

# ....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. The year 2007 is a big year for CPS – it's our 40<sup>th</sup> year of business!

Cell phones are hot! Most of us have seen the video of Saddam Hussein's execution, captured by a cell phone (Secret: almost all phones sold today have cameras and camcorders). You probably also have heard about Apple's new I-Phone, which is a combination of an I-pod and phone. In fact, it is a high end Smart Phone. Smart phones are regular phones that have all kinds of fun and useful features and our lead article in this issue talks about what phones can do for you. We describe many of the features that you will be able to find on today's cell phones.

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. This year, CT's checklist is still unavailable in mid-January, so we are retaining last year's requirements in the table and will update any readers who care to call us should these have changed.

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](http://www.cpsincorp.com). ❖

## Cell Phones Go Sophisticated

So what are all those wonderful features that those hot modern cell phones have?

Almost all cell phones today have certain core features. These include speakerphone, clock, alarm, calculator, camera and camcorder, headphone jack, calendar, voice dialing, vibrate and ring features. They all have a variety of ring tones as well so you can personalize the song (by caller) that will play when your phone rings.

Voice dialing is a nice feature. It allows you to easily program your phone to dial a number by just saying a name (for example, "Call home"). This feature requires you to "train" your cell phone to recognize the specific way you pronounce your entries. This usually requires you to speak the command a few times so as to "lock" the entry into the phone. Some of the more expensive phone models require no training and enables the phone to recognize or understand the entries even if spoken by someone else.

Surprisingly we found that the camera (and associated camcorder) feature is ubiquitous. However, you do not want to give up your digital camera just yet! Most camera phones only have resolution of 0.3 mega pixels (mpx), although newer phones have a resolution of 1.3 mpx and up to 3.0 mpx on very high-end models. Some camera phones come with a built-in flash and enable you to take self-portraits by looking at yourself on the external screen when the phone is closed.

All cell phones today come with short messaging service (SMS), which provides the ability to send and receive text messages. Most high school kids could not survive without the ability to text message. After all, how else would they be able to communicate with their friends during class?

The cost of a cell phone varies widely, as you might expect. As the price goes up, so does the number of features that are available. New high end Smart Phones typically have most of the following features:

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**MP3 player:** Download and play music on your cell phone. Cell phones equipped with an iTunes Player allow you to download, organize and play digital audio files such as music, spoken word, etc., without having an iPod.

**FM radio:** Some cell phones come equipped with the ability to listen to FM radio through your handset. In some cases, the phone can be pre-programmed for a number of stations as you would on your car radio.

**E-mail:** The ability to receive and send e-mails was first introduced on portable devices in 1999 by Research In Motion. Their software sent your e-mail to your portable device. The device was called a Blackberry and the software has now developed so that you can receive and send e-mails to many other portable devices, including cell phones.

**Attachment viewing:** Phones with this feature enable you to open and view the contents of email attachments in formats such as Word, Excel and pdf.

**Mobile web browsing:** Some cell phones contain software that will turn your handset into a mini wireless Internet browser. The most basic version of mobile web browsing only allows access to text-only pages specifically designed to be viewed through cell phones; more advanced models enable the user to surf and see full Web Sites. Google is even offering web applications (e.g., maps, e-mail, search) that are specifically designed for your cell phone.

**GPS services support:** Global Positioning System (GPS) is satellite-based technology that allows you to determine your location, receive directions or even enable police to locate you if you called 911 from your mobile phone.

**Bluetooth wireless technology:** Bluetooth-enabled cell phones provide the capability to transmit a signal to a wireless headset (the common "Bluetooth" headset) or to a car-kit, enabling you to keep your cell phone in your pocket while communicating.

More advanced Bluetooth capabilities allow you to send wireless signals from your cell phone to a Bluetooth-enabled printer or to communicate data to other cell phones enabled with the same technology.

**PC synchronization.** This feature allows the user to

link the cell phone to a PC and synchronize such information as calendar, to-do lists, phonebook entries, etc., especially through such applications as Outlook.

