



**Settlement Processing  
for  
Insurance<sup>SM</sup>  
(Implementation Guide)**

Version 4.1 - Last Updated March 2023

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## **Settlement Transaction Processing**

### **1.1 Service Description**

Currently, Insurance & Retirement Services (I&RS) has 3 services that utilize DTCC's Settlement process. They consist of Commissions, Application/Subsequent Premiums, Settlement Processing for Insurance. To support the expansion of In-force capabilities, I&RS has expanded its money settlement offering to include: Withdrawals, Automatic Invest Plans, Life Premiums and Replacement (1035 exchange) surrender settlement. This service utilizes a new money settlement transaction to initiate settlement activity between trading partners.

As of March 2023, STL has expanded the usage of Full and Partial Surrender settlement to facilitate Carrier to Broker Liquidation Settlement. Upon receipt from a participating STL Broker with a request for an annuity asset liquidation, an STL participating Carriers can submit a Full or Partial Surrender transaction type with a Liquidation transaction subtype to a participating Broker, initiating the liquidation settlement of the annuity.

## 1.2 Settlement Types

The following types of settlements are supported through Settlement Processing for Insurance.

Settlement Type	Description
Full Withdrawal	The withdrawal of an amount equal to the entire cash surrender value of an annuity or life insurance contract.
Partial Withdrawal	The withdrawal of an amount less than the entire cash surrender value of an annuity or life insurance contract.
Systematic Withdrawal Payments (Plan) (SWPs)	A distribution method that allows a contract owner or other designated person to periodically receive a specified amount as a partial withdrawal from the annuity contract value prior to the annuity starting date. Unlike lifetime annuity payments, systematic withdrawals can continue only until the contract cash value is exhausted. The tax treatment of systematic withdrawals differs from that of annuity payments.
Free Look Withdrawal	The withdrawal of an amount based on the specified number or days during which an annuity or life insurance contract owner may revoke their purchase of the contract. The amount of the refund may equal either the account value when the contract is terminated or the amount of purchase payments, depending on the terms of the contract and applicable state law requirements.
Not Taken	The full premium refund to the distributor when the Life Insurance applicant decides not to accept the policy offer. Policy has been issued. (Life Insurance specific).
Rejected Application - Return of Premium	The full premium refund, after an elapsed time period, to the distributor when the carrier rejects the initial annuity or Life Insurance Application for NIGO. Policy has not been issued.
Death Benefit Payment	The payment made to the beneficiary (or custodian) upon the death of the contract owner or annuitant or insured.
Payment Annuitization	Annuitization payments from an annuity in the payout phase.
Full Surrender	The distribution or withdrawal of the entire cash value dollar amount of an insurance policy or annuity.
Partial Surrender	The distribution or withdrawal of a portion of the cash value dollar amount of an active insurance policy or annuity contract.
Death Benefit Payment-Replacement	The payment of funds made from the beneficiary (or custodian) upon the death of the contract owner, annuitant or insured to the receiving carrier

Automatic Investment Plan (AIP)	Scheduled/periodic additional deposits. Also known as a Systematic Investment program. An automatic investment program enables the client to invest a defined amount using a specified schedule. The investment is automatically withdrawn from the customer's brokerage account.
Life Premium Funding	The <u>subsequent</u> premium paid to the insuring carrier on a Life policy.

