

# ....CPS BULLETIN....

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

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## Introduction

This issue of **CPS Bulletin** provides information that can help you at work as well as improve your enjoyment at home.

Our first article is about life and annuity administration. CPS offers a Windows-based administration system for administering a fraternal's life and annuity business. While the article outlines some of the features of our software, it also can provide you with a checklist of features that you may wish to explore in your own administration system.

Our second article is all about the types of televisions that are on the market these days, from projection TVs to flat panel TVs. There is a lot of new terminology out there these days with regard to TVs (plasma, LCD, HD-ready) and our article provides some explanation as to what they all mean.

In the Regulatory Update section, we provide summaries of a couple of new items from NJ and NY. In NJ, changes will be necessary for policy forms if certain discretionary rules are present in your forms. In NY, the Department may do away with the current limit on the amount of insurance that can be purchased for a minor

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). ❖

## Administration Made Simple

Finding the right administration system to handle a fraternal's life and annuity business can be a daunting task. Many of the systems on the market have a lot of bells-and-whistles that you may not need, which add to the software's cost and complexity. At CPS, we offer a Windows-based system that is geared towards fraternal's.

The CPS System can handle many tasks that a user would expect in an administration system, as well as other handy features. This article will outline some of the features of the system. Whether you are looking for a new system or not, understanding the features of other systems might help you improve your own system.

### System Security

With all of the concerns these days regarding privacy of information and the need for internal controls required by the Sarbanes-Oxley Act, an administration system needs to have certain security levels. Each user will have their own sign-in and password, and each transaction or change to the file will record the name of the user and the date the change was made. The CPS System also enables the administrator to limit users to certain portions of the system. Users can have administrative rights (which would enable them to access the entire system), inquiry rights (which would allow the user to just look up policy information and calculate cash values), or "common user" rights (which provide more access to the system than inquiry but not as many as administrative).

### Premium Billing

Billing can be done either using individual bills or branch billing. The individual bills can be run as often as the user likes in a particular month. The CPS System enables you to print the bills right after you run them, or you can extract them to a pdf file so that the bills can be run at a later time. Reminder notices can also be run easily from the system, at any time the user wants.

## INSIDE THIS ISSUE

- 1 Introduction
- 1 Administration Made Simple
- 3 In the Market for a New TV This Holiday Season?
- 4 Regulatory Update
- 4 Interest Rate Monitor
- 4 About CPS

See **Admin** on page 2

If a billing error is detected, the user can easily update the policy record that had the error, re-run the bills and then only print the bill that changed.

### **Premium Posting**

Premiums can be posted daily, weekly or any other time period the user wishes. The premium amount paid (with a separate entry for the amount of dues that may have been paid) is posted for a policy and the system will calculate the revised paid-to-date. A report is generated that shows all of the premiums that were posted to a batch, and shows the old paid-to-date and the newly calculated paid-to-date. If the system cannot for some reason calculate a paid-to-date, the report will indicate there was a difference. The user can then investigate this case and make any necessary changes before updating the file with the new paid-to-dates. Before updating the system, a back-up file is created automatically by the CPS System so that if an error is found after processing is complete, the user can restore the file, correct the problem and then re-process the payments.

### **Back-up and Restore**

The CPS System comes with ways to back-up the database files as well as to easily restore the file if an error was made. Certain back-ups occur automatically (e.g., when posting premiums, processing transactions and closing out a month). A number of generations of back-up files are maintained so that if the user needs to go back to an older file, the back-up files will be there.

The user can also manually perform a back-up of the database as part of their regular back-up procedures

### **Cash Value & Reserve Calculations**

Since we are actuaries, we have made the system so that it can calculate the cash value and reserve per \$1,000 factors from basic principles. These factors can also be imported as well. Reserve reports can be run on a monthly, quarterly or annual basis just by a few clicks of the mouse.

When calculating a member's cash value, the system automatically calculates the cash value, reduced paid-up and extended term benefit. For annuity policies, the account balance, free partial withdrawal amount and the surrender charge amounts are shown.

