

IMPORTANT NOTICE

National Securities Clearing Corporation



A#: 6776
P&S# 6346
Date: January 16, 2009
To: ALL PARTICIPANTS
Attention: MANAGERS; OPERATIONS DEPT FOR ANNUITIES & LIFE INSURANCE, BROKERAGE OPERATIONS, INFORMATION SYSTEMS
From: NSCC Insurance Services
Subject: IPS 2009 March Enhancement Release

Overview:

In order to support industry requests, the Insurance and Retirement Processing Services (“IPS”) has scheduled an enhancement release for March 2009. This is the first of two scheduled enhancement releases for 2009. IPS Enhancement Releases include User Group Enhancement Requests submitted by participants, as well as maintenance items National Securities Clearing Corporation (“NSCC”) deems necessary to improve the overall operational performance of the system.

The enhancements in this release will affect the following functionalities:

APP/SUB - Initial Application and Subsequent Premium

COM – Commissions

FAR – Financial Activity Reporting

IFT – Inforce Transactions

POV - Positions and Values, which is made up of 3 types:

- PVF – Positions & Values Full Refresh File
- PNF – Positions New Business File
- PFF – Positions Focused File

Schedule:

- Test – Thursday, February 26, 2009
- Production – Thursday, March 19, 2009

Specification Documents:

Documentation is available at the IPS website, <http://www.dtcc.com/products/insurance/>. Click on the Participant Section and then Enhancements. To view the actual enhancement requests, click on Enhancements Approved for Future Release. To view Draft Layouts, Requirements Document and applicable Standard Usage, click on Current Draft Layouts and Specification Documents (most current release).

The following documentation will be listed. All changes to the record layouts will be highlighted in yellow. Items may be added to the list below if necessary.

- 2009 March Requirements Document
- Draft APP/SUB Record Layouts
- Draft COM Record Layouts
- Draft FAR Record Layouts
- Draft IFT Record Layouts
- Draft POV Record Layouts

Release Specifications:

The following information indicates the exact changes made to the record layouts. These changes are based on the approved recommendation made by the originator of the enhancement request.

The actual enhancement request can be found at our website under “IPS Enhancements Approved for Future Release” in the User Group section of our website. Do not use the enhancement documents for programming. The draft record layouts and detailed specification document should be used for this purpose. The original enhancement request forms are provided to understand the business purpose of the change.

1. APP/SUB – Applications and Subsequent Premiums

IPS00278 – Service Feature Year / Service Feature Year Qualifier – DTCC Optional

A new field is needed to store the year that is associated with one of the Annual Reset election options that are available with the Guaranteed Minimum Income Benefit (GMIB) feature. A generic Service Feature Year field was added in the event that this field is needed for other Service Features on a contract.

Layout Changes:

Add a new field to 33/35-32 record:

- Field Name: Service Feature Year
- Bytes 221 to 224
- 4 Byte
- Date Format - CCYY (ex – 2008)
- Optional
- Spaces allowed
- Item Number 4235

Add a new field to 33/35-32 record:

- Field Name: Service Feature Year Qualifier
- Byte 229 to 230
- 2 Byte
- Alpha/Numeric format
- Optional/Conditional
- Item Number 4236
- Edit: If 4235 is filled, this field is required. If 4235 is space, this field must be spaces.
- Add new corresponding Code List:

AR – Annual Reset

(Note: Currently, AR is the only code in this code list. As more qualifiers are determined for this field, new codes will be added as part of future releases.)

IPS00279 – Revocable/Irrevocable Trust / Beneficiary Trustee

Revocable/Irrevocable Enhancement: DTCC Required if Trust Role Qualifier Code (4082) is used. Distributors must indicate if the trust is Revocable or Irrevocable. Carriers need to know that they may receive the new codes and should be prepared for that.

Beneficiary Trustee Enhancement: DTCC Optional

- 1) Information is needed to indicate whether a trust is revocable or irrevocable when the trust is listed as the owner. Currently, the Contract Entity Role Qualifier code list contains one code for trust, which is 5. A decision was made to change the existing code to 5-Revocable Trust. A survey of Advisory Group firms showed that 5 generally represent revocable trust. A new code would be added to represent irrevocable trust. If the owner of a contract is a trust, Distributors will be required indicate whether a trust is revocable or irrevocable on the APP/SUB.

