

....CPS BULLETIN....

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

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Introduction

All of us at CPS wish you a healthy and prosperous New Year.

Spyware is a major concern of computer users. As a result, in 2005 "anti spyware" legislation was put on the books by fourteen states (in addition to UT who passed their legislation in 2004), and in another twelve (including NY and PA), legislation is pending. This concern is also what we hear from our clients.

We therefore decided, that although we addressed this topic last year, to update our readers by including in this issue extracts from a recent presentation made by Peter O'Karma, Vice President of Information Technology for CPS, to the New Jersey Fraternal Congress.

As has been our practice at this time of year, our second article deals with the preparation and filing of the annual statement. Each year we share with you our table showing the requirements of the states in which our clients are licensed in order to make it easier for you to make the correct filings.

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. ❖

Spyware Galore!

Spyware is a general term used for software that performs certain actions such as advertising, collecting personal information or changing the configuration of your computer, generally without your consent. You might have spyware on your computer if:

- You see pop-up advertisements even when you're not on the Web.
- The page your Web browser first opens to (your home page) or your browser search settings have changed without your knowledge.
- You notice a new toolbar in your browser that you didn't want, and find it difficult to get rid of.
- Your computer takes longer than usual to complete certain tasks.
- You experience a sudden rise in computer crashes.

Spyware is often associated with software that displays advertisements (called adware) or software that tracks personal or sensitive information. That does not mean all software which provides ads or tracks your online activities is bad. For example, you might sign up for a free music service, but "pay" for the service by agreeing to receive targeted ads. If you understand the terms and agree to them, you may have decided that it is a fair tradeoff. You might also agree to let the company track your online activities to determine which ads to show you.

Other kinds of unwanted software will make changes to your computer that can be annoying and can cause your computer to slow down or crash. These programs have the ability to change your Web browser's home page or search page, or add additional components to your browser you don't need or want. These programs also make it very difficult for you to change your settings back to the way you originally had them. These types of unwanted programs are also often called spyware.

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The key in all cases is whether or not you (or someone who uses your computer) understand what the software will do and have agreed to install the software on your computer.

There are a number of ways spyware or other unwanted software can get on your system. A common trick is to covertly install the software during the installation of other software you want such as a music or video file-sharing program. Whenever you are installing something on your computer, make sure you carefully read all disclosures, including the license agreement and privacy statement. Sometimes the inclusion of unwanted software in a given software installation is documented, but it may appear at the end of a license agreement or privacy statement.

How to get rid of spyware

Many kinds of unwanted software, including spyware, are designed to be difficult to remove. If you try to uninstall this software like any other program, you might find that the program reappears as soon as you restart your computer. If you're having trouble uninstalling unwanted software, you may need to download a tool to do the job for you. Several companies offer free and low-cost software that will check your computer for spyware and other unwanted software and help you remove it.

Some Internet Service Providers (ISPs) include anti-spyware software in their service packages. Check with your ISP to see if they can recommend or provide a tool. If your ISP doesn't offer a removal tool for spyware and other unwanted software, ask people you trust (such as CPS) to recommend one. Keep in mind that removing unwanted software with these tools may mean you will no longer be able to use a free program that came with the spyware.

To remove spyware

1. Download Microsoft's Windows Antispyware software or another spyware removal tool.
2. Run the tool to scan your computer for spyware and other unwanted software.
3. Review the files discovered by the tool for spyware and other unwanted software.

4. Select suspicious files for removal by following the tool's instructions.

How to prevent spyware

Spyware and other unwanted software can invade your privacy, bombard you with pop-up windows, slow down your computer, and even make your computer crash. Here are several ways you can help protect your computer against spyware and other unwanted software.

- Update your software. If you use Windows XP, one way to help prevent spyware and other unwanted software is to make sure all your software is updated. First, visit Microsoft.com to confirm that you have Automatic Updates turned on and that you've downloaded all the latest critical and security updates
- Adjust Internet Explorer security settings
- Surf and download more safely.
 - Pay attention to security warnings as well as license agreements and privacy disclosures.
 - Download only from Web sites you trust
 - Never click "agree" or "OK" to close a window. Instead, click the "x" in the corner of the window or press the Alt + F4 buttons on your keyboard.
 - Be wary of popular "free" music and movie file-sharing programs. Make sure you understand all of the software packaged with those programs
- Use a firewall as well as anti-virus software.
- Download and install anti spyware protection. Microsoft currently offers anti-spyware software for download; more information is available on Microsoft Windows Antispyware site.

