



# Heartbeat

## 2003 Heartland Chapter Officers

- **President—Katie Gurnett**  
Physicians Mutual Life Insurance  
katie.gurnett@pmiccom
- **Vice President—Shawna Greenway**  
Farm Bureau Financial Services  
sgreenway@fbfs.com
- **Secretary—Jean Helm**  
Farm Bureau Financial Services  
jhelm@fbfs.com
- **Treasurer—Eric Westman**  
AmerUs Life Insurance Company  
eric.westman@amerus.com
- **Regional Director—Connie Doud**  
Farmers Mutual Hail Insurance Company  
connie@fmh.com

*Association of Insurance Compliance Professionals*

## 15th Annual National AICP Conference

**Philadelphia, Pennsylvania**



The AICP's 15th Annual Conference was truly a success with record-breaking attendance of 650.

With over 80 concurrent sessions to choose from, 101 speakers, participation from over 25 regulators from states across the country, and support from 24 Exhibitors, the conference offered something for all of our attendees!

We are also excited about the videotaping of the Chapter Officer Training session that will be available to chapters. This videotape will assist AICP members in understanding the roles and responsibilities associated within the chapter.

New this year was our Regulator One-on-One Sessions. Attendees had the opportunity to meet with the regulator(s) of their choice, one-on-one, and discuss pertinent issues in a private setting. We received very positive feed-

back from both the Regulators and Attendees who participated in these sessions. Look for this exciting opportunity again next year!

We are also very pleased and proud of the fact that the NAIC's - Insurance Requirements Locator was unveiled to the Industry at this year's event.

Last but not least, was our Gala Event – A tribute to American Bandstand! Fun was had by all! The AICP's 15th Annual Conference was truly a success with record-breaking attendance of 650.

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## Prez Says...by Katie Gurnett of Physician's Mutual

Well, another year is in swing and as usual, we all have great plans for the new year – both personally and professionally. Personally, I'm planning on becoming independently wealthy this year – but then we know how those New Year's resolutions tend to flop!

This is going to be an exciting year for the Heartland Chapter of the AICP. I think we have an excellent group of officers to lead us through the year, as well as a membership which likes to be involved. One of our goals this year is to continue the Food Bank donations at the meetings. Last year we donated 100 pounds and \$50 to local food banks. I challenge the membership to increase that by at least 10% (which for those of us who are not actuaries – that is 10 pounds and \$5!) We will still have the President's award, so be thinking of someone who is active in our chapter and in the community.

Our meetings promise to be exciting and informative. Our first meeting is in Des Moines on February 7<sup>th</sup> and is being hosted by our treasurer, Eric Westman's company, Amer Us

Life Insurance Company. The May meeting will be hosted by my company, Physicians Mutual Insurance Company, in Omaha, Nebraska. The August meeting, at this time, will probably be in Kansas City, Missouri.

I want to thank Wade Sheeler for a great year last year – boy, what a tough act to follow. I would also like to thank all those individuals who were involved in putting together the meetings last year – what a great job everyone did! When I talk to other officers from other chapters, it is obvious that we have a lot of great individuals who are willing to go that "extra mile" for the organization. It is wonderful to be able to brag about our membership to the other chapters.

In closing, remember that education is one of the missions of the AICP. Education comes in many forms – classes, seminars and yes – even networking. We can learn so much from each other – don't be shy about calling one of your fellow AICP members (not just the Heartland members) to ask questions and get feedback. In return, share your knowledge with your fellow AICP members

when they contact you – even if you don't have the answer, you may have a new insight or know someone who can answer their question. This organization is about SHARING the knowledge and the expertise. None of us have all of the answers and with our current workloads, most of us don't have the time to research all of the details – but I guarantee there is someone in our organization who has the key, and they are always more than willing to help. By sharing this information, we all come out winners – the state insurance departments appreciate the complete and accurate filings, our customers appreciate the speed with which filings are approved and you will have less stress in your life from wondering "if I did it correctly."

I hope to see all of you throughout the year, at least at one of our meetings. Be sure to come and introduce yourself if we haven't met (and sometimes even if we have – my brain isn't always functioning in high gear!). Bring lots of business cards to pass around – and above all else – have a great time and enjoy yourself!

