**I&RS Review Board**

ENHANCEMENT REQUEST FORM

Request Number: IPS00743

Note: Do not complete gray shaded areas.

***Submission Date:*** ***Name/Phone #/E-mail Address:***

10/1/2023 Wendell Tobiason / 425-533-5545 WendellTobiason@SPARKips.com

***Requesting Company Name(s):*** ***Type of Change***: \_\_\_\_\_ New Field

SPARK, IPS; Global Atlantic \_\_x\_\_ Edit Change \_\_\_\_\_ Code List Add

***Priority:*** \_\_\_\_ Low (can wait until next release) \_\_\_\_ Medium (Sooner than next release) \_\_x\_ High (Immediate action)

***When do you internally plan to implement this change?*** \_\_October 15, 2023\_\_\_\_\_\_\_\_

***When do you plan to test this change?*** \_\_\_ASAP\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

***Line of Business (mark all that apply): \_x\_ Annuity \_\_ Life \_\_ Retirement \_\_ LTC***

***Other (write-in) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_***

***Application:***

\_\_\_\_\_ ACATS/IPS \_\_\_\_\_ Financial Activity Reporting (FAR)

\_\_\_\_\_ Access Platforms \_\_\_\_\_ InForce Transactions (IFT)\*

\_\_\_\_\_ Asset Pricing (AAP) \_\_\_\_\_ InForce Web Transactions (IFW)\*

\_\_\_\_\_ Applications/Sub Pay (APP/SUB) \_\_\_\_\_ Licensing & Appointments (LNA)\*

\_\_\_\_\_ Attachments (ATT)\* \_\_X\_\_ Positions and Valuations (POV)

\_\_\_\_\_ Commissions (COM) \_\_\_\_\_ Positions for Retirement (PRP)

\_\_\_\_\_ Commission Schedule Transmittal (CST)\* \_\_\_\_\_ Producer Management Portal (PMP)

\_\_\_\_\_ Fee & Expense Transmittal (FET)\* \_\_\_\_\_ Settlement Processing (STL)

\*For ATT, IFT, LNA and Insurance Profile please check the Access box if you want changes to be made to that platform as well.

***Date Reviewed by Board:*** 10/3/2023 ***Decision Date:***

1. ***Overall Scope of the Enhancement (should include the Business Reason for the change):***

Three separate items were found during implementation of 13/14 record. In order of importance:

* ~~Unable to send zero rate value~~
  + ~~We will be sending Tiered Participation, which requires that we send L1=zero (required per rate type description)~~
  + ~~We will be sending zero Floor for some investments (FL=zero)~~
* Need to clarify definition of Index Crediting Mode / Mode Qualifier
  + Index Crediting describes how often earnings are credited. Usually this is the same as the Index Duration, but could be more often. Here are examples:
    - On a 2-year option, earnings credited quarterly
    - On a 6-year option, earnings credited once at the end of 6 years (every 6 years)
    - On a 3-year option, earnings credited every year
  + These should be described by:
    - Quarterly
      * Index Crediting Mode (001), Index Crediting Mode Qualifier (3) = every 001 quarter
      * Or Index Crediting Mode (003), Index Crediting Mode Qualifier (4) = every 003 months
    - Every 6 years
      * Index Crediting Mode (006), Index Crediting Mode Qualifier (1) = every 006 years
    - Every 1 year
      * Index Crediting Mode (006), Index Crediting Mode Qualifier (1) = every 006 years
  + The current Definition of these fields:

This is the reported period. (e.g., if earnings are calculated and posted on a quarterly basis, it would be expected to 001/quarterly or 004/annually.)

* + New Definition

This is the frequency of index/interest crediting. E.g. if earnings are calculated and posted on a quarterly basis, it would be 001/quarterly or 003/monthly (“Every 003 Months”).

* Unable to send zero Index Duration Value
  + (We are not using, but some may) Use this to send prior/future index durations within and Index Term
    - Duration 1: ended 8/30/2023, AR=3.25%
    - Duration 2: 8/30/2023 thru 9/30/2023, CA=6%, Value=$103,250.00
  + Note: if the Carrier is required to send multiple 13/14 records in one Grouping (to send 7 different rates), the Index Duration Value may be sent on the first instance and zero sent on the second instance
    - 13/14 record 1
      * (Group 007)
      * Value $52,000
      * L1=0, P1=100%, L2=5%, P2=90%, L3=10%, P3=80%
    - 13/14 record 2
      * (Group 007)
      * Value zero
      * L4=15%, P4=75%

1. ***Recommended Record Layout Changes:***

Zero Rate Value

* Change edit on 4109 / 4110
  + For some Rates require > 0
  + For some Rates allow zero
    - L1 (expected to be zero per description)
    - FL (can be zero)
    - AR, AL (actual earning or loss may be zero)
    - IL (actual locked rate may be zero)
    - D1 (downside Tiered Participation like L1 starts at zero)

Index Crediting Mode / Index Crediting Mode Qualifier

* Update Definition on Data Dictionary tab

This is the frequency of index/interest crediting. For example: if earnings are calculated and posted on a quarterly basis, it would be 001/quarterly or 003/monthly (“Every 003 Months”).