More advanced options include:

- Change Browsers (to e.g. Firefox)
- Lock your hosts File
- Block bad objects using a block list

CPS would be pleased to assist you in ensuring safe and productive surfing.

State	Annual Statement	Supp. Comp.Exh.	Filing Checklist	Postmarked or Received on March 1	Other Items	Mailing Address
CT - f	1	0	1	Δ	-Certificate of Compliance (A&H Advertising)	Connecticut Insurance Dept. 153 Market Street Hartford, CT 06103
FL - f	0 (Jurat)	0	0	Received		Christy Bazaldua Florida Dept. of Financial Svcs 200 East Gaines Street Tallahassee, FL 32399-0327
IL - d	2+1*	2	0	Postmark	See note in Newsletter	Paul Ebelherr Illinois Dept. of Insurance 320 West Washington Street Springfield, IL 62767-0001
IL - f	2	0	0	Postmark		
IN - f	0	0	0	Postmark	See note in Newsletter	fmcosvcs@doinstate_in.us Indiana Dept. of Insurance 311 W. Washington St. Suite 300 Indianapolis, IN 46204-2787
MA -d	2	0** (See note)	1	Received	See note in Newsletter	Peter J. Arens Comm of MA Insurance Division
MA - f	1	0	1	Received	-License Renewal Appl. -State Filing Fees.	One South Station Boston, MA 02110-2208
ME - f	0	0	0	Postmark	-Advert Certificate (H) -Fraud & Abuse Report -Benefit Expense report -Supp. Health Report(H)	Tracy Cunningham Maine Bureau of Insurance 124 Northern Ave. Gardiner, ME 04345
MI - f	0	0	0	Received	FIS 0322 (H)	Office of Financial Evaluation Michigan Dept of Cons & Ind Svc 611 West Ottawa Street Lansing, MI 48933
NH - f	0 Actuarial Opinion Required	0	0	Postmark		Mary Verville New Hampshire Insurance Dept. 56 Old Suncook Road Concord, NH 03301
NJ - d	3	1	1	Postmark	See note in Newsletter	Margaret P. Shaw New Jersey Insurance Dept 20 West State St., 10 th Floor Trenton, NJ 08608
NJ - f	0 (Jurat)	0	1	Postmark	See note in Newsletter	
NY - d	1+1*	1	1	Received	NY Supplement	Insurance Regulatory Systems New York State Ins. Dept.
NY - f	1	0	1	Received	NY Supplement	One Commerce Plaza Albany, NY 12257
OH -d	0	1	1	Received	INS7004 & 7225. On Line: INS7140 & 7142	Terrance A. Miller Ohio Dept. of Insurance 2100 Stella Court Columbus, OH 43215-1067
OH - f	0	1	1	Received	INS7004 & 7225	
PA - d	2+1*	2+1*	0	Postmark		Kaushik K. Patel, Chief Pennsylvania Ins. Dept Rm 1345 Strawberry Square Harrisburg, PA 17120
PA - f	0 (Jurat)	0	0	Postmark		
RI - f	0	0	1	Postmark	Contracted Ins. Producer Report	Walter D. Hope, Jr. FLMI, CFE R.I. Insurance Division 233 Richmond St., Suite 233 Providence, RI 02903-4233
VT - f	0 (Jurat)	0	1	Received	-Retaliatory Annual -License and fee calc -VT Healthcare Admin Supplemental Filing	Vermont Insurance Division Company Licensing Section 89 Main St., Drawer 20 Montpelier, VT 05620-3101
WI - f	1 (Jurat)	0	1	Received	See note in Newsletter	Yvonne Sherry Office of Commissioner of Ins. 125 S. Webster Street Madison, WI 53702

Checklists for Filing the Annual Statement

Again this year, **CPS Bulletin** is carrying a table to make your task of fulfilling the annual statement filing requirements a little bit easier. Since we received encouragement from a number of our readers, we are enclosing our updated list for the 2005 Annual Statement in this issue of **CPS Bulletin**.

The table is presented in the form of a separate pullout sheet to enable you to post it on the wall for easy reference.