### **Maintaining Loan Balances**

The CPS System will maintain the loan balances (including automatic premium loans) of each policy. Loan balances are updated as part of the month-end closeout, at which time a report is generated that shows the loan balance as well as the current cash value. By showing the cash value along with the loan, the user can easily see those members whose policy is about to lapse because the loan is greater than the cash value.

### **Report Writer**

The CPS System has a very flexible report writer that will enable you to easily create your own reports. For example, if you want to get a list of all the members in the society that are under the age of 16, you could very simply create such a report. The report can be extracted to Excel, which will enable you to manipulate it to do any number of things (e.g., create special format for printing, prepare labels, etc.). Any report formats that you use often can be saved so that they can be retrieved for later use.

### **Policy Master Record**

The policy master record (PMR) shows all of the information related to a particular member. The PMR shows the transaction history, premium history and loan history in the record. There is a place for comments as well as beneficiary and 3<sup>rd</sup> party notification information. The PMR record can be previewed and printed with all of the pertinent policy data on one page (i.e., you do not have to perform multiple print screens to see the policy data); it can also be exported to a pdf file.

### **Commissions**

The system calculates commissions (including overrides) and generates an agent report that shows the commission for each policy that the agent has issued. The agent report can be run at any time by entering a beginning and ending date that represents the period for which commissions are calculated.

### **Summary**

CPS offers an administration system that is both affordable and easy to use. It can handle all of the needs of a fraternal benefit society, including billing, premium posting, commissions, as well as cash value and reserve calculation. If you are interested in hearing more about this system, please give us a call. ❖

## In the Market for a New TV this Holiday Season?

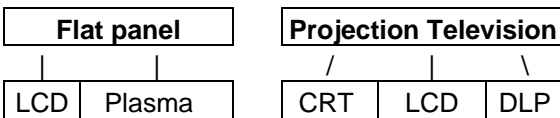
In February 2006, President Bush signed into law legislation setting February 17, 2009 as the date U.S. broadcasters must end transmission of analog television signals and move to all-digital broadcasts. The move from the upper-700-MHz spectrum band will free up 60 MHz of wave space for mobile wireless carriers and 24 MHz for emergency response agencies.

Television viewers who receive over-the-air signals on analog sets will require converters to continue to get any TV signals after the transition. The new law includes up to \$1.5 billion in funding to provide two \$40 vouchers per household toward the purchase of digital-to-analog set-top converter boxes.

Most households will elect to buy new digital televisions instead. And why not? With all the wonderful alternatives out there, there is choice aplenty. In fact, there may be too many choices. Walking into stores like Circuit City or Best Buy you will find salespeople that either know very little or are full of technobabble, which can make things even more confusing for the average consumer.

This article will simplify matters somewhat so that you can have an enjoyable TV shopping experience.

Like computer monitors, there are two kinds of television systems. One is a flat panel, where much of the technology that creates the image is actually embedded in the glass screen itself. The other is projection sets, where the front screen is just a sheet of plastic and the technology that creates the image is in the back of the set. The following are a couple of options associated with each type of TV system:



Flat panel TVs are thinner, more fashionable and can be attached to a wall. They typically cost more than projection TVs. While a 50" projection TV might run \$800-\$2500 depending on features, a similar flat screen (plasma) TV would be \$2000-\$4000.

The battle between Liquid Crystal Display ("LCD") and plasma technologies is reminiscent of the VHS

vs Betamax wars. Plasma had a head start but LCD is catching up and it may soon become the favored technology. This is not necessarily because of its technical prowess (after all, Betamax was superior to VHS), but because of practical considerations. However, if today you want a 50"-60" flat screen TV, it has to be plasma.

