Customer Note:

This document is drafted to assist members in understanding the product concept, front end entry screens, carrier data feeds and the service functionality for customer feedback.
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1 Business Objectives
Recent National Association of Insurance Commissioners (NAIC) Model Regulation proposed that state insurance departments adopt requirements for additional producer training, including a state suitability component as well as carrier-specific product training for individual insurance products.

To date, information indicates that 28 individual states have requirements in place or dates for implementation pending for 2012.

In September 2010, DTCC was asked by its Senior Advisory Board (SAB) members, as well as members of the industry Operations Managers’ Roundtable (OMR) carrier members, to enhance its Licensing and Appointment (LNA) service to provide a centralized industry solution to track and verify required producer training to ensure the Straight-through-Processing (STP) chain remains strong.

DTCC identified several potential solutions to build support functionality for this process, leveraging existing technology already supported by its carriers and distributors today.

I&RS approached the challenge as a multi-phased industry initiative and an extension of the existing Licensing and Appointment (LNA) service. The longer team, more complex solution is to build a producer authorization messaging hub to support point-of-sale and maintenance transaction processing. Several existing DTCC I&RS products will be leveraged to produce the desired industry solution, including:

Licensing and Appointments (LNA)
- Leverage LNA Training (TU) and Periodic Refresh (PR) details records from carriers and training vendor platforms to populate and maintain information regarding producers and data related to their training completions.

Insurance Data Solutions (IDS) warehouse
- Store, maintain and offer real-time messaging capabilities for training and authorization data.
- Provide capability to load carrier and distributor data via LNA (no additional build.)

Access Platform & Web Services
- Offer web portal and user interface for real time inquiry of authorization details as well as completions reporting.
2 Project Scope
The multi-phase project allowed DTCC to focus on the firms’ need to have a transparent process for insurance producers to obtain the training and for the firms to track the training.

Phase one of the planned initiative enhanced the existing LNA service to include a new transaction type called Training Update (TU) and included a new supporting training record. This new record allowed for the reporting of training completions from Education Providers to communicate notifications amongst carriers and distributors for both state and product specific training.

The second phase of the project further enhanced our LNA service to include training completion notifications between carriers and distributors. The additional enhancements allowed for the training to be transportable by including the new training record in existing LNA transactions such as appointment request, appointment confirms, and the periodic reconciliation.

This phase of the project will provide a comprehensive, real-time, web services messaging validation portal to centralize the producer authorization process within an industry repository. This project scope will allow a producer training inquiry at point-of-sale or other transaction processing; training inquiry or look up utilizing a user interface, real-time messaging/confirmation process and data warehousing.

The industry authorization solution should allow users the following:

1) Transparency of the producer’s training to the users;
2) Verify at point of sale the completion of the required training for both the product and state producer training;
3) Allow Distributors to do “pre-screening” of a producer’s ability to offer the carrier products to their clients in a specific state;
4) Online function to view a producer’s training completion profile – makes training portable.
5) Reduce NIGO training issues;
6) Ability to track producer training, state and product outside of a preferred vendor (e.g. wholesaler from carrier doing physical training session);
3 Naming Conventions and Definitions

- **NAIC** – National Association of Insurance Commissioners. The NAIC is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Along with the state insurance regulators, they establish standards and best practices, conduct peer review, and coordinate their regulatory oversight.

- **Model Reg** - this references the 2010 Suitability in Annuity Transactions Model Regulation. It was adopted to set standards and procedures for suitability annuity recommendations and producer training.

- **Producer** – a producer means any person (individual, corporation, etc) who or which is licensed to solicit, negotiate, or sell insurance.

- **Agent** – an individual or firm authorized to act on behalf of another (called the principal), such as by executing a transaction or selling and service an insurance policy.

- **Financial Advisor** - a person or organization employed by an individual or mutual fund to manage assets or provide investment advice. Also called investment advisor or investment counsel.

- **Client** – customer or consumer, as of a full-service brokerage.

- **Distributor** – a financial services company that buys investments to resell to interested buyers/consumers. Also called a broker/dealer or brokerage firm.

- **Broker** – an individual or firm who acts as an intermediary between a buyer and seller, usual charging a commission. For securities and insurance products, a license is required.

- **Periodic Refresh** – also known as Periodic Reconciliation (PR.) The PR transaction is a reconciliation transaction that will be a notice of a producer’s demographics and license/appointment status. The basic purpose of the PR transaction is for carriers to send a full list of agents and their training, both state and product specific, for storage and usage for providing training inquiries.