- 2) Currently, there is no field to list the beneficiary trustee name on the application. When the beneficiary is a Trust, some firms are required to capture not only the name of the trust, but the names of the trustees of that trust.

Layout Changes:

Code List 4081 – Contract Entity Role

- Add:
 - BT — Beneficiary Trustee

Note: Beneficiary Trustee Name should be at the Contract Entity level. There was some thought about putting this information at the beneficiary level, but beneficiary's trustee is not a beneficiary. The trust itself is the beneficiary. The beneficiary's trustee is just an entity on the contract, which is why it was added at the Contract Entity level.

Code List 4082 – Contract Entity Role Qualifier

- Add:
 - 9 — Irrevocable Trust
- Rename:
 - '5 - Trust' to '5 – Revocable Trust'
 - Note: A survey of Advisory Group firms showed that 5 generally represents revocable trust. A new code would be added to represent irrevocable trust. If the owner of a contract is a trust, Distributors will be required indicate whether a trust is revocable or irrevocable on the APP/SUB.

IPS00280 – Premium Type Code Change for 1035 Exchanges – DTCC Required

1. Due to recent changes by the IRS under IRS Procedure 2008-24 (issued March 2008), there is a need to have an information sent to the Carriers as part of the APP/SUB file to indicate if the 1035 exchange is full or partial.
2. In addition, there is a need to indicate if the 1035 exchange is internal or external.

Distributors will be required to indicate whether 1035 exchanges are full or partial and internal or external in order for it to pass the DTCC edit validations.

Layout Changes:

Code List 4063 – Premium Type

- Add:
 - Q3 — Partial 1035 Exchange

- Rename:
 - ‘Q2 – 1035 Exchange’ to ‘ Q2 – Full 1035 Exchange’
 - Note: A survey of Advisory Group firms showed that Q2 generally represents full exchange. A new code would be added to represent partial 1035 exchange. If the owner of a contract is a trust, Distributors will be required indicate whether a trust is revocable or irrevocable on the APP/SUB.

Add new field to 33/35-06 record:

- Field Name: Internal Exchange Indicator
- Byte 50
- 1 Byte
- Alpha/Numeric format
- Optional/Conditional
- Item Number 4070
- Edit: if Premium Type (4063) is Q2 or Q3, this field is required with either Y or N. Otherwise, the field is optional and a space is allowed.
- Y, N or Space allowed depending on condition

IPS00282 – Payout Optional – Return of Premium – DTCC Required for Distributors*

1. Add a Payout Option called Life with Return of Premium. This is for contracts where a client can choose the percentage of premium available for return (25%, 50%, or 75%).
2. Add a new field to indicate the actual percentage the client chooses for return of premium.

***Distributors will be required populate new field with zeros if not used. Spaces are not allowed. Code addition is optional.**

Layout Changes:

Code List 4281 – Payout Option

- Add:
 - LR – Life with Return of Premium

Add new field to 33/35-37 record:

- Field Name: Return of Premium Percentage
- Byte 95 to 104
- 10 Bytes
- Numeric format – 9(1)v9(9) - ex – 100%=1000000000, 50%=0500000000
- Optional*
- Item Number 4296
- *Edit: Zero fill still required if not used. No spaces allowed

IPS00289 – Edit Change to Premium Method & NSCC Settlement field – DTCC Required Change for Distributors*

Currently, there are no edits in place that allow DTCC to validate between Premium Method (ex, Clearinghouse (DTCC), ACH, Check, etc.) and NSCC Settlement Amount. Therefore, a distributor can submit a Premium Type of Check and have an NSCC Settlement Amount greater than zero. In practice, if the NSCC Settlement Amount is greater than zero, than the Premium Method should be CLH-Clearinghouse since it will be clearing through the NSCC Settlement system. If any other Premium Method is selected, money will not be settling through NSCC and the NSCC Settlement Amount should be zero. DTCC will now enforce this rule in the edit validations.

New Edit:

33-04 or 35-04 Record - If NSCC Settlement Amount field (4056) is greater that zero, Premium Method (4053) must be CLH – Clearinghouse.

