

# IMPORTANT NOTICE

National Securities Clearing Corporation



**A#6365**

**P&S#5935**

**DATE:** December 20, 2006

**TO:** **ALL PARTICIPANTS**

**ATTENTION:** **MANAGERS; OPERATIONS DEPT FOR ANNUITIES & LIFE INSURANCE, BROKERAGE OPERATIONS, INFORMATION SYSTEMS**

**FROM:** NSCC Insurance Services

**SUBJECT:** IPS 2007 March Enhancement Release

## **Overview:**

In order to support industry requests, the Insurance and Retirement Processing Services (formerly referred to as the Insurance Processing Service<sup>1</sup>) ("IPS") has scheduled an enhancement release for March 2007. This is the first of two scheduled enhancement releases for 2007. 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 Applications/Subsequent Premiums
COM	Commissions
FAR	Financial Activity Reporting
LNA	Licensing & Appointments
POV	Positions and Values, which is made up of 3 types: PVF – Positions & Values Full Refresh File

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<sup>1</sup> See NSCC Rule Filing SR-NSCC-2006-16. The full text of the rule change may be obtained by visiting our web site at [www.nsc.com](http://www.nsc.com). Information regarding the implementation of the changes referenced in this rule filing will be announced via subsequent Important Notice.

PNF – Positions New Business File  
PFF – Positions Focused File

### **Schedule:**

- Test – Friday, February 16, 2007
- Production – Thursday, March 8, 2007

### **Specification Documents:**

Documentation is available at the IPS website, <http://insurance.dtec.com>. Click on 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.

- 2007 March Requirements Document
- Draft APP/SUB Record Layouts
- Draft COM Record Layouts
- Draft FAR Record Layouts
- Draft LNA 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**

### **IPS00219 – Country of Citizenship Change – Optional Change**

Currently, citizenship information is required if the contract entity roles are Annuitant, Owner, Joint Annuitant, Contingent Annuitant, Contingent Owner or Joint Owner. This edit does not take into consideration whether the contract entity is a person or non-person. Since it is illogical for a non-person entity to have citizenship information, the new edit will require this field only when the contract entity is a natural entity (person).

Layout Changes:

- Change the edit for Item 4096 on the 33-17 record to allow this field to be optional if Natural/Non-Natural Indicator is an X

Current Edit

- If 4081 is G2, HA, HC, HD, HE, or OK (These values indicate that the Entity is an "Owner"), then Contract Personal Identifier-1, Contract Entity Personal Id Qualifier –1 and Contract Entity Country of Citizenship are Mandatory. If this condition is not met, then #4091, 4092 and 4096 may be sent as Optional Fields if desired.

New Edit

- If 4081 is G2, HA, HC, HD, HE, or OK (These values indicate that the Entity is an "Owner"), then Contract Personal Identifier-1, Contract Entity Personal Id Qualifier –1 are mandatory. **If 4081 is G2, HA, HC, HD, HE, or OK (These values indicate that the Entity is an "Owner"), and Natural/Non Natural Indicator is N, Contract Entity Country of Citizenship is Mandatory.** If this condition is not met, then #4091, 4092 and 4096 may be sent as Optional Fields if desired.

**IPS00223 - Service Feature Edit Change to Support Pro-Rata – Optional Change**

Currently, the concept of pro-rata is not supported correctly on the service feature records in APP. When pro-rata is selected as the Service Feature Value Qualifier, the edit still requires a dollar amount or percent to be filled on the 33-35 record for source and target funds. For pro-rata, the dollar amount and percent are not specified so it should not be required for the pro-rata qualifier. A request was made to modify the existing edit on the 33-35 record (Service Feature Source Fund Record) to enable the use of the “Pro-Rata” concept.