Index Duration Value

* Modify Edit to allow zero

1. ***Business Scenario – (Used to determine Best Practices)***

Zero Rate Value

* Only send zero rates when Zero is meaningful and used in calculations for earnings on the index option
  + E.g. option has a guaranteed zero floor (no loss)
  + E.g. option had actual earnings of zero in the last Index Duration

Index Crediting Mode / Qualifier

* Provide the frequency of earnings using the phrase “Every (index crediting mode) (index crediting mode qualifier)”
* E.g. Every 003 Years

Zero Index Duration Value

* Provide an Index Duration Value when applicable
* Send zero when describing a prior Index Duration (e.g. sending the AL rate for the prior duration), or a future Index Duration (e.g. sending the applicable rates that have been set for the next duration, if you have set the rates but the duration has not started – you may have a product where the final duration includes a ‘special’ Cap rate to be applied

1. ***Standard Usage – (Should include specific field/code usage)***

Zero Rate Value

* Most rate types must be > zero
* These specific Rates allow zero
  + L1 (expected to be zero per description)
  + FL (can be zero)
  + AR, AL (actual earning or loss may be zero)
  + IL (actual locked rate may be zero)
  + D1 (downside Tiered Participation like L1 starts at zero)

Index Crediting Mode / Index Crediting Mode Qualifier

* Use the phrase “Every (mode) (qualifier) we credit earnings” to understand

Rate Value

* Send the value currently invested in this index duration
* Prior or future durations may be zero
* Multiple records in a grouping need not repeat the value

1. ***Status Update:***

The submitter of the enhancement request reported that three separate items were found during the implementation of 13/14 record in the Summer 2023 Release. These are the items in order of importance for the group to determine how to report index strategy funds when sending a zero-rate value as well as clarifying the definition and usage of the crediting mode and mode qualifier.

There was a lot of back-and-forth discussion from the group. The group went over the above items but there were many questions/unknowns and confusion. Additional discussion is needed to come to an agreement to the recommended enhancements and it was determined to put the enhancement as pending until the next meeting.

The submitter of the enhancement request reported that three separate items were found during the implementation of 13/14 record in the Summer 2023 Release. These are the items in order of importance for the group to determine how to report index strategy funds when sending a zero-rate value as well as clarifying the definition and usage of the crediting mode and mode qualifier.

This enhancement was reviewed in the October review board. As the group reviewed, it was determined that the enhancement included three (3) separate requests related to the 13/14 record.

1. Unable to send zero rate value on Tiered Participation rates as well as Rate Type codes.
2. Need to clarify definition of Index Crediting Mode / Mode Qualifier fields.
3. Unable to send zero Index Duration Value

*11/7/2023:* Previous to this meeting, we discuss the three areas of the enhancement with the requestor.

Zero percentage is allowed to be sent and should be included in the use cases and best practice documentation for the implementation of the POV 13/14 record. As for the 2nd scenario, the suggested modification to the definition for both the Mode and Mode Qualifier fields assisted in clarifying the usage. For item #3, there was discussion on why a zero value would be passed on a position fund record.

A couple of the distributors identified they ignore fund records that report zero value and therefore we need to understand when a zero value to a valid business case. DTCC will work with Spark IPS to identify these scenarios.

**Enhancement is pending.**

*12/14/23* The 'history' is done by some Carriers for 13/04 records showing the "AR" for the prior Duration.  The group wasn’t sure know that anyone will want to send the 'future' buckets as shown above.  But if we don't allow the zero those Carriers will need to change their process and remove the historical buckets.

As the group reviewed, it was previously determined that request part 1 is not needed as it already allows zero rate to be passed. Request part 2 as it pertains to the definition will be updated as suggested and for request part 3, there is a need to support a zero value in certain business conditions.

Distributors will need to understand the scenario to determine if they will ignore the zero value or consume and report them.

**Enhancement is approved for next scheduled release.**

**Revision History**

Date By Version Description

10/3/2023 Andrea Tamanas 1.0 Added enh # and review date

11/7/2023 Andrea Tamanas 2.0 Status update

12/14/2023 Andrea Tamanas 3.0 Status update