

# .....CPS BULLETIN.....

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

Volume 4, Issue 3

December, 2003

## Introduction

All of us at CPS wish you a happy, healthy and prosperous new year.

This issue of **CPS Bulletin** begins with an article analyzing the requirements of various insurance departments for the submission of the annual statement and its ancillary items. Included in this issue is a table showing the filing requirements for certain insurance departments. Our goal is to make it easy for you to send in the requisite items to the correct address.

We also discuss in this issue a method of communication which is becoming more and more accepted in corporate America. That is, Instant Messaging. In that article, we indicate how you too can be part of the in (or is it IM?) crowd.

Our other usual departments, namely the Regulatory Update and the Interest Monitor, also appear in this issue.

CPS has recently completed a number of new projects, including the development of a new administration software system and an illustration software module. We are also expanding our computer networking and actuarial consulting services. If you would like to discuss any of these services, please give us a call. ❖

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## Checklists for Filing the Annual Statement

For those societies who are licensed in several states, the last week in February can be a nightmare. The Annual Statement is all done, accompanying documents are all ready; all that is left is to pack up the stuff and send it in. But questions remain. How do I know what goes with what? How many copies have to be filed?

In our office, where we do the packaging for a number of clients, we create a table showing who requires what, how many and where to file. Page 2 of this **CPS Bulletin** shares that table with our readers in the hope that it will make your task of fulfilling the requirements just a tad easier. Since most states have different requirements for domestic and foreign insurers, we have denoted these by “XX – d” and “XX – f” respectively. Because of space considerations, we have included in the table only the states that are of interest to our clients

The table should only be used as a guide. When filing the Annual Statement, you should refer to the materials sent to you by each state or check each state’s website. A source for links to all the checklists is [www.naic.org/financial\\_statement\\_filing/state\\_instructions.htm](http://www.naic.org/financial_statement_filing/state_instructions.htm)

With few exceptions, all of the states have identical requirements for the submission of the

- Actuarial opinion,
- SVO compliance certificate,
- Statement on non-guaranteed elements, and
- Statement on par/non par policies

We recommend that you submit one actuarial opinion, one SVO compliance certificate, one statement of non-guaranteed elements and one statement on participating policies with each hard copy of the Statement. The participating policies statement is not new. It is the statement on surplus dividend determination, but it now merits its own line in the state checklists.