IPS00292 – Attachments Product Enhancements – DTCC Optional

In the September 2008 release (IPS00270), the 33/35-44 record was changed from a Paperwork record (which no participants used) to an Attachments record to support the Attachment product. In addition, an Attachments Indicator field was added to the 33-01/35-01 record to tell the Carrier an Attachment will be sent to them as part of this transaction. This enhancement puts additional edit validations on these fields to ensure they are being used properly.

In addition, a new field called “Originals to Follow indicator” will be added to the Attachment record (33-44). This indicator will let the carrier know that some documents will be coming through mail as well. A primary case is for Replacement paperwork which some firms do not accept image copies of transfer paperwork.

Layout Changes:

1. When the Attachments Indicator (Item 4054, 33-01/35-01 record) is Y, the 33-44 record is required. When the Attachments Indicator is N or space, the 33-44 record should not be permitted. This will ensure that the Carrier only receives an Attachments record when the indicator is yes.
2. In the 33/35-44 record, currently, all the fields are optional, which does not make since the record would not be providing any information. The correct edit should be as follows:
 - o If the 33/35-44 record is sent, the Document Control Number (4273) is required, the Document Counter (4274) is optional and the Signature Method (4275) is required.
3. Currently, the 33-44/35-44 record is 99 occurrences allowed per application. In the attachment process for an application, there should only be on 33-44/35-44 record. The looping max should be changed to one occurrence.

Add new field to 33/35-44 record:

- Field Name: Originals to Follow Indicator
- Byte 64
- 1 Byte
- Alpha/Numeric format
- Edit: Y, N or Space are only allowable values
- Optional
- Item Number 4276

IPS00296 – Military Indicator – DTCC Optional

Due to the Military Sales Practice Model Regulation, put forth by the NAIC and State Regulators, financial professionals are required to indicate if the proposed annuitant or owner is active duty member of the military. Some Carriers are requiring this information to be supplied on the application. The Military Indicator is a Y/N answer to the following question "Is the proposed insured an active member of the armed forces".

Add new field to 33-01 record:

- Field Name: Military Indicator
- Byte 148
- 1 Byte
- Alpha/Numeric
- Edit: Y, N or Space are only allowable values
- Optional
- Item Number 4059

IPS00298 – Householding Indicator – DTCC Optional

The Householding Indicator will indicate that the client agrees to a single mailing, per household, of company generic mailing information rather than one per contract. This will allow a Carrier to search for additional contracts under the same address and mail certain material once.

Add new field to 33-01 record:

- Field Name: Householding Indicator
- Byte 146
- 1 Byte
- Alpha/Numeric
- Edit: Y or Space are only allowable values
- Optional
- Item Number 4040

IPS00300 – 33-04/35-04 Loop Limit Increases – DTCC Required*

The enhancement is to increase the payment looping (33-04 record) from 10 to 20 maximum occurrences per application. Although it would be a rare to exceed 10 occurrences, there have been cases of this happening due to multiple 1035 exchanges. Ebix, one the APP Order Entry vendors, has indicated that during these times, the application cannot be sent via the DTCC APP feed and a work around needs to be applied. Increasing the loop limit will eliminate any workarounds due to APP layout limitations.

Layout Changes:

- 33-04/35-04 – Increase loop limit from 10 to 20

* For Distributors, this is an optional change since you will be sending the file and will have control of the loop limit. For Carriers, you must be prepared to receive a file containing increased record occurrences of the 33-04 and 35-04 records.

2. COM – Commissions

IPS00275 – CBRC – Loan Interest Deduction – DTCC Optional

Used to call back commissions for Agents with outstanding loans.

Layout Changes:

Code List 2060 – Commission Basis Reason Code List

- Add:
 - CLI – Loan Interest Deduction
 - PLI – Reversal of Loan Interest Deduction

IPS00283 – CBRC – Fee Based Commission – DTCC Optional

For products based on a fee based structure.

Layout Changes:

Code List 2060 – Commission Basis Reason Code List

- Add:
 - PFB – Fee Based Commission
 - CFB – Reversal of Fee Based Commission

3. FAR – Financial Activity Reporting

IPS00279 – Trust Information

Revocable/Irrevocable Enhancement: DTCC Required if Trust Role Qualifier Code (4082) is used. Carriers must indicate if the trust is Revocable or Irrevocable. Distributors need to know that they may receive the new codes and should be prepared for that.
Beneficiary Trustee Enhancement: DTCC Optional

- 1) Information is needed to indicate whether a trust is revocable or irrevocable when the trust is listed as the owner.
- 2) Currently, the APP does not have a field to the beneficiary trustee name. When the beneficiary is a Trust, some firms require the Trustees or contacts.
 - Note: Beneficiary Trustee Name should be at the Contract Entity level. There was some thought about putting this information at the beneficiary level, but beneficiary's trustee is not a beneficiary. The trust itself is beneficiary. The beneficiary's trustee is just an entity on the contract.