- **Training Vendor** – also known as a Service Provider. We partner with many service bureaus and vendors that provide solutions to facilitate the use of the I&RS services.
4 Process Flows/Diagrams

Below is a sample of the proposed data flow representing the population of the training data into the Producer Portal and the request of the data from the “receiving” entity of the training data based on the request message type.
The following message navigation defines the steps the Producer Management Portal will follow to create the producer training response message back to the requestor of data.

The generic training inquiry process flow is as follows:

1. Locate Producer (SSN look up.) If producer is found, continue to step 2. If not found, return error message “Producer Not found.”
2. Verify distributor affiliation – match submitting distributor with producer’s affiliated distributor which is based on the distributor’s DTCC participant ID populated by the Insurance Carrier in the stored LNA PR. If distributor affiliation matches, then proceed to validating state and product training in step 3. If distributor affiliation does not match; return error message “Distributor affiliation does not match/exist”
3. Validate State training
   a. Locate appropriate state, pull the State Training Satisfied Indicator and State Training Satisfied Reason Code, if appropriate and build answer for state training and continue to product training inquiry.
4. Validate Product training:
   a. Locate appropriate product CUSIP, pull the Product Training Satisfied Indicator and Product Training Satisfied Reason Code, if appropriate and build response for product training.
5. Build response based on state and product training results and return inquiry to originator.
5 Population of Portal
The population of the Portal will have the ability to leverage existing LNA development by utilizing existing transactions.

Insurance Carriers will leverage the **Periodic Reconciliation (PR) transactions** to populate the training completions with a new field titled Portal Storage Indicator of Y or “yes.” This Storage indicator field which will be added to the 53/01 Producer Entity Record will allow the insurance Carrier to instruct DTCC to utilize the LNA PR process to populate or update the database tables. The data from the following records will populate three separate tables within the database that will be used to validate and respond to the specific inquiry by the requestor.

DTCC will store and track the adoption of the product and state requirements by the individual states as part of the validation process for retrieval of data from the repository.

The State Master table will be maintained by DTCC which will track the individual states adoption of the training requirements at both the product and state level. As stated, this will allow DTCC to send back appropriate response messages to the requestor that training is not needed for a specific request of data.

The data included in this table include:

- State Identifier
- ACORD State Identifier
- State/Territory Name
- State CE Effective Date
- Product Training Effective Date

For carriers populating the repository for their trading partners, DTCC is adding two new records to the existing LNA PR transaction that will allow the carriers to populate the producer’s state and product training based on the carriers’ confirmation that the training requirement has been satisfied.

The two new records - 53/17 – Producer State Training Confirmation and the 53/18 – Producer Product Training Confirmation records will be used by the carriers to send authorization confirmations to the Portal for each producer.

The new Producer State Training Confirmation record will allow the insurance carrier to submit a series of states where the producer has satisfied the state training requirement, based on the training course completions or by the carrier’s reciprocity rules.
The new Producer Product Training Confirmation record allows the insurance carrier to submit a series of product CUSIP numbers where the producer has satisfied the specific product training requirement for the annuity suitability training.

The Storage Indicator field will be used only on PR transaction and with no other transaction types. If the Storage Indicator = Y then the following looping structure will be as follows and all other records will be optional:

50 – Submitting Header – Required (this defines the carrier affiliation)
52 – Contra Header – Required (this will define the distributor affiliation)
53/01 – Producer Entity – Required
53/02 – Producer Entity ID – Required
53/03 – Producer Name – Required
53/05 – Producer Communication – Optional
53/16 – Producer Training and Continuing Education – Optional
53/17 – Producer State Training Confirmation – Optional
53/18 – Producer Product Training Confirmation – Optional

DTCC will store specific data elements from the above mentioned records based on the following repository tables:

- Producer/Course Table (table 1)
  - Data elements from records 50, 52, 5301, 5302, 5305, and 5316
  - Data elements include:
    - Submitter ID – required - (PR = #6000; TU = #6702)
    - Distributor ID – required - (PR = #6050; TU = spaces)
    - Producer Tax ID – required - (PR/TU = #6150)
    - Producer National Producer Number – optional - (PR/TU = #6153 – NP)
    - Distributor Producer ID – optional - (PR/TU = #6152 – J8)
    - Carrier Producer ID – optional – (PR/TU = #6153 – IN)
    - Producer Last Name – required (PR/TU = #6202)
    - Producer First Name – required (PR/TU = #6203)
    - Producer E-mail Address – optional – (PR/TU = #6302)
    - Course Provider ID – required – (PR/TU = #6702)
    - Course Type – required – (PR/TU = #6703)
    - Course Training Method – required – (PR/TU = #6704)
• Course Number – required – (PR/TU = #6705)
• Course Title – required – (PR/TU = #6706)
• Course Completion Date – required (PR/TU = #6707)
• Course Expiration Date – required (PR/TU = #6708)
• State – optional/conditional – (PR/TU = #6709)
• Course Credit Hours – optional – (PR/TU = #6710)
• Certification Date – optional – (PR/TU = #6711)
• Certification Number – optional – (PR/TU = #6712)
• Product Training Category – optional – (PR/TU = #6713)
• Product CUSIP – optional – (PR/TU = #6714)
• Certificate State – optional – (PR/TU = #6716)