Layout Change:

- Change the edit for field 4243/4279 to (new text in bold):  
If #4241 (Service Feature Source Fund Code) is not Spaces **and #4231 (Service Feature Value Qualifier) is not “4” (pro-rata)**, then either #4243 or #4279 (but not both) must be present.
- Change the edit documentation for field 4247/4280 to read (new text in red):  
If 4244 (Service Feature Target Fund Code) is not Spaces and **#4231 (Service Feature Value Qualifier) is not “4” (pro-rata)**, then either #4247 or #4280 (but not both) must be present

**IPS00229 – UGMA Custodian Contract Role – Optional Change**

Currently, UGMA’s are processed with the Owner being the Custodian of the UGMA and the Annuitant the child. There is no entity role code that identifies the Custodian of a UGMA on a contract. In addition, in some cases, the child’s SSN is used to identify both parties.

Adding the Custodian for UGMA role code will allow firms (if capable) to identify the custodian of a UGMA as separate entity on the contract.

Layout Change:

Add the following code to APP/SUB Code List 4081 (Contract Entity Role):

CU – Custodian for UGMA

## 2. COM – Commissions

### **IPS00151 – Add National Producer Number to Agent Record - Optional Change**

This is the number that uniquely identifies the agent in the Producer Database (PDB) system used by the industry within the L&A process. This is an agent identifier in addition to the Social Security Number.

Layouts Changes

- Add the following field to 22-05 record:
  - National Producer Number
  - Bytes 186 to 195
  - Optional
  - Alpha/Numeric

### **IPS00222 – Extend Commission deadline - Mandatory Change**

Move the commission cycle to 12:30 pm to give the Carriers more time to get the file processed.

Layouts Changes

- Change Commission Cycles to the following
  - 8:30am (Cycle 01) – carrier reject cycle only
  - 9:00am (Cycle 02) - carrier reject cycle only
  - 9:30am (Cycle 03) - carrier reject cycle only
  - 10:00am (Cycle 04) - carrier reject cycle only
  - 10:30am (Cycle 05) - carrier reject cycle only
  - 11:00am (Cycle 06) - carrier reject cycle only
  - 11:30am (Cycle 07) – carrier reject cycle only (previously this was the output cycle to the distributors)
  - 12:00pm (Cycle 08) - carrier reject cycle only
  - 12:30pm (Cycle 98) – **distributor output cycle** and carrier reject cycle

Changes:

- 7:30am and 8:00am carrier reject cycles were removed.

- 11:30 cycle is no longer an output cycle to the distributor. It is now only a carrier reject cycle.
  - A 12:00pm carrier reject cycle was added
  - 12:30pm becomes the new settlement deadline for carrier input and the only output cycle to the distributors.
- Money Settlement Detail (MSD – 702) file will now be sent between 12:30pm and 1:00pm
  - No time change Money Settlement Summary (MSS - 709) file.

### **3. FAR – Financial Activity Reporting**

#### **IPS00221 – Increase 43-06 Loop Limit – Optional Change**

Policies have been found that have more than 99 occurrences of underlying fund. In order to support these policies, the 46-06 loop limit needed to be increased from its current limit of 99.

#### Layout Change:

Record 43/Seq06 – Contract Underlying Assets Record loop limit will be increased from 99 occurrences to 999 occurrences per Contract Transaction Record (43-05).

#### **IPS00225 – Allow for Natural/Non-Natural information on Recipient Record – Mandatory Change**

As part of the September 2006 release, the commissions file was changed to allow for the inclusion of Natural and Non-Natural Indicators, as well as adding the redefines for the 105 byte names (see IPS00213).