**Picture caller ID** allows you to associate a picture or image with contacts in your phone book. This way, when you receive a call from one of these contacts, you see their picture as well as their phone number.

**Video capture/camcorder:** Many camera phones allow the user to record, store, play and send video-clips. On some cell phone models, the maximum length of video-clips allowable is pre-set (e.g. 30 seconds); on others, it is only limited by the phone's internal memory capacity. This technology will also enable you to watch selected TV programs on your cell phone.

Most of these wonderful features that come with a cell phone also come with an additional cost. While you can take as many pictures as you want with your camera phone for free and download them to your computer, there is a cost if you decide to send a picture to a friend's cell phone. Verizon has a plan that lets you send up to 40 pictures for \$5 per month with \$0.25 for each additional picture. Verizon charges \$0.10 for each text message sent or received, although for about \$10 a month you can get unlimited text messaging. If you pay for each text message, the charge applies to each message, regardless of whether it is sent or received. Thus, if you text the message "I'll be home in 10 minutes" and the recipient replies "OK", that will cost you \$0.20.

The costs of owning a phone in your house (aka, landline) have been coming down dramatically in recent years, and with the advent of making phone calls over the Internet (VOIP); the major component of communication costs has shifted to cell phones.

Choosing the right phone service is sometimes a daunting task, partly because there are so many choices. The major cell phone carriers in the US today are Verizon, T-Mobile, AT&T/Cingular, Sprint-Nextel and Alltel. Overall, Verizon appears to be the most expensive and least flexible with its plans, but it

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## Checklists for Filing the Annual Statement

Again this year, **CPS Bulletin** is presenting a table to make your task of fulfilling the annual statement filing requirements a little bit easier. We have updated last year's list so the format is unchanged since 2005.

The table is 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 its website.

As last year, most states no longer require the filing of a hard copy of the annual statement by foreign insurers. Some of them do however require a signed and notarized Jurat page. These states have been marked with the notation (Jurat) in the Annual Statement column.

Other notes:

- IN requires the following 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 IL insurers must file by March 1<sup>st</sup> a policy-in-force supplement which may be found on their web site at [www.idfpr.com/doi/default2.asp](http://www.idfpr.com/doi/default2.asp).
- All NJ insurers must submit (1) Medicare Supplement and (2) Annual Statement fees which only apply if no NJ business is written. NIL return for both items is nevertheless required.
- WI requires the following additional filings: (1) Compulsory & Security surplus calculations (e-

file), (2) Agents commission on WI business, (3) Fraternal Schedule of Fees (OCI 27-013), (4) Medicare Part D Coverage Supplement, (5) Medicare Supplement Insurance Experience Exhibit and (6) Health Insurance Risk showing Assessment Form.

- VT requires foreign insurers to file an (1) Annual Statement Supplement (2) A&H advertising certificate, (3) Premium Tax, (4) License Renewal and (5) Annual and Retaliatory Fee calculation.
- (\*\*) 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 unchanged from last year. See [http://www.naic.org/industry\\_filing\\_participation\\_fees.htm](http://www.naic.org/industry_filing_participation_fees.htm) for the current scale.

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.❖

has the highest-rated service among the various carriers. On the other hand, T-Mobile seems to have the lowest-cost plans and is the most versatile.

Typical cell phone plans include a number of “anytime” minutes, plus all of the extras that you select. As an example, Verizon offers a single phone with 900 “anytime” minutes for about \$60 a month. You can add additional lines for \$10 each, but all phones share the “anytime” minutes. Unlimited text messaging is \$10 per month per phone. If you plan to surf the web using your cell phone, that feature will add another \$15 per month per phone for unlimited surfing. For a single phone, this adds up to about \$85 per month (before taxes and fees, which can add another \$10-\$15 to your bill). A similar plan from T-Mobile will be about \$60 per month (plus taxes and fees).