Katie Gurnett

President, Heartland Chapter

### Food Bank Contributions Needed

*Thirty-three million people—including 13 million children—live in households that experience hunger or the risk of hunger. This represents one in ten households in the United States (10 percent). Source: United States Department of Agriculture*

A new tradition was started last year within the Heartland Chapter. This year we are hoping to keep this tradition alive. When you come to a Heartland Chapter meeting, please bring a canned food item or cash donation. All items will be donated to a local food pantry. Our goal this year is 110 pounds of food and \$55 in cash donations. This is just one small way that we can give back to our communities.

Katie Gurnett  
President

Shawna Greenway  
Vice President

## SERFF Filings...by LeAnn Hammar of the Nebraska Department of Insurance

This is the last of a series of articles concerning filing of forms for approval in Nebraska.

At this time, Nebraska is accepting life, variable life, annuity and variable annuity form filings. We plan to add other lines in the near future.

### OVERVIEW OF SERFF

After your company develops a form, it can be saved to Adobe Acrobat as a PDF file. The company representative would then log on to SERFF and complete a Transmittal Header for the filing. A Transmittal Header is like the State Filing Form. Nebraska has a State Specific page that needs to be completed. This page asks for the Flesch score, Nebraska identification number, whether the filing will be marketed using an illustration, and other information.

A Component Header is completed for each Component. In Nebraska the components required are:

- Actuarial memorandum,
- Retaliatory fee,
- Forms, and
- Cover letter.

A Component can be bypassed if is not applicable (such as an actuarial memorandum would not be needed to file an appli-

cation). The cover letter Component can be bypassed if the company places the body of the letter on the Transmittal Header.

### When filing with SERFF be sure to:

1. Carefully and accurately complete the Transmittal Header. Once the SERFF filing is sent, neither the company nor state can change it.
2. Carefully and accurately choose the type of insurance.
3. Be sure to complete the State Specific Page on the Transmittal Header. To bypass this page, a completed Nebraska Filing Form must be attached.
4. Carefully and accurately complete the Component Headers. Again, once the filing is sent, neither the company nor states can change it.
5. Send the retaliatory fee on the Life and Health Retaliatory Fee form found in the Nebraska General Instructions document. The instructions for completing this form are also in the General Instructions document. Be aware that there is also a retaliatory fee form for Property and Casualty. **DO NOT USE IT FOR LIFE AND HEALTH FILINGS.** At this time, Nebraska cannot accept electronic funds.
6. Be sure to attach the forms.

### Reasons SERFF filings could be rejected:

- Incorrect information on the Transmittal Header:

- Type of insurance
- NAIC number
- Nebraska number
- State specific page incomplete
- Form numbers do not match the numbers on the forms
- Not listing all form numbers
- Forms not attached
- Incorrect information on a Component Header
- No retaliatory fee sent
- Retaliatory fee sent, but with Property/Casualty form instead of Life/Health form.
- No cover letter or no "cover letter body" in the Transmittal Header.

### NOTIFYING THE COMPANY OF ERRORS

A "Note to Filer" is sent. We will follow-up with the company if no contact is made within three months. Forty-five days later, if the company has not responded, the filing will be withdrawn.

**HELPFUL HINTS:** When making a correction to a SERFF filing always make the corrected form a New Component Header. Once the filing is approved it is available for public viewing. An incorrect Component is restricted from viewing. A Sub-Component cannot be marked as public if the parent Component is restricted.

With SERFF filings, take note that when Deb reviews the retaliatory fee, she marks the Component Header as "Closed Acknowledged". This does not mean the filing is approved. It means the retaliatory fee is okay.

The Component Header for the actuarial memorandum or the bypass of the actuarial memorandum is marked as "Closed Acknowledged". Actuarial memorandums are not "Approved".

The Component Headers for the Cover letter and Forms are marked as "Closed Approved". The Component Header for an incorrect form is marked "Pending Industry Response".

The Transmittal Header reflects the status of the filing. When a SERFF filing is approved, the Transmittal Header is marked "Closed Approved".