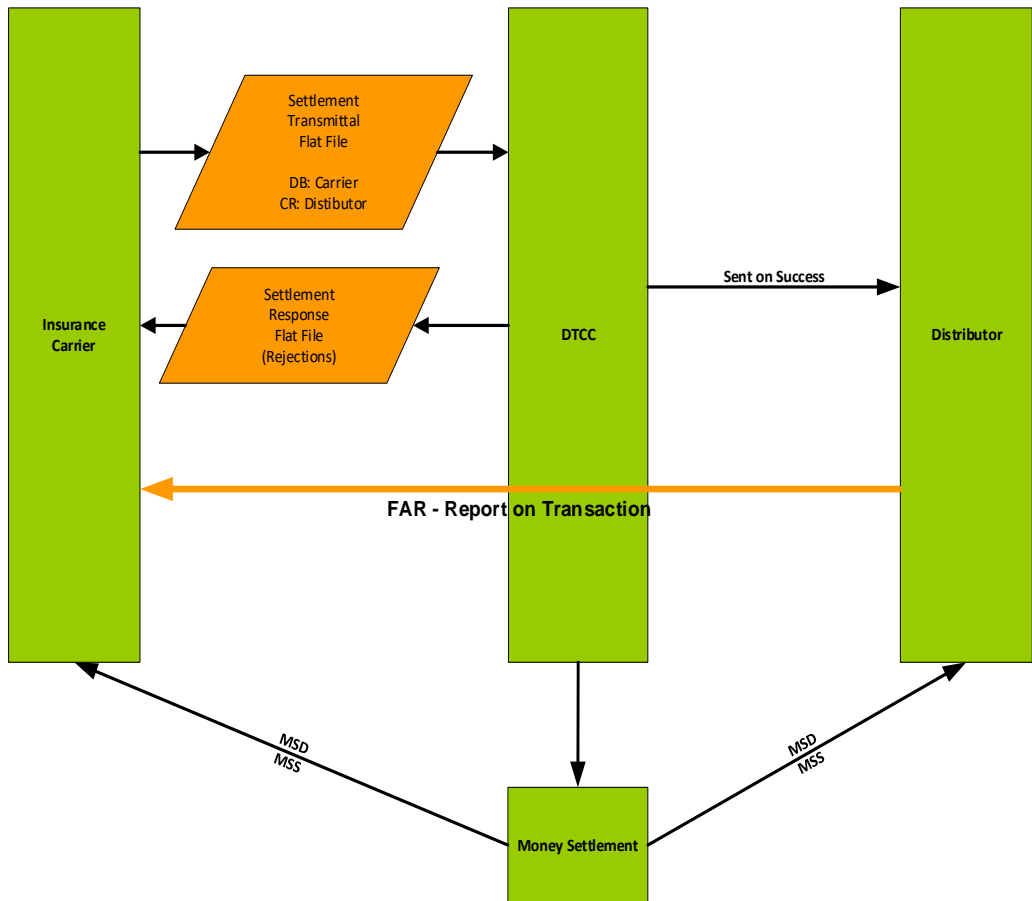
**1.3 Settlement Process Flow Diagrams**

**1.3.1 Withdrawals (Disbursements)**

# Settlement Processing (Disbursements)

## Process supports:

- Full Withdrawal
- Partial Withdrawal
- Systematic Withdrawal Payment (SWPs)
- Free Look
- Not Taken
- Rejected Application - Return of Premium
- Death Benefit Payment
- Payment Annuitization