There's not much to distinguish between plasma and LCD when it comes to (a) viewing angle (how far to the side one can see the picture), (b) screen refresh rate (how quickly the picture gets refreshed), (c) "burn-in" (do the images produce an after-image ghost which remains permanently on the screen?), and (d) product life-span. However, there are some distinguishing features, which are as follows:

Screen Size	Currently plasma has the lead. LCD is catching up and may surpass plasma owing to the difficulties in producing glass large enough for larger plasmas.
Weight	LCD TVs are considerably lighter and more portable.
Shipping	LCD TVs are far less fragile than plasma, making shipping easier and cheaper.
Installation	LCD TVs are much easier to install than plasma TVs.
Brightness/Contrast	LCD TVs will generally look a little brighter.
Thickness	LCD TVs are just a bit thinner
Performance at High Altitude	LCD TVs are not affected by high altitude whereas plasmas are.

As for projection TVs, all projection systems are available with screens ranging from 42" to 65". There are 3 types. Cathode Ray Tube (CRT) is the oldest (and least costly), but is also the bulkiest and deepest. It may have a flat screen, using a flat piece of glass to encase old technology, but it is not "flat panel"! Other types of rear projection TVs are LCD and Digital Light Processing ("DLP"); these can be as thin as 18"-20" but are more expensive than the CRT technology. The images produced on a DLP TV are noted for their sharp blacks and grays. The DLP projection TV is still cheaper than the (plasma) flat screen.

See **TVs** on page 4

Another important TV feature these days is High Definition ("HD"). More and more programming is available in HD and the quality of the picture is significantly better than regular (even digital) TV. An HD ready TV is capable of displaying HD but it does not have a built-in HD receiver or tuner (like a satellite or cable box) that is able to receive HD signals. On the other hand, the HD TV has the receiver built in, but it is usually limited to over the air broadcasts that require an antenna; thus, you'll still need a satellite or cable box to receive the HD channels.

How should you approach the shopping expedition?

- Check the state of the software (programming and cable or satellite transmission) in order to decide whether you want an HD or HD ready TV.
- Set a budget
- Decide the importance of the aesthetics (do you want the TV hanging on the wall or sitting on the floor?)
- Go to the store. There is no substitute for "feeling" the quality of the picture and richness of the color.
- Compare prices on the Internet.
- Make your purchase and enjoy! ❖

## 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) ❖

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## Regulatory Update

### NJ to Formally Prohibit Discretionary Rules in Insurance Contracts.

A discretionary rule is one that provides the insurer sole discretionary authority to determine eligibility for benefits or to interpret the terms of the contract. These rules are more common in health insurance than in life insurance or annuities. An example in life insurance might be the interpretation of disability in waiver of premium riders.

The NJ Department has refused for a number of years to approve policies with discretionary powers. However, it is possible that some clauses have slipped through the cracks and will have to be resubmitted for approval once the new rule goes into effect.

It should be noted that if a policy containing discretionary rules is not resubmitted, then the worst that would happen is that the contract would be interpreted as though the insurer did not have such powers. While societies should be examining their policies for non-compliance, there appears to be no need to rush to resubmit. However, as societies move to the 2001 CSO table, new policy forms should be submitted without any discretionary rules.

### NY to Abolish the \$25,000 Limit on Insurance Contracts on the Lives of Minors

Assembly Bill 11818 and Senate Bill 8204 would amend NY Insurance Law section 3207 which limits parents to \$25,000 in insuring a minor in order to lock in insurability.

The change is being made because NY is currently the only state with such a limit, and it has been possible to circumvent the limit because it only applied to people on whom the minor depends for support; thus, others such as grandparents were exempt from the limit. It has also been possible for parents to have higher face amounts in conjunction with policies purchased on their own lives, thus giving parents who can afford it more options. ❖

## Interest Rate Monitor

The following are some key interest rate benchmarks:

Benchmark	Current	3 Months	1 Year Ago
Fed Funds	5.25%	5.00%	3.50%
Prime Rate	8.25%	8.00%	6.50%
30 yr mortg	5.92%	6.17%	5.29%

Source: [www.bloomberg.com](http://www.bloomberg.com) as of September 14, 2006.