## Terrorism Risk Insurance Program

Assistance with Department of Treasury Interim Guidance

On December 19, 2002, the U.S. Department of Treasury issued Interim Guidance Concerning Definition of Insurers, Scope of Insurance Coverage, and Disclosures Mandated by the Terrorism Risk Insurance Act of 2002

([www.treasury.gov/trip](http://www.treasury.gov/trip)). The Interim Guidance uses the NAIC's "Allocations of Surplus Lines and Independently Procured Insurance Premium Tax on Multi-State Risks Model

Regulation" in explaining how eligible surplus lines carriers should allocate premiums in 2002 on multi-national policies between coverage coming under the Act and all other coverage.



## Humor in the Workplace

The manager of a large office noticed a new man one day and told him to come into his office. "What is your name?" was the first thing the manager asked the new guy.

"John," the new guy replied.

The manager scowled, "Look, I don't know what kind of a place you worked at before, but I don't call anyone by their first name. It breeds familiarity and that leads to a breakdown in authority. I refer to my employees by their last name only - Smith, Jones, Baker - that's all. I am to be referred to only as Mr. Robertson. Now that we got that straight, what is your last name?"

The new guy sighed and said, "Darling. My name is John Darling."

"Okay, John, the next thing I want to tell you is..."



## Best Practices Seminar

Move **BEST PRACTICES** from theoretical to practical for your company! These seminars are "hands on" with lots of take-aways from an intense day of learning.

Some seminar locations are filling up, so to ensure that you are able to attend,

please register right away. There are only seventeen locations nationwide and groups will be kept small for better sharing of information.

To learn **BEST PRACTICES** for life, health and property/casualty in communications, feedback, training, advertising, monitoring, and

market conduct, register now!

The instructors are nationally known for Insurance Marketplace Standards Association assessments, and for nationally-attended advertising seminars. Both are frequent speakers about market conduct at many national conferences such

To learn more about the seminars and their locations, or to obtain a registration form visit the website at <http://www.professionalmkt.com/seminar1.html>

Questions? Call 877-850-5283.

## Treasurer's Report...by Eric Westman of AmerUs Life Insurance Company

To: Officers, Directors, & Members of the Heartland Chapter  
Association of Insurance Compliance Professionals

### Income:

Our total income in 2002 was \$5,291.92. This is an increase of over \$1,000 from last year, due largely to increased attendance at our quarterly meetings, especially our blockbuster meeting in May at Omaha! Our membership rebate this year equaled last year's figure, \$1,730.

### Expenses:

We incurred \$3,800 in expenses in 2002. This is an increase of over \$800 from last year; however, our increased income more than made up the difference.

### *Net Income:*

The 2002 net income is \$1,491.41. Our cash balance, after purchasing a \$7,000 Certificate of Deposit, is \$6,197.58. Our total net worth, including the CD, is \$13,197.58, up from \$11,706.17 last year.

### *Year-End Wrap Up:*

2002 was a year of great change from the Treasurer's standpoint, and I believe the most significant accomplishments in the three years I have served as Treasurer. I'm extremely pleased that the changes have allowed us to make the best use of our funds, and our improve our financial position at year-end. The changes this year include:

We successfully changed banks. As a result of the change, we have eliminated \$150 in yearly bank fees, earn interest on our monthly balance, enhanced our check writing abilities, and improved our record keeping by receiving well-organized monthly statements.

We purchased a \$7,000 Certificate of Deposit. This will boost our chapter interest earnings next year.

We eliminated postage expenses by e-mailing our chapter newsletter. This move alone will save us over \$300 a year in expenses.

These changes have allowed us to keep improving the quality of our quarterly meetings by hiring specialized speakers for a variety of topics, which in turn will continue to draw current and new members. I look forward to seeing the results of our changes next year!

Eric Westman, FLMI, AIRC  
Treasurer, Heartland Chapter

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## February 7, 2003 Heartland Chapter Meeting

**Date:** Friday, February 7, 2003

**Where:** Hoyt Sherman Place

1501 Woodland Ave. (15th & Woodland)  
Des Moines, IA 50309  
[www.hoytsherman.org](http://www.hoytsherman.org)

**Time:** 11:00 a.m. -- 12:00 noon      Registration  
12:00 noon -- 1:00 p.m.      Lunch  
1:00 p.m. -- 4:00 p.m.      Presentation followed by business meeting

**Topic:** **Anti-money laundering.** Dodie Bauman, Compliance Manager for the Iowa Bankers Association, will share her experiences relating to compliance with anti-money laundering regulations from a banking perspective. She will also discuss her experiences complying with customer identification and anti-laundering provisions of the USA Patriot Act.