As last year, we denoted the different requirements for domestic and foreign insurers by "XX – d" and "XX – f" respectively. Because of space considerations, we have included in the table primarily 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 by each state or check each state's website. A source for links to state checklists is at: www.naic.org/industry_filing_state_instructions.htm.

The trend towards paperless submissions continues with FL joining the list of states that do not require a hard copy of the statement this year. The Affidavit of Filing has been eliminated; however, some states do require the filing of a fully signed and notarized Jurat page. These states have been marked with the notation (Jurat) in the Annual Statement column.

Other notes:

- IN does not require a hard copy of the Annual Statement but does require the following additional items from foreign insurers: (1) Certificate of Advertising Compliance, (2) Supplement to the IN Health Exhibit (NIL return is required) and (3) 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 (3) an extra copy of the Actuarial Opinion for the IL actuaries and (4) a Management Contract Supplement (Form 141.3).

- 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.
- WI requires the following additional filings: (1) Compulsary & Security surplus calculations (e-file), (2) Agents commission on WI business, (3) Fraternal Schedule of Fees, and (4) Health Insurance Risk showing Assessment Form (e-file)
- (**) MA does require that Domestic Insurers complete the Supplemental Compensation Exhibit. It does not have to be filed, but should be available if required. All insurers in MA are required to complete a License renewal application and State Filing Fees form.
- (H) after the document means it is required for health insurers.
- The '*' next to a number in the table means that an additional copy of that item is required by the state actuarial bureau.
- The 'Δ' symbol means that a postmark date of March 1 is only acceptable via USPS. Private delivery must be on or before March 1.
- The table refers only to filings required by March 1, 2006. Additional filings may be required by March 15, 2006 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 **down** from last year (hurray!). The new filing fee scale may be found at http://www.naic.org/industry_filing_participation_packet.htm#fee_structure

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. ❖

Regulatory Update

NAIC allows the public "greater access" to Insurance Companies information via the Internet.

The NAIC has announced that beginning March 2006, consumers will be able to view Insurers' annual and quarterly statements as well as other key financial data on the NAIC web site (www.naic.org). This is being touted as affording consumers greater access to information. In fact the opposite is true.

Consumers are currently able to download annual statements from the NAIC web site without limit. With effect from March 1, consumers will only be able to download 5 free requests for each fiscal year (March 1 – February 28). Each request will be available for 24 hours and will permit 3 downloads. After that, a fee ranging from \$3 for a quarterly report to \$10 for an annual statement will apply. Special rates may be available to academic research and non-profits.

The change was made because of excessive downloading, which the NAIC felt was compromising their intellectual property rights.

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 ❖

CPS, Inc., 1014 Hope Street
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Regulatory Update (Cont'd)

Patriot Act and Insurers

The Financial Crimes Enforcement Network (FinCEN) of the Treasury Department has developed new federal rules that require certain insurers to both establish anti-money laundering programs and file suspicious activity reports. FinCEN has prepared a Frequently Asked Questions document to assist insurers in understanding the scope of the final rules; the link to that document is www.fincen.gov/nrfaq10312005.pdf. The anti-money laundering program must be implemented by May 2, 2006. We will provide a more detailed explanation of this new requirement in our March 2006 newsletter.

New Jersey Actuarial Opinion

The NJ Department is proposing to adopt the NAIC's new actuarial opinion and memorandum regulation, which will require all fraternal licensed in NJ to perform an asset adequacy analysis each year. The current regulation exempts certain fraternal from having to perform the analysis depending upon the society's solvency ratio, exposure to interest sensitive products and amount of non-investment grade bonds.

Michigan Policy Forms Survey

In a memorandum dated January 11, 2006, the MI Insurance Department issued a policy forms survey that requires a response within 30 days of the receipt of the letter from each insurer/fraternal licensed in MI. The survey is 12 questions long and asks questions regarding whether or not various provisions in an insurer's policy forms meet the requirements of MI laws. The survey is available as a download from the MI Insurance Department web site www.michigan.gov/documents/Letter_Form_147708_7.pdf. ❖

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	4.25%	3.75%	2.25%
Prime Rate	7.25%	6.75%	5.25%
30 yr mortg	5.75%	5.35%	5.32%

Source: www.bloomberg.com as of December 21, 2005.