• Producer State Authorization (table 2)
  o Data elements from record 5317
  o Each 5317 record can be repeated up to 10 times per single LNA transaction (record 5301) and each record can support up to 10 states or US territories.
  o Data elements include:
    ▪ Carrier ID – required – (PR = #6000)
    ▪ Distributor ID – required – (PR = #6050)
    ▪ Producer Tax ID – required – (PR = #6150)
    ▪ Producer Training State – required – (PR = #6800)
    ▪ State Training Satisfied Indicator – required – (PR = #6801)
    ▪ State Training Satisfied Reason Code – optional/conditional – (PR = #6802)
    ▪ State Training Effective Date – required – (PR = #6803)
    ▪ State Training Expiration Date – optional – (PR = #6804)

• Producer Product Authorization (table 3)
  o Data elements from record 5318
  o Each 5318 record can be repeated up to 10 times per single LNA transaction (record 5301) and each record can hold up to 10 CUSIP numbers.
  o Data elements include:
    ▪ Carrier ID – required – (PR = #6000)
    ▪ Distributor ID – required – (PR = #6050)
- Producer Tax ID – required – (PR = #6150)
- Product CUSIP – required – (PR = #6850)
- Product Training Satisfied Indicator – required – (PR = #6851)
- Product Training Satisfied Reason Code – optional/conditional – (PR = #6852)
- Product Training Effective Date – required – (PR = #6853)

While the carrier will be responsible to determine if the producer’s training requirement has been satisfied, the state training course completions that are offered by education providers are owned by the producer. Therefore, the Portal will be populated by third party education providers for all state training course completions for producers based on the information sent to DTCC.

This information will be stored and available to all users who request data for the Course Detail information regardless of the producer’s affiliation. This information will be pulled from the 5316 record which populates the Producer/Course table. Please see section 6 for data retrieval.

The population of Portal will align with the existing output cycle of the current Licensing & Appointment (LNA) service. If the carrier sends a LNA PR with Storage Indicator = Y or the education providers sends a TU file, DTCC will update the Portal. These times are 7:00am, 10:00am, 1:00pm, and 4:00pm Eastern Time.
6 Retrieval of Data

DTCC will provide two ways to inquiry for data from the Producer Management Portal by supporting real-time authorization messaging or by a manual look up of a producer training via the DTCC user interface (UI.) The UI will be available via DTCC Web Portal.

Each of the retrieval processes will allow the user to request specific data to be retrieved from the Portal. The training inquiries are defined by the type of data being pulled and presented back to the requester based on a TXLife web message 228 and specific subtrans types or by DTCC user interface application.

Message Transaction Catalog

<table>
<thead>
<tr>
<th>Message Type</th>
<th>Message Description</th>
<th>DTCC Web Portal Transaction Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the Producer Trained?</td>
<td>This message is used to request DTCC to provide a “yes/no” response to validate a producer is authorized for a particular annuity sale, given the producer entity recognition, application state, product CUSIP, and application date. This message is used only distributors (or service providers on behalf of a distributor.)</td>
<td>Point of Sale Inquiry</td>
</tr>
<tr>
<td>TXLife TransType 228, TransSubType 22814</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Producer Training Inquiry</td>
<td>This message is used to request DTCC to provide all training authorization information that the database holds based on a the producer entity recognition and will return all results provided within the 53/17 and 53/18 records on the LNA PR transaction submitted by the insurance carrier. This will include both carrier product and state training authorization data. This message is used only by distributors (or service providers on behalf of distributors.)</td>
<td>Training Authorization Inquiry</td>
</tr>
<tr>
<td>TXLife TransType 228,TransSubType 22815</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Producer Course Detail Only (Course Detail Look Up) | This message is used to request DTCC to provide all training course detail information that the database holds based on the producer entity recognition. This will include both carrier product and state course detail provided by the carrier on the PR 16 record, and from the vendor on the Training Vendor TU file. This message may be used on both distributors and carriers, | Course Detail Look Up |
| TXLife TransType 228, TransSubType 22816 |

The requesting firm may be an insurance carrier, distributor (or service producer on behalf of distributor), or the user interface available on the DTCC web portal.

ACORD TXLife 228 message is currently based on a subset of the ACORD XML schema version 2.28.