**Fee:** \$20.00. This includes the registration fee and lunch. There is no admission fee to Hoyt Sherman Place.

**Dress:** Business Casual

### The Hoyt Sherman Place

A grand manor home built in 1877 by prominent businessman Hoyt Sherman; the structure is now a museum and performing arts center. The original house and gallery display an impressive collection of 19th and 20th century paintings and elaborately carved 17th century furniture as well as many rare, ancient artifacts. The theater, added on in 1923, continues to host an impressive array of world renowned musicians and local performing arts events.

Self-guided tours are welcome between the hours of 10:00 a.m. and 4:00 p.m. Guided tours are available for groups of ten or more, with reservations at least one week in advance. Guided tours are \$2.00 per person for adults, children under 12 are free.

## DIRECTIONS AND MAP

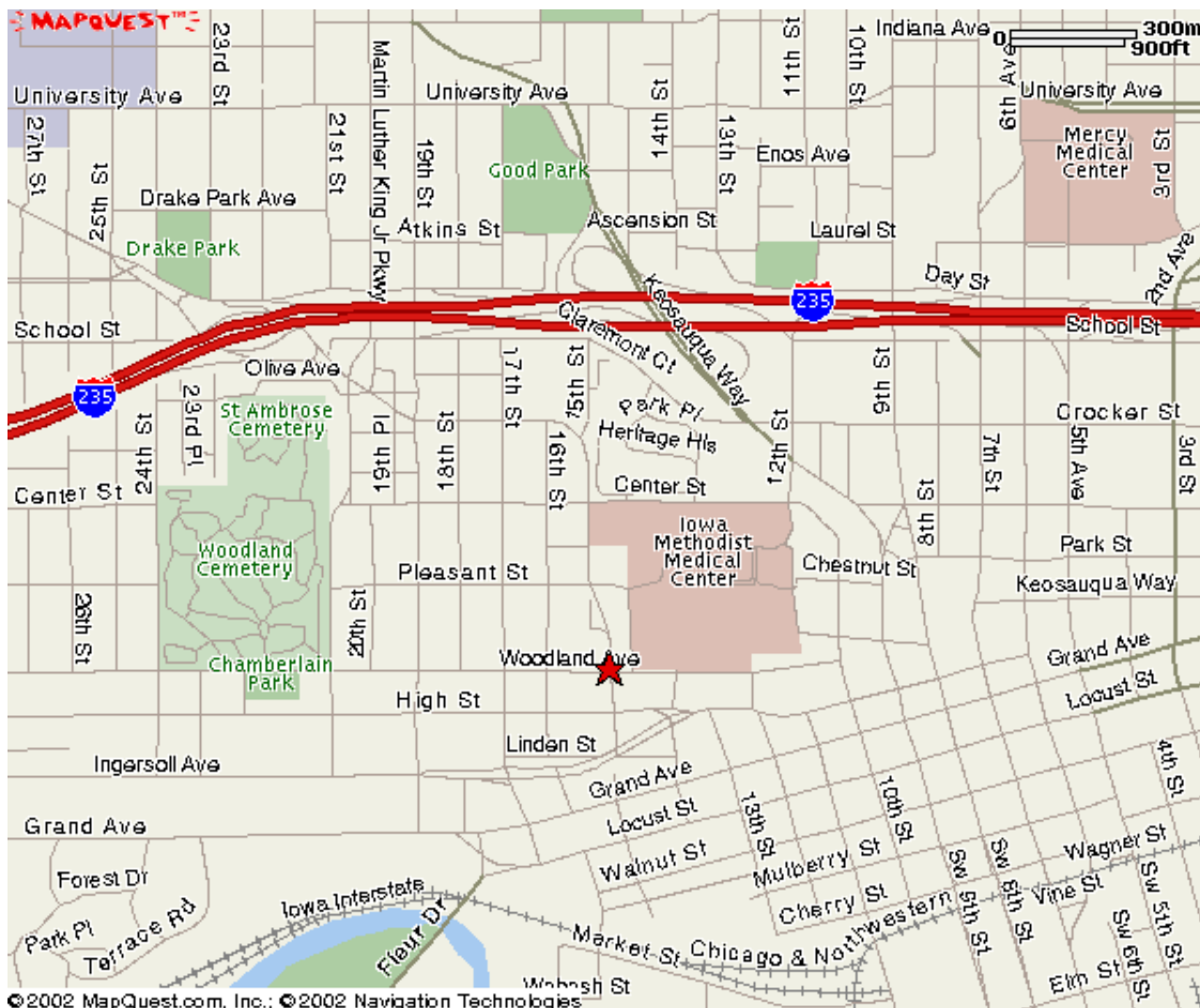
### **From North I-35 and East I-80:**

Take I-235 southbound and head into Des Moines. Exit on MLK Jr. Parkway and turn left at the second intersection. Continue on MLK Jr. Parkway until you get to Woodland Ave. (about 3 blocks). Turn left on Woodland and drive five blocks. Hoyt Sherman Place will be on your left at the corner of 15th and Woodland. There is ample parking just east of the building.

### **From South I-35 and West I-80:**

Take I-235 eastbound into Des Moines. Exit on MLK Jr. Parkway and go south (right) until you reach Woodland Ave. (about 3 blocks). Turn Left on Woodland and drive five blocks. Hoyt Sherman Place will be on your left at the corner of 15th and Woodland. There is ample parking just east of the building.

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## Registration

Enclosed is a check made payable to the Heartland Chapter in the amount of \$20.00. I plan to attend the Heartland Chapter meeting of the Association of Insurance Compliance Professionals in Des Moines, Iowa on February 7, 2003.

Name \_\_\_\_\_ Company \_\_\_\_\_

Company Line of Business:     Life and Health     P & C     Other \_\_\_\_\_

Menu Choice:                     Beef Sirloin                     Grilled Iowa Pork Chop

**Please mail by January 31, 2003 to:** Eric Westman  
 AmerUs Life Insurance Company  
 611 5<sup>th</sup> Ave  
 Des Moines IA 50309