Layout Changes:

Code List 5029 – Contract Entity Type Qualifier Code List

- Add:
 - 9 – Irrevocable Trust
- *Rename:
 - “5 – Trust” to “5 – Revocable Trust”

*If a firm uses 5 currently to represent Irrevocable Trust, then this change will impact you.

Code List 5030 – Contract Entity Role Code List

- Add:
 - BT – Beneficiary Trustee

IPS00294 – APP Pending Transaction Id – DTCC Optional

Currently, some distributors request that a Carrier send them a FAR transaction to indicate that an APP is pending funding due to a 1035 exchange or future transfer. Although this FAR transaction is not actually reporting a financial transaction, it is still considered the simplest means (currently) to provide the Distributor a status, distributor transaction id and the policy number back in a timely fashion. The new codes will better standardize the code usage for this scenario. This enhancement was approved by the FAR standard usage Working Group, which has been responsible over the course of the last year in creating additional FAR standard usage.

Code List 5057 – Transaction Identifier

- Add:
 - APP – APP Pending
 - RAP – APP Pending (Reversal)

4. IFT – Inforce Transactions

IPS00293 – National Producer Number – DTCC Optional

Layout Changes:

Add new field to 73-30 record:

Field Name: National Producer Number

- Byte 219 to 228
- 10 Bytes
- Alpha/Numeric
- Optional
- Item Number 7311
- Edits:
 - a. REP transaction – OPTIONAL for both Distributor request and Carrier Confirm.
 - b. CAT output – NOT USED
 - c. CAT Confirm – NOT USED

National Producer Number will not be added to the Insurance Registration record (IR) in ACATS as part of this release. It will be added as part of a future release (TBD). The field will only be supported for Non-ACATS REP changes for this release.

5. POV – Positions and Values

IPS00279 – Trust Information

Revocable/Irrevocable Enhancement: DTCC Required if Trust Role Qualifier Code (4082) is used. Carriers must indicate if the trust is Revocable or Irrevocable. Distributors need to know that they may receive the new codes and should be prepared for that.
Beneficiary Trustee Enhancement: DTCC Optional

- 1) Information is needed to indicate whether a trust is revocable or irrevocable when the trust is listed as the owner.
- 2) Currently, the APP does not have a field to the beneficiary trustee name. When the beneficiary is a Trust, some firms require the Trustees or contacts.
 - o Note: Beneficiary Trustee Name should be at the Contract Entity level. There was some thought about putting this information at the beneficiary level, but beneficiary's trustee is not a beneficiary. The trust itself is beneficiary. The beneficiary's trustee is just an entity on the contract.

Layout Changes:

Code List 3816 – Party Role Qualifier Code List

- Add:
 - o 9 – Irrevocable Trust
- *Rename:
 - o “5 – Trust” to “5 – Revocable Trust”

*If a firm uses 5 currently to represent Irrevocable Trust, then this change will impact you.

Code List 3808 – Party Role Code List

- Add:
 - o BT – Beneficiary Trustee

IPS00281 – 13-04/1309 Loop Limit Increases – DTCC Required*

- 1) Some products have a daily interest rate guarantees on the Fixed/General Account. If the contract has ongoing, weekly contributions for several years, the current loop limit of 250 on the 1304-Contract Band record can be quickly exceeded. There is a need to increase the limit to

avoid situations where not all the bands within the contract can be included in the Positions and Values files.

- 2) Currently, the 13-09 Party Record allows for 25 occurrences. There may be situations, particularly when communicating beneficiary information, that 25 occurrences may not be sufficient. A request has been made to increase the limit on this record to ensure that all occurrences of party can be included.

Layout Changes:

- 13-04 – Increase loop limit from 250 to 999
- 13-09 – Increase loop limit from 25 to 99

* For Carriers, this is an optional change since you will be sending the file and will have control of the loop limit. For Distributors, you must be prepared to receive a file containing increased record occurrences of the 13-04 and 13-05 record.