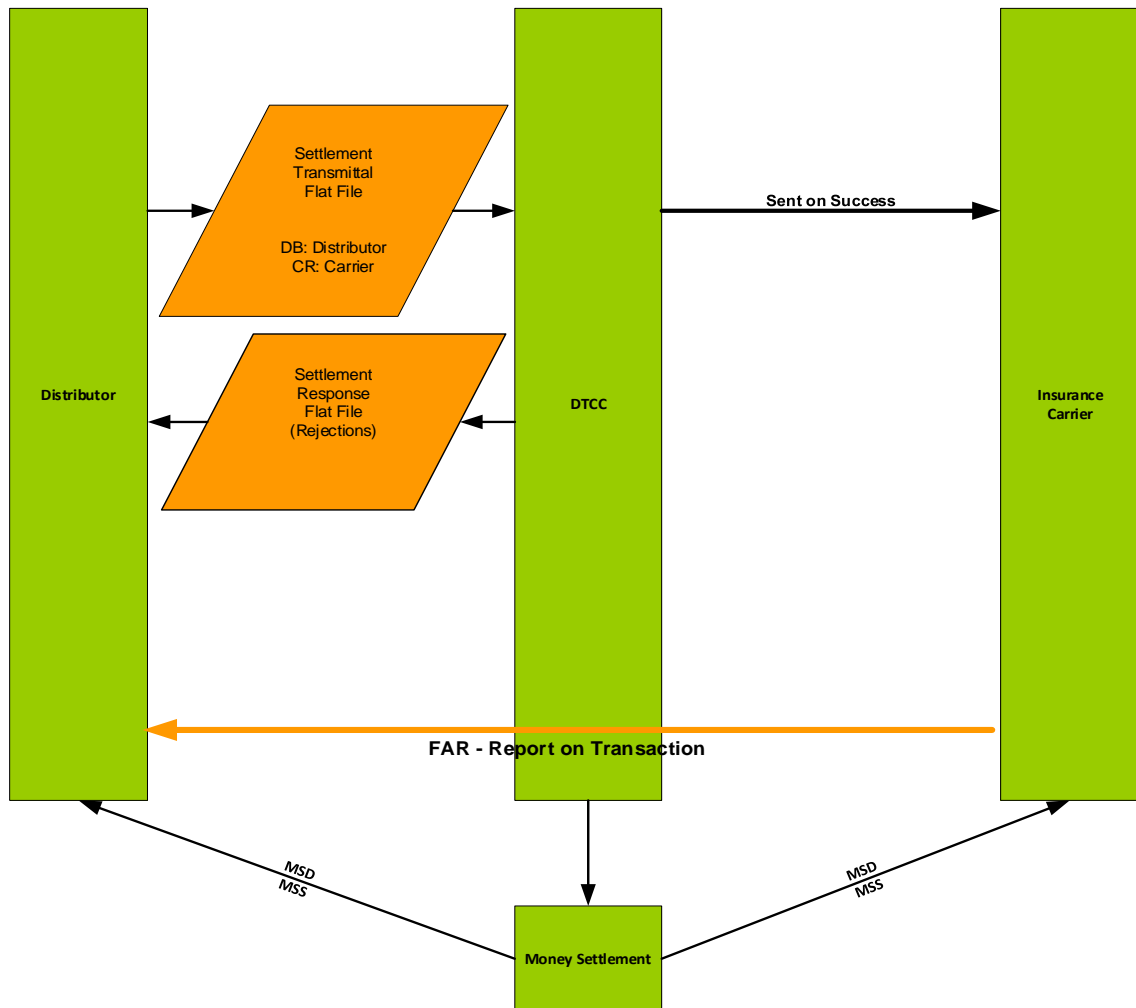


## 1.3.2 Premiums

### Settlement Processing (Premiums)

**Process supports:**

- Automatic Investment Plan (AIP)
- Life Premium Funding

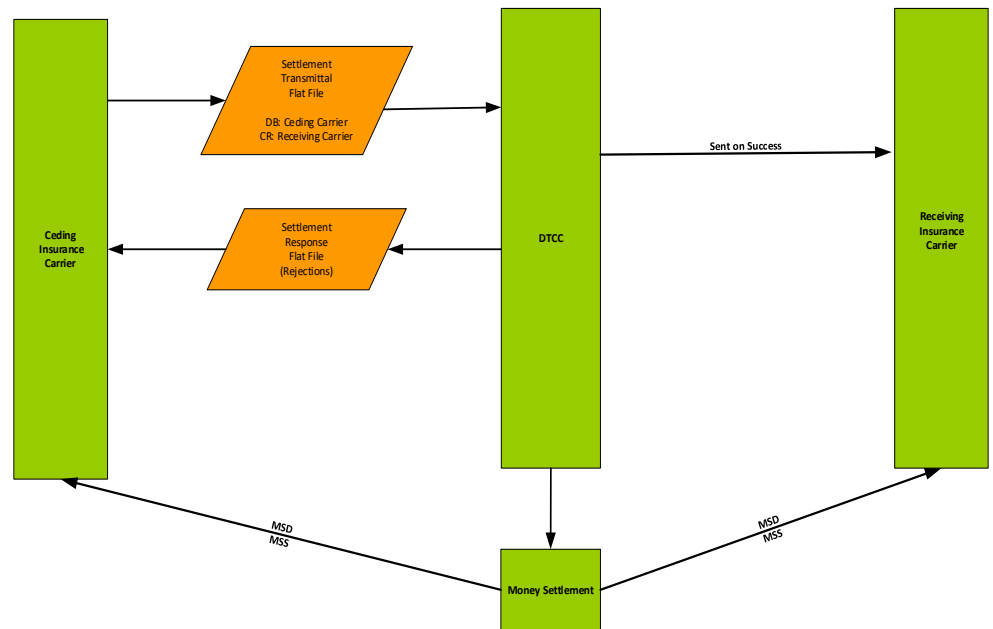


### 1.3.3 Replacement (1035 Exchange)

## Settlement Processing (1035 Exchange)

**Process supports:**

- Full Surrender
- Partial Surrender
- Death Benefit Payment - Replacement



Note: FAR information to Distributor will follow the normal process.



## **1.4 Settlement Processing Choreography**

### **1.4.1 Withdrawals**

- Carrier submits Settlement Processing for Withdrawals data file(s) to DTCC.
- At predefined cycle times throughout a settlement business day, DTCC will batch process transaction(s) received against format and validation rules.
- Rejected transactions not passing format and/or validation rules will be transmitted back to the original sender of the data file for corrective action.
- Successful transaction passing format and/or validation rules will be queued for settlement processing at the Settlement Processing cutoff time.
- At Settlement Processing cutoff time, DTCC will batch and transmit successfully validated Settlement Processing output to trading partner distributors<sup>1</sup>.
- Shortly after Settlement Processing cutoff time, DTCC will create and transmit the Settlement Processing Money Settlement Detail (MSD) data file to both carrier and distributor trading partners<sup>2</sup>.