Please contact Eric at (515) 241-3196 or [eric.westman@amerus.com](mailto:eric.westman@amerus.com) with any questions.

## 2001 CSO Adopted!!! – What Now? by Mark Rowley

As many of you know, a few weeks ago in San Diego the NAIC adopted the new mortality table. At Van Elsen Consulting we were pleased to see this; we have been involved in this long process. Now things will get interesting as the states consider whether to adopt the table. Companies will have to keep track of when they will want to or have to use the new table for valuation, nonforfeiture, tax reserves, and definition of life insurance (§ 7702).

This article is a reference to keep straight all the phase-in periods for the different uses of the new mortality table.

At Van Elsen Consulting we believe that 26 states will adopt the new mortality table in 2003 to be effective 1/1/2004. Another 12 states will adopt the table in 2004 to be effective 1/1/2005. The last 12 states will adopt the table in 2005 to be effective 1/1/2006.

### *Valuation...*

A little background is necessary here, since the use of the new table for valuation depends on whether the particular state has passed the new table and/or the new AOMR regulation. We have talked about the connection between the new table and the new AOMR regulation at length in our last two newsletters ([www.veconsulting.com](http://www.veconsulting.com)). Of course to write a product using 2001 CSO you ideally want to be able to value that business on this table in all states. Here is a summary:

- I. If you are domiciled in State X, which has passed 2001 CSO and the new AOMR, and
- II. You write business in State Y, which hasn't passed 2001 CSO but has passed the new AOMR and has turned on the switch within AOMR to allow a domestic state opinion,
- III. Then you might be able to sell a 2001 CSO product in State Y.

The only reason this wouldn't work is if State Y wouldn't approve the filing of a 2001 CSO product, since the passage of the new AOMR would allow you to value using 2001 CSO. Your best chance to get a 2001 CSO product approved might be one without cash values, so that the issue of which table to use for nonforfeiture wouldn't come up. If you were past the nonforfeiture hurdle then the last hurdle would be getting the actuarial memorandum approved. If your memorandum doesn't go into specifics about the mortality table used, this might not be a problem.