All this excludes the cost of the phone and the activation fee. A basic “smart phone” may cost \$150-\$200 after the various rebates. If you amortize that cost and the \$35 activation charge over the two-year contract period, it ends up costing about \$15-\$20 a month for the phone. If this is going to be your workstation or one of your primary communication devices with family and friends, you want to get the best phone that you can afford. You can read a review of cell phone features and rankings in the January 2007 issue of *Consumer Reports* magazine.

One more important point: Your cell phone will only be as good as the service you get in your area. There’s no point in having the best phone with the best features if you have terrible phone service (e.g., a dead zone) in your area. Before selecting any plan, you should check with friends and neighbors to see what service they have and how well it works. After all, if you have hundreds of “anytime” minutes but do not have phone service, then you may not have a very good deal. ❖

## Interest Rate Monitor

The following are some key interest rate benchmarks:

Benchmark	Current	3 Months	1 Year Ago
Fed Funds	5.25%	5.25%	4.25%
Prime Rate	8.25%	8.25%	7.25%
30 yr mortg	5.75%	5.80%	5.70%

Source: [www.bloomberg.com](http://www.bloomberg.com) as of January 1 2007.

## Regulatory Update

### New York requires additional reporting for potential severe mortality events:

The New York Department requires all NY licensed insurers to comment on the effect that a significant increase in mortality, for example, as a result of a bird flu outbreak, will have on the insurer’s finances. The report is required by May 1, 2007 and should (a) describe the insurer’s risk management preparations to deal with such a catastrophic event such as reinsurance, geographic concentration limits, cat bonds (also known as Cat-E-Puts, allowing a company to issue or sell equity at a predetermined price in the event of a specified catastrophic event) and (b) provide an overview of the increase (either in percentage or absolute terms) in mortality that the insurer can withstand.

### New York reviews regulations for Term plans with Return of Premium (ROP):

The New York Department has received comments to recently issued draft guidance for changes to the method of calculation of cash values for ROP plans and will be reissuing the draft guidance. The department is still hoping to implement the changes with effect from July 1, 2007.

We shall be keeping our clients advised of these developments via a special CPS memorandum. ❖

## 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](http://www.cpsincorp.com)

**CPS, Inc.,  
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Stamford, CT 06907**

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: e-filed)	0 (#)	0	Received	-Audited Financial Statements Exemption Affidavit	Christy Bazaldua Florida Dept. of Financial Svcs 200 East Gaines Street Tallahassee, FL 32399-0327
IL - d	2	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	See note in Newsletter	
IN - f	0	0 (#)	0	Postmark	See note in Newsletter	Brenda Lear 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 One South Station Boston, MA 02110-2208
MA - f	1	0 (#)	1	Received	-License Renewal Appl. -State Filing Fees.	
ME - f	0	0 (#)	0	Postmark	-Advert Certificate (H) -Fraud & Abuse Report -Medical/Stop Loss Insurance Supp (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 - d	2	1	1	Postmark		Don Lodge/Mary Verville New Hampshire Insurance Dept. 21 South Fruit Street, Suite 14 Concord, NH 03301
NH - f	0	0 (#)	0	Postmark		
NJ - d	3	1	1	Received	See note in Newsletter	Margaret P. Shaw New Jersey Insurance Dept 20 West State St., 10 <sup>th</sup> Floor Trenton, NJ 08608
NJ - f	0 (Jurat)	0(#)	1	Received	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	0	1	Received	INS7004. On Line: INS7140 & 7142	Susan Shidaker Ohio Dept. of Insurance 2100 Stella Court Columbus, OH 43215-1067
OH - f	0	0	1	Received	INS7004	
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 (Jurat)	0 (#)	1	Postmark	-Contracted Ins. Producer Report -Premium Tax	Kenneth DiLeone R.I. Insurance Division 233 Richmond St., Suite 233 Providence, RI 02903-4233
VT - f	0 (Jurat)	0 (#)	0	Received	See note in Newsletter	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