payments on death claims. While the report is almost 5 years old, it does give an excellent starting point for anyone wishing to research this topic further. Care should be taken when using the NFCA's report because some of the states have changed their statutes since that report was prepared. The NFCA's report does provide the sections in the various state laws showing where the information regarding interest on death claims can be found.

If a state that you are currently interested in does not appear in this article, please contact us and if we do not have the information on file, we shall gladly assist you in locating it.

Interest Rate Monitor

The following are some key interest rate benchmarks:

Benchmark	Current	3 Months Ago	1 Year Ago
Fed Funds	1.00%	1.00%	1.25%
Prime Rate	4.00%	4.00%	4.25%
30 yr mortg	5.68%	5.29%	5.50%

Source: www.bloomberg.com as of April 22, 2004.

Regulatory Update

2001 CSO Mortality Table

In our September 2003 issue of **CPS Bulletin**, we discussed the pace at which the new table is being adopted by the states. Since that article, a number of states have moved to allow insurers to use the new table. According to our count, 16 states have adopted so far. Please note, however, that not all these adoptions are effective as of 1/1/04. For example, IL has an effective date of 7/1/04.

In particular, PA and OH have adopted the new table beginning 1/1/04. NJ and MA have yet to adopt it. NY's target adoption date is 1/1/05.

USA Patriot Act

Fraternalists need not appoint a Compliance Officer just yet! When the Patriot Act was signed into law in 2001 in the aftermath of 9/11/2001, it was deemed essential to national security and met with little opposition.

Since then, however, opposition to some aspects of the law by civil libertarians and even less liberal groups has been growing and some sections of the law have been denoted as unconstitutional by members of the Judicial branch of government.

It is therefore far from certain that the Act will be renewed when it reaches its sunset provision at the end of 2004 and it looks increasingly likely that its fate will depend on the outcome of the November elections.❖

About CPS

CPS Actuaries and Computer Programming & Systems, Inc.

CPS is an independent company with over 35 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 ❖