This may be a very common situation in 2003 if there is significant term product development activity as we expect.

You might also be able to get this approved on the following basis:

- a. 2001 CSO will be used when required,
  - b. otherwise 1980 CSO
-

## 2001 CSO Adopted!!! – What Now? (continued)

### *Nonforfeiture...*

This is much simpler to think about, although the result may be worse. You can't use the new table for nonforfeiture in a state until the table is adopted by that state. So there is no way around this, either the state has adopted it or not. Similar to valuation, you can start using the new table anytime between 1/1/2004 and 1/1/2009 (a five year phase-in).

### *Tax Reserves and Definition of Life Insurance (§ 7702)...*

Once 26 states adopt the new table the magic number is reached and the new table will start to be used for tax reserves and § 7702 testing. If this happens effective 1/1/2004 you can start using the new table for tax reserves anytime between 1/1/2004 and 1/1/2007 (a 3 year phase-in)

We look forward to working through this five year period of transition with the new table, as we are sure you are!

*Mark Rowley is a Consulting Actuary with Van Elsen Consulting, Inc. He can be reached at 515/276-8565 and [Mark@VEConsulting.com](mailto:Mark@VEConsulting.com)*

## Favorite Websites

- <http://www.findlaw.com/>
- <http://hippo.findlaw.com/hippohome.html>
- <http://mr-longtermcare.com/>
- <http://www.naic.org/1regulator/usamap.htm>
- <http://www.law.cornell.edu/>

## Editor's Note...by Jean Swanson

I want to thank everyone involved for their contributions to this newsletter. The success of *The Heartbeat* depends on each of you!

A special thanks to LeAnn Hammar of the Nebraska Department of Insurance for the series of articles pertaining to forms compliance.

For upcoming editions of *The Heartbeat*, the special areas of interest for articles are:

- Favorite websites
- Interesting facts about insurance companies
- Regulators Corner
- Spotlight on Members

- Regulatory Changes
- SERFF Update
- Officer's Reports
- Upcoming meeting information

Future articles may be submitted to [SwansonJL@aol.com](mailto:SwansonJL@aol.com).





*Association of Insurance Compliance Professionals*

Our address is:  
11250 Roger Bacon Drive  
Suite 8  
Reston, VA 20190-5202  
Phone: 703-234-4074  
Fax: 703-435-4390

## Association of Insurance Compliance Professionals

**Editor's Note: The information contained in the newsletter is complete and accurate to the best knowledge of each contributor. The Association, however, assumes no responsibility. Readers are advised to confirm all information through alternative sources.**

Visit us at [www.aicp.net](http://www.aicp.net).

## Mission Statement

The Association of Insurance Compliance Professionals serves the insurance compliance community by promoting relationships, exchanging information, and providing learning opportunities within a dynamic regulatory environment.

## Vision Statement

Broaden the AICP focus to respond to the changing nature of the financial services industry; continue development of a recognized and desired certification program; and enable members to achieve greater career growth through AICP participation!

## Code of Ethics

The AICP is dedicated to promoting regulatory competence and awareness for the improvement of regulatory compliance within the insurance industry. In furthering this objective, each member should maintain high ethical standards and assume a personal obligation to exercise self-discipline in promoting regulatory compliance.

This Code of Ethics applies to all members. AICP Members:

- Monitor the insurance regulations affecting the products they offer;
- Cooperate with others to improve regulatory compliance within the framework of established rules and regulations;
- Exercise personal and professional integrity and objectivity in regulatory dealings;

- Encourage others in the insurance regulatory environment to act responsibly;
- Share regulatory knowledge and expertise with other Members;
- Comply with the letter and spirit of all antitrust laws governing the regulation of insurance;
- Act in a manner that will promote respect for the insurance industry;
- Demonstrate excellence in discharging their regulatory responsibilities;



- Abstain from professional decisions influenced by or that may imply a conflict of interest; and
- Practice high standards of regulatory competence for the benefit of the companies we represent, the states that regulate our industry and the clients we serve.