

DTCC



INSURANCE INDUSTRY RECOMMENDATION

PRODUCT CUSIP ASSIGNMENT AND USAGE

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The following document is an effort between DTCC and IRI joint Product CUSIP Working Group formed in February 2021. If you have any implementation issues or questions, please reach out to IRI at (OpsandTech@irionline.org) or DTCC at (insurancepm@dtcc.com).

EXECUTIVE SUMMARY

Positioning Statement:

The Product CUSIP working group's goal was to review a previous IRI (formerly NAVA) Recommended Industry Standard for Product CUSIP dated October 2005. As the products and automation evolved over the last 15 years, it was requested that an industry group consisting of insurance carriers, distributors, vendors, and solution providers that support distribution and processing of insurance transactions review, confirm or modify the previous recommendations.¹

Product CUSIP numbers were initially implemented in 1997 for identifying insurance products, so the insurance industry could have a digital, standardized way to reference one product. This numerical identifier had worked well for equities and mutual funds; therefore, the recommended practice was to follow a similar structure.

CUSIP Global Services has provided a language as a standard for identifying financial instruments, enabling financial services firms to benefit from improved operational efficiencies. CUSIP ID numbers are unique, 9-digits in length and typically defined by:

- First 6 Characters – identifies the unique name of the Insurance Company
- Next 2 Characters – identifies the type of instrument and a hierarchical alpha numeric convention
- Final Character – a mathematical formula checks accuracy of the previous 8 characters

For the insurance-based product types, the CUSIP is issued at the product level to identify product types such as annuities, life insurance, long term care, disability, and various retirement products. As of the end of 2020, DTCC's Insurance & Retirement Services (I&RS) supports over 12,000 insurance and annuity Product CUSIPs across all product types.

The Product CUSIP numbers are used to provide automation and standardization for product identifiers when exchanging insurance information through DTCC.

To achieve long-term benefits from CUSIP numbers, which are future facing, sustainable and scalable to meet the needs of our industry, the working group identified opportune areas and made recommendations to the 2005 NAVA document. The recommendations would positively impact the successful delivery of product identifiers when promoting electronic communications and facilitating issuance and servicing of insurance-based products.

BACKGROUND OF THE ISSUANCE OF A PRODUCT CUSIP

In earlier phases of electronic exchange of annuity data, the need for a numbering scheme to uniquely identify the products was recognized and a system was adopted by the industry. The numerical identifier - which the industry settled on - is a CUSIP. The Product CUSIP is now the basis for all electronic communication of annuity and, as of late, life products. This migration

¹ Defined in October 2005 by a NAVA Data Conformity Working Group formed in August 2004. If you would like to receive a copy of this 2005 paper, please contact Insured Retirement Institute (IRI) at OpsandTech@irionline.org.

was a first step in standardizing the industry and moving in the direction of straight-through processing (STP).

Although the recognition of a standard identifier was a big step forward, the effort of fully defining and obtaining consensus on when to require additional Product CUSIPs fell short. The industry didn't develop robust recognized and accepted rules, for example, on when a change to a product did or did not require a new Product CUSIP.

Carriers requested Product CUSIPs at varying levels within their product lines. Some carriers filed at a high level, identifying the product alone as a Product CUSIP. Other carriers filed for Product CUSIPs depending on variations in the product, which the industry today understands were not needed (i.e. different CUSIPs for qualified vs. unqualified products of the same type). In addition, the filing of Product CUSIPs were dependent on the number of issuing statutory companies.

The need to have a standard set of rules that outlines the CUSIP acquisition process, and when to request a new one, is a very important issue. This issue became magnified by the addition of life insurance or other insurance-based products.

BUSINESS NEEDS AND GUIDING PRINCIPLES

The major benefit of standardized Product CUSIP usage guidelines come from the degree to which this standardized definition is unambiguous and the degree to which it is adhered. In the interests of consistent issuance and implementation of the guidelines, consistent ways to identify when to create a new Product CUSIP or not are demonstrated in the following scenarios as a set of guiding principles.

- Leveraging these guidelines allows streamlined approach in the issuance of such identifiers
- Supports operations and technology administrative processing
- Focuses across life cycle of the product (issue to payout)

The working group recognizes acceptable deviations from these industry recommendations that include insurance carrier legacy system limitations and distributor-driven requests, which should be considered when no other options are viable.

INDUSTRY RECOMMENDATIONS FOR PRODUCT CUSIP ASSIGNMENT & USAGE

The working group's recommendations - as outlined below - are to allow the assignment and usage of Product CUSIP numbers to support the electronic exchange of insurance data. The use of Product CUSIP numbers when exchanging data through DTCC facilitates the validation of the relationship between the carrier and the product identifier. Consensus and best practices will help ensure consistent usage and interpretation on which the industry can rely.

Usage Scenario	Usage Scenario Description	Industry Recommendation
Multiple product names but identical product rules and funds	Two or more products are identical (same features, statutory company, funds, etc.) except for the product name - one of the products is generic and the other is sold at a specific distributor, which includes personal branding, marketing materials, etc.	Multiple Product CUSIP
Two (or more) statutory companies but otherwise identical products	Different Product CUSIPs for otherwise identical products that have different statutory companies. (e.g. NY versus non-NY)	Multiple Product CUSIP
Same product with different funds or features	Same product with same marketing name and statutory company; however, where features and/or funds are different due to a distributor request. This may cause the product to be more restrictive. This may be defined by a distributor configuration (set up) and may result in different internal carrier product codes.	Single Product CUSIP
Same product when selecting a rider, excludes funds at application or sub pays	Same product with same statutory company; however, where features/riders selected for the product impacts the fund allocation rules, either for applications or for subsequent premiums.	Single Product CUSIP
Same product when selecting a rider (DB, Bonus) or funds change the commission option	Same product with same statutory company; however, where features/riders selected for the product impacts the commission options offered.	Single Product CUSIP
Same product when selecting a rider or fund changes the commission rates, with the existing options	Same product with same statutory company; however, where features/riders selected for the product impacts the commission rates, within the existing options.	Single Product CUSIP
Same product when selecting a rider or fund changes the commission rates	Same product with same statutory company; however, where features/riders selected for the product impacts the commission rates.	Single Product CUSIP

<p>Same base product with annual fund changes</p>	<p>Same product with same statutory company, marketing materials, etc. but when the May 1 (annual) fund changes does not impact the issuance of a new product identifier.</p>	<p>Single Product CUSIP</p>
<p>Same product with multiple rates to term periods (3 - 10 years)</p>	<p>Same product with same statutory company, marketing materials, etc. but when the rate duration term period is tied to rate periods, it should not impact the issuance of a new product identifier.</p>	<p>Single Product CUSIP</p>
<p>Same product with different share classes (A, B, C, L, etc.)</p>	<p>Same product with same statutory company, marketing materials, etc. but different share classes will drive the issuance of product identifiers.</p>	<p>Multiple Product CUSIP</p>
<p>Same product with/out MVA option</p>	<p>Same product with same statutory company, marketing materials, etc. but when the product offers a market value adjustment (MVA) option should not impact the issuance of a new product identifier.</p>	<p>Single Product CUSIP</p>