DTCC will create and transmit a training inquiry response message in the format based on the origination of the request. This will be either the web service B2B message or the user interface available on the DTCC web portal.
As previously stated, the training inquiry and validation process will be defined based on the type of inquiry and is outlined below:

If Distributor is requestor; the retrieval key will be defined as ProducerID/DistributorID or if Carrier is requestor; the retrieval key will be defined as ProducerID/CarrierID.

**Is the Producer Trained? (Point of Sale Inquiry)**

1. Validate Requestor:
   a. DTCC will validate against the State Adoption Master table, maintained by DTCC, evaluate Application State to see if state has state and/or product training requirement. If yes, continue. If no product or state training is required, return error message “State Does Not Require Producer Training.” *(hard stop)*
   b. Locate Producer (SSN look up). Success if found - continue, if not found return error message “Producer Not Found” *(hard stop)*
   c. Verify Distributor Affiliation – match submitting distributor with producer’s affiliated distributor ID. Success if matched; if not matched, return error message “Distributor Affiliation Does Not Match/Exist” *(hard stop)*

2. Validate State training:
   a. Validate Application State requires state level training, if no state training is required, build “Y” message and proceed to Product training validation. If required, proceed to next step.
   b. Within State Training completion table, locate the producer’s “State” training type entry(s) sourced by carrier 17 record.
   c. Validate State and Satisfied indicator “Y” for the application state, and application date is on or after the training authorization effective data and prior to the expiration date for the applicable carrier; based on state/dates are valid, build “Y” answer for state training and continue to product training inquiry.
      1. If state not valid, return error message of “N” with Reason Code of “State Training Not Found.” Or if carrier has provided an “N” with a reason code, return the carrier reason code.
      2. If State Training Effective Date is later than the Application Date, return error message of “Application Date Prior to State Training Effective Date.”
      3. If State Training Expiration Date is earlier than the Application Date, return error message of “State Training Has Expired.” *(Proceed to Product Training)*

3. Validate Product training:
   a. Validate Application State requires product level training, if no product training is required, build “Y” message. If required, proceed to next step.
1. Within Product Training completion table, locate the producer’s product training authorization type entry(s); (sourced by carrier 18 record)
   o Validate Product CUSIP number with Satisfied indicator “Y” and then validate Application Date against the Product Training Effective Date;
   o If training date is = to or earlier than Application Date, build “Y” answer for product training.
   o If matched, but producer training date is later than Application Date, return error message of “Application Date Prior to Product Training Effective Date”
   o If no match is found for carrier product training authorizations, return error message “Product Training Not Found” or if carrier has provided an “N” with a reason code, return the carrier reason code.

4. Build response based on state and product training results and return TXLife 228 Response message to requestor

Producer Training Only (Training Authorization Inquiry)
1. Validate Requestor:
   a. Locate Producer (SSN look up). Success if found - continue, if not found return error message “Producer Not Found” (hard stop)
   b. Verify Distributor Affiliation – match submitting distributor with producer’s affiliated distributor. Success if matched, proceed to next step; if not matched, return error message “Distributor Affiliation Does Not Match/Exist” (hard stop)
2. Validate State training
   a. Within Producer Completions table, locate the producer’s “State” training type entry(s) sourced by carrier 17 record.
   b. Validate State and Satisfied indicator “Y” for all applicable states and build response; proceed to Product training,
3. Validate Product training:
   a. Within Producer Completions table, locate the producer’s product training authorization type entry(s); (sourced by carrier 18 record)
   b. Validate Product CUSIP number with Satisfied indicator “Y” and build response for all applicable product raining authorizations;
   c. Build response based on state and product training results and return TXLife 228 Response message to requestor.
Producer Course Detail Only

1. Validate Requestor:
   a. Locate Producer (SSN look up). Success if found - continue, if not found return error message “Producer Not Found” (hard stop)
   b. Verify Distributor or Carrier (Requestor) Affiliation – match submitting distributor or carrier with producer’s affiliation. If producer’s affiliation does not match, only return state (“S”) type course records. DTCC will only return product training course records when affiliation matches requestor regardless if requestor is distributor or carrier.
   c. Build response based on state and product training results and return TXLife 228 Response message to requestor.
7 Output Delivery

The requestor of data from the repository has the ability to define, as part of the onboarding process how the training data will be requested and delivered by DTCC. The output delivery of the response to the requester’s inquiry will be based on the Requestor submission process as well as pre-determined LNA PR record layout and batch process.

DTCC will offer three types of delivery:

2. DTCC Web Portal – User Interface
3. Batch delivery of responses based on a pre-determined output cycle times of 7:00am, 10:00am, 1:00pm, & 4:00pm. All eastern standard times and will be the delivered in the Periodic Reconciliation (PR) record format.