- DTCC will send the successfully processed transaction(s) to the NSCC Money Settlement Systems.
- Carrier can update Financial Activity Report (FAR) data file, data field 'Payment Type', to include reference of settlement transaction.

### **1.4.2 Premiums**

- Distributor submits Settlement Processing for Premiums data file(s) to DTCC.
- At predefined cycle times throughout a settlement business day, DTCC will batch process transaction(s) received against format and validation rules.
- Rejected transactions not passing format and/or validation rules will be transmitted back to the original sender of the data file for corrective action.
- Successful transaction passing format and/or validation rules will be queued for settlement processing at the Settlement Processing cutoff time.
- At Settlement Processing cutoff time, DTCC will batch and transmit successfully validated Settlement Processing output to trading partner carriers<sup>1</sup>.
- Shortly after Settlement Processing cutoff time, DTCC will create and transmit the Settlement Processing Money Settlement Detail (MSD) data file to both carrier and distributor trading partners<sup>2</sup>.
- DTCC will send the successfully processed transaction(s) to the NSCC Money Settlement Systems.
- Carrier can update Financial Activity Report (FAR) data file, data field 'Payment Type', to include reference of settlement transaction.

**1:** Withdrawals and Premiums output data containing successfully validated transactions can be transmitted in the same data file.