#### Layout Change:

- Add the following field to 43-04 record:
  - Agent Natural/Non-Natural Name Indicator
  - N or X allowed – no space
    - N = Natural
    - X = Non-Natural
  - Byte 187
  - **Required**
  - Alpha/Numeric

When Recipient Natural/Non-Natural Name Indicator is X, bytes 58 to 162 will be redefined as one field called “Agent Non-Natural Name”

**IPS00228 – Add new contract status codes to synch up with POV – Optional Change**

There are certain status codes that are supported in POV, but not FAR. A request was made to add these codes to the FAR Contract Status codes list to synch up with POV. In addition, there will be a synch up between the

Layout Change:

Add the following codes to FAR Contract Status Code List – Item # 5026

- DA – Deferred Death
- GS - Suspended
- SC – Surrender/Converted

Change the description of the following code in FAR Contract Entity Role Code List – Item # 5030  
 The code for Primary Beneficiary will change from GO to BE. GO will no longer be a valid code.

**IPS00151 – Add National Producer Number to Agent Record - Optional Change**

This is the number that uniquely identifies the agent in the Producer Database (PDB) system used by the industry within the L&A process. This is an agent identifier in addition to the Social Security Number.

Layouts Changes

- Add the following field to 43-04 record:
  - National Producer Number
  - Bytes 188 to 197
  - Optional
  - Alpha/Numeric

### **IPS00229 – UGMA Custodian Contract Role – Optional Change**

Currently, UGMA's are processed with the Owner being the Custodian of the UGMA and the Annuitant the child. There is no entity role code that identifies the Custodian of a UGMA on a contract. In addition, in some cases, the child's SSN is used to identify both parties.

Adding the Custodian for UGMA role code will allow firms (if capable) to identify the custodian of a UGMA as separate entity on the contract.

#### **Layout Change:**

Add the following code to FAR Code List 5030 (Contract Entity Role):

CU – Custodian for UGMA

## **4. LNA – Licensing & Appointments**

### **IPS00212 – State Registration field – Optional Change**

The Uniform Securities Act requires insurance product manufacturers to ensure proper registration for any individual selling securities products. There are approximately 13 states that require a state securities registration for the sale of variable products. In order to comply with the Uniform Securities Act an insurance carrier must ensure that the producer is properly NASD registered and state securities registered when the variable product sale is effectuated in one of those 13 states.

The current DTCC layout does not allow a distributor to communicate with a carrier to notify them if an individual is state securities registered in the state where the appointment is being requested. The layout does provide for the distributor to indicate if the producer is S63 licensed but this is not sufficient to meet the standards required under the Uniform Securities Act.

A request has been made to modify the layout to include an indicator that the distributor would populate to show if the producer holds a state securities registration in the state where the appointment is being requested.

Layout Change:

- Add the following field to 53-11 record:
  - State Securities Registration Indicator
  - Y, N or Space Allowed
  - Byte 212
  - **Optional for AI and AA - Not used for all other transaction types.**
  - Alpha/Numeric
  
- Add the following code to 6602 code list:
  - SR - Not Securities Registered

**IPS00224 – Reject Process Edit Changes – Optional Change\***

This enhancement was initiated due to the fact that upon receipt of certain transactions, such as an AI (Initial Appointment) or AA (Additional Appointment), if there is a problem with the transaction and it needs to be rejected back to the partnering firm, the current rules do not allow for an “RJ” Reject code in the Transaction Status field 6104 or Transaction Status Reason 6105 on the 53-01 record.

An L&A subgroup was recently created, per the request of the IPS Advisory Group, to review the current L&A Carrier Reject process. Currently, the AC (Appointment Confirmation) is used to confirm and reject AI, AA, LI and LA transactions. It was decided that if an entire transaction needs to be rejected, the Carriers should be able to use the specific transaction to reject transactions.

Example: If an AI request is sent from Distributor to Carrier and the Carrier needs to reject the AI, they should send the AI back with a Reject Status, instead of using the AC transaction to reject each appointment. An AC transaction would only be sent for successfully processed transactions.

Note: This change will support new standard usage recommending this new way to handle L&A rejects. It is expected that participants will adopt this approach over time. DTCC will not enforce this as a mandatory change for this release.