*Continued on pages 2 and 3*

State	Annual Statement	Supp. Comp. Exhibit	Filing Checklist	Affidavit of Filing	Other Items	Mailing Address
CT - f	1	0	1	0	-Certificate of Compliance (A&H Advertising)	Louis J. Scotti, Chief Examiner Connecticut Insurance Dept. 153 Market Street Hartford, CT 06103
FL - f	1	0	1	0		Tracie Lambright Florida Dept. of Financial Svcs 200 East Gaines Street Tallahassee, FL 32399-0327
IL - d	2+1*	2	0	0	See note on the next page	Paul Ebelherr Illinois Dept. of Insurance 320 West Washington Street Springfield, IL 62767-0001
IL - f	2	0	0	0		
IN - f	0	0	0	1	See note on the next page	Karen Kennedy (not for fees) Indiana Dept. of Insurance 311 W. Washington St. Suite 300 Indianapolis, IN 46204-2787
MA - d	2	0**	1	0	License Renewal Appl. State Filing Fees.	Peter J. Arens Comm of MA Insurance Division One South Station Boston, MA 02110-2208
MA - f	1	0	1	0	License Renewal Appl. State Filing Fees.	
ME - f	0	0	0	0	Advertising Certificate (Health Insurers) Benefit Expense report Supp. Health Report	Barbra Garboski Maine Bureau of Insurance 124 Northern Ave. Gardiner, ME 04345
MI - f	0	0	0	0	FIS 0322	Office of Financial Evaluation Michigan Dept of Cons & Ind Svc 611 West Ottawa Street Lansing, MI 48933
NH - f	1	0	1	0		Mary Verville New Hampshire Insurance Dept. 56 Old Suncook Road Concord, NH 03301
NJ - d	3	1	1	0	See note on the next page	Margaret P. Shaw New Jersey Insurance Dept 20 West State St., 10 <sup>th</sup> Floor Trenton, NJ 08608
NJ - f	1	0	1	0	See note on the next page	
NY - d	1+1*	1	1	0	NY Supplement	Insurance Regulatory Systems New York State Ins. Dept. One Commerce Plaza Albany, NY 12257
NY - f	1	0	1	0	NY Supplement	
OH - d	1	1	1	1	INS7004 & 7225. On Line: INS7140 & 7142	Terrance A. Miller Ohio Dept. of Insurance 2100 Stella Court Columbus, OH 43215-1067
OH - f	1	0	1	1	INS7004 & 7225	
PA - d	2+1*	2+1*	0	0		Kaushik K. Patel, Chief Pennsylvania Ins. Dept Rm 1345 Strawberry Square Harrisburg, PA 17120
PA - f	0	0	0	1		
RI - f	0	0	1	1		Walter D. Hope, Jr. FLMI, CFE R.I. Insurance Division 233 Richmond St., Suite 233 Providence, RI 02903-4233
VT - f	0	0	1	1	Retaliatory Annual License and fee calculations	Vermont Insurance Division Company Licensing Section 89 Main St., Drawer 20 Montpelier, VT 05620-3101
WI - f	1	0	1	0		Yvonne Sherry Office of Commissioner of Ins. 125 S. Webster Street Madison, WI 53702

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Please note the following regarding the table on page 2:

- IN does not require a hard copy of the Annual Statement but does require the following additional items from foreign insurers: (1) Affidavit of filing, (2) State Page – Direct Business written in IN, (3) Certificate of Advertising Compliance, (4) Premium /Insurance Tax Filing & Guaranty Fund Assessment Form, (5) Statement of Condition, (6) Supplement to the IN Health Exhibit (NIL return is required) and (7) IN Fee and Retaliatory Fee Statement
- IL Domestic Insurers are required to submit (1) Investment Supplements under sections 126.20 and 131.2, (2) Reserve affidavit and three year reserve comparison and (3) an extra copy of the Actuarial Opinion for the IL actuaries.
- All NJ insurers must submit (1) Medicare Supplement (NIL return is required) and (2) Annual Statement Fees. Fees only apply if no NJ business is written, but the form is nevertheless required.
- The “\*” next to a number in the table means that the additional copy of that item is required by the state actuarial bureau
- The ‘Δ’ symbol means that at the date of writing the information was not yet available. Updated information will be posted on our web site.
- The table refers only to filings required by March 1, 2004. Additional filings may be required by March 15, 2004 and subsequent dates.
- We have excluded filings that are unlikely to be relevant to our clients such as filings related to subsidiary structures and officers who hold stock in the insurance or management companies.
- NAIC fees are unchanged from last year.

We have included filings that in our experience are required by the regulators in practice and their absence is likely to evoke an inquiry by the department. We are aware that additional documentation is often asked for. For example, most states ask for Certificates of Compliance, Deposit and Valuation. Since few states regularly furnish these certificates, we only send these in when available and have never been asked to supply the missing certificates. Also, we have only provided a copy of the Risk Based Capital Report when specifically asked for it after we have filed the Annual Statement. We would not recommend filing that report until a later date. ❖

## Instant Messenger – Is It For You?

Instant Messenger (IM) is not new, yet it has recently been gaining momentum. It is probably very popular with your children and grandchildren. If you see your grandchildren hammering away at the computer keyboard, they are in all likelihood chatting with their friends on the computer using IM. According to a survey by Jupiter Research 7 out of 10 of teenagers use IM.

IM is software that enables two or more people to “talk”, in real time, using a computer keyboard. All you need besides the computer and the software is Internet access and an ID (sometimes called a “screen name”).