**2:** Withdrawals and Premiums settlement data will be reported in the same Money Settlement Detail data file.

### 1.4.3 Replacements (1035 Exchange)

- Ceding carrier submits Settlement Processing for Replacement data file(s) to DTCC.
  - At predefined cycle times throughout a settlement business day, DTCC will batch process transaction(s) received against format and validation rules.
  - Rejected transactions not passing format and/or validation rules will be transmitted back to the original sender of the data file for corrective action.
  - Successful transaction passing format and/or validation rules will be queued for settlement processing at the Settlement Processing cutoff time.
  - At Settlement Processing cutoff time, DTCC will batch and transmit successfully validated Settlement Processing output to trading partner receiving carrier.
  - Shortly after Settlement Processing cutoff time, DTCC will create and transmit the Settlement Processing Money Settlement Detail (MSD) data file to both ceding and delivering carriers trading partners..
  - DTCC will send the successfully processed transaction(s) to the NSCC Money Settlement Systems.
  - Carrier can update Financial Activity Report (FAR) data file, data field 'Payment Type', to include reference of settlement transaction.
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### 1.5 DTCC Processing Rules

- DTCC will validate data received against acceptable values and data formats as defined in the record layouts.
  - Rejected transactions that do not pass validation will be transmitted back to the sender for correction.
  - Successfully validated transactions will be queued for settlement and reported to the trading partner at the defined output cycle time.
- Settlement Transaction Process will not allow for a 'Debit' value to the settlement amount from a client. Any necessary Debit transaction (e.g.: return of funds) will be performed outside the DTCC processing facility between the trading partners.
- The Settlement Transaction Processing cutoff time is defined in the record layout document. Settlement Processing transactions received by DTCC after the STL cutoff time will be pended and processed on the next available settlement business day.
- DTCC will determine the transaction's Settlement Date based on the timeframe for receiving a data file with a successfully validated transaction. Settlement Date will be reported to both trading partners on their Money Settlement Detail (MSD) data file they will receive from DTCC.

### 1.6 Business Requirements

#### Settlement Changes:

### 1.6.1 Settlement Process Record Layout

1. DTCC will create a new Settlement Processing data file.
  - a. Details of data file will include: record layout, reject codes and code lists, cycle time process schedule.  
**Note:** see Settlement Record Layout document on the I&RS website.
  - b. Create new CDTs (Datatrak and Autoroute) IDs for data file transmission.
    - i. INBOUND Settlement Transaction data file - from originating participant transmission to DTCC
    - ii. OUTBOUND Settlement Transactions (successfully processed transactions) data file - from DTCC to trading partner participant
    - iii. OUTBOUND Settlement Transaction (rejected by DTCC) data file – from DTCC to originating participant

**View the I&RS website for DataTrak (Inbound) SYSIDs and Autoroute (Outbound) Product Numbers defined for Settlement Processing for Insurance (STL).**

- c. Establish a multiple cycle time schedule for DTCC validation and DTCC output (see cycle time schedule within Settlement Transaction Processing – record layout document on the I&RS website).

### 1.6.2 Money Settlement Detail

DTCC will create a new Settlement Processing Transaction Money Settlement Detail (MSD) data file with a new Autoroute Number that will include successfully processed settlement transactions.

**Note:** see MSD Record Layout document on the I&RS website.

**View the I&RS website for Autoroute (Outbound) Product Numbers defined for STL – NSCC Money Settlement Detail.**

### 1.6.3 Money Settlement Summary

DTCC will add a new line item (Settlement Category ID) to the Money Settlement Summary (MSS '709') data file to represent the Settlement Processing transaction(s).

#### **1.6.4 Participant Update Profile (submit Product Request Form)**

To begin and establish your firms participation with this product. The participant should complete and submit the on-line Product Request Form to direct DTCC to update the participant's product profile for Settlement Processing for Insurance<sup>SM</sup>. DTCC will update the 'Participant Product Profile' for Production and/or PSE-Test. This submission will trigger DTCC to begin the process of establishing the Datatrak and Autoroute connectivity setup for this product with the participant.

**Note:** Participants can choose this product independent of the other IFT products.

Change Log:

March 2, 2023	Updated section 1.1 to reference Liquidation Settlement
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