Layout Change:

- 6104 (Transaction Status) on record 53-01 changes from Not Used to Conditional for AI, AA, LI, LA and LC transaction types. On Carrier submissions, the field must be filled with an RJ (reject) status. This is due to the fact that Carriers would only send these transactions types to request a Distributors request. This field continues to be NOT USED for Distributors.
- 6104 (Transaction Status) on record 53-01 changes from Not Used to Conditional for TS and TC transaction types. On Carrier submissions, for TS and TC, the field must be filled with either CF (confirmed), RJ (rejected) or PD (pending). This field continues to be NOT USED for Distributors.

- 6104 (Transaction Status) on record 53-01 changes from Not Used to Conditional for TT transaction types. On Carrier submissions, for TT, the field must be filled with either CF (confirmed), RJ (rejected), PD (pending) or GC (Generated by Carrier). GC is used for cases in which the Carrier initiated a termination of a team. This field continues to be NOT USED for Distributors.
- 6105 (Transaction Status Reason) on record 53-01 changes from Not Used to Conditional for AI, AA, LI, LA, LC, TS and TC transaction types. On Carrier submissions, when 6104 is filled with RJ, this field must be filled with one of the applicable reason codes. If 6104 is space or filled with anything other than RJ, the field is optional for Carriers. This field continues to be NOT USED for Distributors.
- Add the following code to 6602 code list:  
TP – No Trading Partner Agreement – this code will be used by Carriers in instances where they received a file from a distributor that they do not have an agreement with to do L&A via DTCC.

## 5. POV – Positions and Values

### IPS00225 – Allow for Natural/Non-Natural information on Recipient Record – **Mandatory Change**

As part of the September 2006 release, the commissions file was changed to allow for the inclusion of Natural and Non-Natural Indicators, as well as adding the redefines for the 105 byte names (see IPS00213).

#### Layout Change:

- Add the following field to 13-05 record:
  - Agent Natural/Non-Natural Name Indicator
    - N or X allowed – no space
      - N = Natural
      - X = Non-Natural
    - Byte 185
    - **Required**
    - Alpha/Numeric

When Recipient Natural/Non-Natural Name Indicator is X, bytes 60 to 164 will be redefined as one field called “Agent Non-Natural Name”

- **Edit Rule Change: When Agent Natural/Non-Natural Name Indicator is N, Agent Last Name is required. When Agent Natural/Non-Natural Name Indicator is X, Agent Non-Natural Name is required.**
  - **Previously “Agent Last Name, item 3305, was optional.**

### IPS00227 – Output Cycle Changes - **Mandatory Change**

This request is to change the position output cycle to better meet the volume demands that occur in the morning cycles. The majority of POV files (approx. 85%) are received before 9AM (ET) and approx. 1% of the POV files are received between 3PM and 9PM (ET).

#### Change:

- Change cycles times in production to the following:
  - Cycle 1 – 4:00 am
  - Cycle 2 – 6:30 am

Cycle 3 – 8:30 am

Cycle 4- 12:00 pm

Cycle 5 – 3:00 pm

Cycle 6 – 6:00 pm

Test cycles remain the same.

### **IPS00151 – Add National Producer Number to Agent Record - Optional Change**

This is the number that uniquely identifies the agent in the Producer Database (PDB) system used by the industry within the L&A process. This is an agent identifier in addition to the Social Security Number.

#### **Layouts Changes**

- Add the following field to 13-05 record:
  - National Producer Number
  - Bytes 186 to 195
  - Optional
  - Alpha/Numeric

### **IPS00229 – UGMA Custodian Contract Role – Optional Change**

Currently, UGMA's are processed with the Owner being the Custodian of the UGMA and the Annuitant the child. There is no entity role code that identifies the Custodian of a UGMA on a contract. In addition, in some cases, the child's SSN is used to identify both parties.

Adding the Custodian for UGMA role code will allow firms (if capable) to identify the custodian of a UGMA as separate entity on the contract.

#### **Layout Change:**

Add the following code to POV Code List 3808 (Party Role):

CU – Custodian for UGMA

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

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