

ACORD XML for In Force Transactions and Replacement Processing

DTCC Insurance Services has determined that for most transactions required to support In Force Transactions for Fund Transfers and Replacements Processing between carriers, the use of ACORD XML standard messaging is the best approach. We have considered the needs of the insurance industry, both short and long-term, and have evaluated the challenges and benefits involved with utilizing XML vs. the traditional flat file formats which support current IPS services. This paper will articulate the issues we considered and provide answers to several of the questions that participant companies have asked regarding our decision.

INDUSTRY QUESTIONS:

1. What were some of the reasons DTCC chose In Force Transactions and Replacement Processing to be the first ACORD XML implementations?
 - a. Customer driven.**
 - i. The Replacements initiative is driven by those carriers who developed the ACORD XML message for replacements processing, and is a natural choice for an initial XML implementation.
 - ii. DTCC conducted a survey of all IFT for Fund Transfers interested parties, and the overwhelming industry response was to pursue this opportunity through ACORD XML. As with replacements, ACORD work efforts were already underway to put in place a standard solution for this information exchange.
 - b. Regulatory driven.**
 - i. In these times of regulatory driven initiatives, greater development and operational dollars are available for products that enable compliance oversight.
 - ii. In particular, distribution firms believe they have a better opportunity to allocate budget dollars to new XML technology solutions due to the regulatory climate, even though the start up costs to put this new technology in place may be higher than for flat file development.
 - c. System architecture strategies**
 - i. Several customers and solution providers have chosen a strategic path to structure their existing and future system architecture around the ACORD XML model.
 - ii. To implement these new Insurance Services products using ACORD XML would provide those companies great savings and ease of implementation by leveraging existing ACORD schemas.
 - d. Vendor Support**
 - i. Distributors, in many cases, will utilize vendors whose platforms are based in XML. Although vendors will ultimately support whatever the client needs, for the order entry and front end vendors XML was the clear preference.
 - e. Leveraging existing messaging**

- i. ACORD had work-product in progress for both IFT/Fund Transfer and Replacement messages. Rather than starting from scratch, DTCC chose to leverage existing industry work for these initiatives.
 - ii. Existing ACORD XML messages, such as Case Status, will be used within these new product solutions, and are currently being used by several of our participants outside of DTCC for various automation solutions.
- 2. What are some of the concerns?
 - a. Not all participants have sufficient in-house technical expertise to implement XML.
 - i. There are service providers that can provide training, strategic planning and development assistance to integrate software provider solutions or in-house developed solutions into participant's current environment.
 - ii. Focused ACORD XML training may be provided by ACORD or other vendors.
 - b. ACORD XML messaging is not significantly supported by current IPS customers.
 - i. There are software providers that can provide packaged software solutions to mitigate the impact.
 - c. Very limited experience by participants with business to business implementations.
 - i. While ACORD XML may not currently be utilized within a participant's business, many participants are currently planning and/or implementing strategic plans to enable a service oriented architecture.
 - d. Several participants find that it would be easier to build out existing IPS functionality, leveraging what they already support, rather than incurring the cost of new start-up technology.
- 3. Will future Insurance Services transactions be developed using ACORD XML?
 - a. Future Insurance Services products will use ACORD XML technology if it is determined by the industry that it is the correct format for the business need at hand. Industry direction appears to support ACORD XML for future development initiatives.
 - b. Future In-Force Transactions and other potential services may require attachments as part of the process. XML is the best technology to accommodate attachments.
 - c. Future products may require some or all of the process to be transacted real-time. XML technology is best suited for real-time processing.
 - d. The shift to web services platforms indicates the industry will be looking to use XML as a base technology for most future development efforts.

4. Will implementing new services using ACORD XML delay or prevent any participants from deploying these solutions?
 - a. We've received no indication that any participants will be 'prevented' from implementation, but there are several who admit the development process will take longer. This is unfortunate, however for a few month delay due to an initial learning curve; our ultimate solution using XML is still best suited for long-term success.
5. What happens if ACORD does not support information that DTCC customers require?
 - a. DTCC will support our customer needs. In the rare case that information is not available within the ACORD model, DTCC will use XML extensions to meet customer needs as required and approved by the participant community.
 - b. DTCC will be providing extensive documentation necessary to implement these and future transactions.
 - c. We are confident that ACORD will implement the required information. ACORD modifications are determined by ACORD membership, many of the participants on the DTCC working groups are also ACORD members.
6. Do you need to be an ACORD member to use IPS products?
 - a. No. DTCC membership is required if you process through our services. There are, however, benefits to ACORD membership that customers may want to consider. See www.acord.org for more information.
7. What about the current IPS products? Do you have any plans to convert those products to ACORD XML?
 - a. No.
 - i. Currently, IPS Positions (POV) and Commissions (COM) in NSCC format successfully support the needs of over 90% of our customers. Financial Activity Reporting has also grown to critical mass utilization within the industry.
 - ii. Applications and Subsequent Premiums (APP/SUB) and Licensing and Appointments (L&A), although currently experiencing lower penetration rates than the original IPS products, are recognized as effective industry solutions for their respective purposes. The major order entry and front end vendors for these services support DTCC's solutions and DTCC is gaining critical mass every day.
 - iii. DTCC has worked closely with ACORD and interested parties to ensure our solutions for existing products can be mapped to corresponding ACORD XML messages. Customers have the

option through in-house resources or vendor providers to easily map our current layouts to XML.

- iv. Bottom line, it would be a poor business decision to spend limited resources to re-write processes that are very efficient, well adopted, and are already providing high value to the industry. Focus should be placed on developing new solutions to further automate the industry, and move it towards a straight through processing environment.

8. What are the benefits to using XML?

- XML is an extensible language. Fields may be added to the message without interrupting the integrity of the current information.
- XML is best suited for request-response messaging.
- XML is best suited for complex messages that are not extremely high volume.
- XML is best suited to support attachments.
- Users can continuously leverage previous implementations of the XML model with each new messaging solution going forward.

9. Is there any risk to the security of the data?

- a. DTCC will implement all messages with the same level of security regardless of file format. The new transactions will be transmitted over current communication lines using the DTCC secure protocols. Documentation will be provided which will define the process and procedures.