IPS00282 – Payout Optional – Return of Premium – DTCC Mandatory Change for Carriers*

1. Add a Payout Option called Life with Return of Premium. This is for contracts where a client can choose the percentage of premium available for return (25%, 50%, or 75%).
2. Add a new field to indicate the actual percentage the client chooses for return of premium.

*Distributors will be required populate new field with zeros if not used. Spaces are not allowed. Code addition is optional.

Layout Changes:

Code List 3704 – Payout Option

- Add:
 - LR – Life with Return of Premium

Add new field to 13-11 record:

- Field Name: Return of Premium Percentage
- Byte 153 to 162
- 10 Bytes
- Numeric format – 9(1)v9(9) - ex – 100%=1000000000, 50%=0500000000
- Optional*
- Item Number 3724
- *Edit: Zero fill still required if not used. No spaces allowed

IPS00284 – Contract Percentage Qualifier – Earned Interest Percent – DTCC Optional

In addition to the need to communicate the Annual Withdrawal Percentage – No Surrender Charge (added September 2008) there is the need to communicate the Earned Interest allowed to be withdrawn without a surrender charge. This scenario can exist on some fixed annuity products.

Code List 3104 – Contract Percentage Value Qualifier

- Add:
 - AWP — Annual Withdrawal % of Earned Interest Allowed w/o Surrender Charge
 - This is a rolling 12-month value. In terms of usage, the corresponding Contract Percentage Amount (3103) would be 100% if the client could withdraw 100% of interest earned over the previous year.
 - CWP - Accumulating Withdrawal % of Earned Interest Allowed w/o Surrender Charge
 - This is an accumulating value.
- Edit Note: If these codes are filled, DTCC will validate that the percentage field is greater than 0%.

IPS00285 – Address Line 3 – DTCC Optional

In order to synch up with FAR and APP, an Address Line 3 field is being added to the 13-10 record in Positions and Values. In addition to just synching up with other products, there may be instances (generally with business addresses) that a need for a third address line may be needed.

Layout Changes:

Add new field to 13-10 record:

- Field Name: Address Line 3
- Byte 158 to 192
- 35 Bytes
- Alpha/Numeric
- Optional
- Item Number 3856

IPS00286 – Contract Value Qualifier – Remaining Protected Balance – DTCC Optional

This proposes to distinguish the remaining protected benefit balance of rider between the lifetime of the rider and the current benefit year. Currently, the Value Qualifier code list has a code 'RPB' – Remaining Benefit Balance. The AG verified that most firms currently use this code to communicate the life-time amount.

There is a need by some firms to know the remaining protected balance of a rider for the current benefit year. The DTCC Contract Value Qualifier code list (item #3102) includes RPB (Remaining Protected Balance).

Code List 3102 – Contract Value Qualifier Code List

- Add:
 - RPC – Remaining Protected Balance – Current Benefit Year
 - Definition: The remaining protected amount available for future withdrawals for the current benefit year (immediate withdrawal or living benefit). Used in conjunction with SF id (3601) - GWB- not for a specific year.

- *Rename:
 - “RPB – Remaining Protected Balance” to “RPB – Remaining Protected Balance – Lifetime of Rider”
 - Definition: The remaining protected amount available for future withdrawals for the lifetime of the rider (immediate withdrawal benefits only). Used in conjunction with Service Feature ID (3601) - GWB

IPS00297 – New PSE Cycle – DTCC Required*

A request was made to add a morning test cycle for Positions and Values. Currently, the first output cycle is at 12 pm ET, followed by 3 pm ET and 6 pm ET.

Changes:

Current cycles in Test

Cycle 1 - 12pm

Cycle 2 - 3pm

Cycle 3 - 6pm

Add a 9am cycle, which would be cycle 1. Adjust current cycles as such:

Cycle 2 – 12pm

Cycle 3 – 3pm

Cycle 4 – 6pm

* Carriers and Distributors should be aware that the cycle number on your Autoroute Headers will be adjusted to reflect the new cycle numbers.

For additional information on this enhancement release, contact your Account Relationship Manager.

Craig Gurien

Director, Product Management Insurance Services at DTCC