For those of you who may not be familiar with IM, it is a service that combines the best features of telephone service and e-mail. It enables a group of people to enjoy a conversation in real time, via computer.

Getting started is not difficult. Once the software is downloaded or installed (usually for free), one can establish a list of “buddies” which are the people that you can converse with. Technical assistance is available through the software’s help feature. Also, one can find various tutorials on the web, many by universities who encourage students to study together using IM and engage in group projects.

In the workplace, a Corporate version of IM is ideal for companies where users are in separate locations or even in one location but on multiple floors. IM is able to display who is in and who is not, who is on the phone or at a meeting (and at which meeting). If you have a quick question for a colleague (“Is the job ready?” “Can you make a meeting with CPS on Thursday at 10?”) you no longer have to run to the other end of the office or wonder in whose office you might find him or her. CPS uses IM for intra-company communications.

IM has the following additional advantages:

- Reducing phone charges.
- Unlike e-mail, IM communications take place in real time and can encompass several participants. Also SPIM (the IM cousin to SPAM) is much more easily controlled.

See Low [Instant Messenger](#) on page 4

- Unlike telephones, there is no busy signal, no telephone tag and it is much simpler to use than a conference call.
- Unlike cell phones, there are no dead zones.
- Can be limited to Intra-Company users with no outsiders included in the network or select groups such as vendors and clients can be included. In this way the employer can limit the scope of communications as opposed to a public network such as AOL instant messenger.
- Messages can be logged, if so desired, in order to document all communications. In fact, you can easily save a transcript of the conversation for future reference. Try that on a phone call!
- Text messages and file transfers are encrypted
- Messages may be left even for those employees who are not signed on or they may even be transferred to a cell phone. You will never walk alone again!

If you are interested in a corporate version of IM, you should consider contacting CPS. We can work with you to come up with an IM solution for your company. ❖

## About CPS

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

CPS is an independent company with over 35 years of service to our clients. We offer a wide range of computer, networking and actuarial services, including the following:

- Actuarial valuations
- Annual and quarterly statement preparation
- Policy administration software
- NAIC compliant illustration software
- Web site hosting, IM, and e-mail services
- 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) ❖

**1014 Hope Street,  
Stamford, CT 06907**

## Regulation Update

### NY Regulation 56 for A&H Insurers:

The New York Department has issued a revised Regulation 56 that will affect all insurers licensed in New York who have accident and health insurance on the books. Beginning with the 2003 Annual Statement, the revised method of calculating reserves will take into account recent changes in mortality and morbidity. The revised method will, in general, increase the reserves required for disabled lives and reduce the reserves required for active (non-disabled) lives.

The intent of the revised regulation is to encourage NY insurers to write new A&H insurance. At the same time, this revised regulation may become a burden for a number of fraternal who no longer write A&H insurance but have in force disabled lives.

In particular, for disability income claims owing to accident or sickness where the disability was incurred after December 31, 2000, the reserve basis must be the NAIC tables recommended in 1984 known as 85CIDB – adjusted as promulgated in the regulation. For disability claims incurred before that date, the insurer has the option of using the morbidity basis in force at the date of claim, which may be different from the current valuation basis.

### Illinois & Michigan- Quarterly statements:

Commencing with the March 31, 2004 quarterly statement, the Illinois and Michigan insurance departments will no longer require foreign insurers to file a hard copy of the quarterly statement. It will be picked up through the NAIC electronic submission.

## Interest Rate Monitor

The following are some key interest rate benchmarks:

<i>Benchmark</i>	<i>Current</i>	<i>3 Months Ago</i>	<i>1 Year Ago</i>
Fed Funds	1.06%	1.19%	1.25%
Prime Rate	4.00%	4.00%	4.25%
30 yr mortg	5.47%	5.65%	5.71%

Source: [www.bloomberg.com](http://www.bloomberg.com) as of 12/15/2003