

Providing Life Support

How One Organization's Technology Infrastructure Can Help Keep the Life Industry Moving ... Safely

The entire life insurance industry relies on data. From client medical records to commission payments, data is critical to every part and player in the lifecycle of a policy – and the data is constantly on the move.

The movement of critical, time-sensitive and confidential information requires the right technology to traffic and protect data. Without a trusted, centralized provider of this technology, the industry is hampered by slow, disparate, error-prone processes that expose all involved to a host of risks. One company, The Depository Trust & Clearing Corporation (DTCC) has proven it can handle the massive amount of data moving across the industry each day, safely, by making technology and security a priority.

“DTCC has a robust, connected infrastructure that the financial industry relies upon to securely transmit data, speed processes and drive down costs,” observed Kevin Lewis, Vice President of DTCC’s Insurance & Retirement Services (I&RS). “Our SIFMU (Systemically Important Financial Market Utility) designation came as little surprise given the sheer breadth and criticality of the services we provide to the financial services industry.”

DTCC is the financial industry infrastructure that, through its subsidiaries, established and facilitates standardization and automation of data and fund processes for annuities, mutual funds, fixed income, equities, derivatives and other asset classes worldwide. The company’s data processing capacity is astounding, with about \$1.6 quadrillion in securities transactions processed in 2014 alone. DTCC’s I&RS has served the insurance marketplace since 1997, processing more than 13 billion insurance transactions in 2014.

I&RS provides a trusted, central infrastructure for insurance carriers and distributors, acting as a single conduit for the exchange and maintenance of information. Data travels safely through DTCC’s Securely Managed and Reliable Technology (SMART) network, the technology backbone that supports the settlement infrastructure of the U.S. capital markets, connecting a global complex of networks, processing centers and control facilities.

I&RS also offers processing capabilities over secure, distributed web connections that are especially well-suited for smaller-sized firms.

Tools for Life

The life industry can leverage I&RS’ technology-based services for a variety of data communication needs, including:

- Transmitting policy and financial transaction data needed for a holistic view of client accounts
- Settling life premium payments and systematic transfers
- Facilitating essential agent licensing data between carriers and distributors
- Data reporting to aid regulatory compliance
- Consolidating and expediting commission payments

DTCC’s standardized approach allows for streamlined processes using fewer resources, reducing cost and risk for the industry.

For example, **without** I&RS’ Commissions service, many agents struggle with inconsistencies in when and how they get paid. Carriers generate payments in a variety of formats, sometimes using manually-generated spreadsheets for tracking and involving multiple departments and people. Funds are sent to agents via distributors by wire or

mailed paper checks – which can be mishandled – in varying payment cycles. The process can take weeks from the sale and is prone to errors, which are difficult to correct. Add to this the burdens of shipping cost and time.

With I&RS’ Commissions, agents receive payments within one day of a sale, in consistent, consolidated electronic formats. Additionally, carriers can resolve errors and complete charge backs more efficiently. The standardized approach eliminates custom feeds, paper statements and snail mail, making the process easier for all parties.

This one example demonstrates the drawbacks to a proprietary, manual approach. Industry participants can gain numerous advantages throughout the policy lifecycle with greater adoption of I&RS’ technology-based services:

1. Faster processing times. When a single standard is in place – like the one DTCC’s I&RS team developed based on existing ACORD® standards – a hardship is lifted from distributors and financial advisors, who no longer having to master multiple systems to process policies. Automation also saves time by eliminating mailed paper checks and complicated spreadsheets, processing commissions daily, eliminating human error and providing immediate data on licensure and financial reporting.

2. Cost savings. With multiple processes and ways of sending information comes the need and expense of staffing. There is also document shipping or even the loss of business when policies fail to be issued before a death or a client decides to seek coverage elsewhere.

3. Greater product availability to consumers. Automation and standardization allow firms to reallocate resources, previously spent on staffing, to invest in product development or producer training to enable expanded product offerings. They also remove a barrier that prevents distributors from offering a greater variety of products – when once they shied away because of difficulties in following a separate process for each transaction partner. With I&RS services, adding carriers no longer brings so much extra work.

4. Reduced risk. In last month’s article, “How Well Is the Life Insurance Industry Managing Data?” risks that were exposed included delayed processes, lost time and resources, missed market opportunities, damaged business relationships, consumer identify theft and fines. I&RS straight-through processes help to mitigate risks and concerns.

The industry is starved for these solutions. As a user-owned and -governed firm, DTCC is inherently dedicated to the protection, growth and prosperity of the insurance marketplace. With such a powerful utility in place, all that remains to reap the benefits is collaboration among life insurance carriers and distributors with DTCC.

Drive Standardization

Join DTCC and help reduce risk in the life insurance marketplace. Learn more today at www.dtcc.com/standardizelife or email insurance@dtcc.com.

DTCC

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