



New Business Submission Message – Still Crazy After All These Years

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Agenda

- Introduction – ourselves and why
- Overview of the New Business Submission message
- Resolution of the differences in interpretation
- Scope of the guide
- Review data usage: required, conditional or optional
- High Level objects
- Decisions on controversial topics

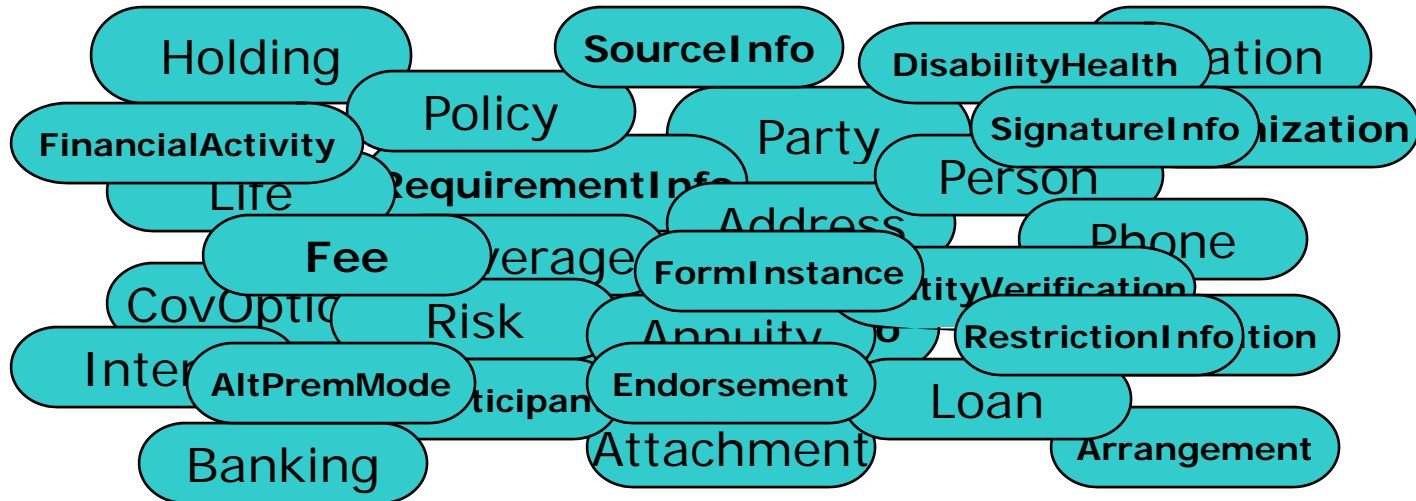


Introduction

- Today's 103 Message: pragmatic, not utopian.
- Focus: Details of message not a philosophical discussion
- Keep in mind this version only for Life

Overview of New Business Submission

- Size
 - Can range from a mega message to a very small one
 - Depending on situation, includes a wide variety of objects





Overview of New Business Submission, continued

- Diverse Usage
 - Type of Application: Formal/Informal/Drop ticket (short app)
 - Products: Life, Annuity, Disability/Health
 - Extent of content: Part A, Part B, Part A & B, other combinations of application and ancillary forms
 - Business scenarios: funding, existing/replaced
- Who submits
 - Producer to distributor/vendor or carrier
 - Distributor/Vendor to carrier
 - Internal within carrier



Overview of New Business Submission, continued

- History

- Added to the model in Version 2.4 (2000)
- First used by: ?
- First Certified: May 2003 (OARS)

- Benefits

- Obvious benefits from using the standard
 - Consistent format
 - Immediate feedback to source
- Data available for immediate processing and evaluation by recipient




Documentation of New Business Message

- ACORD schema
- Transaction Specification
- Implementation Guide
 - Represents best practices
 - Message can still be certified if guide not followed
 - Intended to provide a template, especially for those not already familiar with the message
 - If not in guide, does not mean it can't be in message: only commonly used tags were included



Resolution of the Differences in Interpretation

- 23 instances where 103 implemented and/or in production (OARS)
- Each validates against the ACORD model, yet each one was different
- First meeting – all participants agreed that this could very likely affect their own implementation and it may need to change
- How to determine which is 'correct' interpretation. There is no absolute correct, it will vary based on business use case



Resolution of the differences in interpretation, continued

- Check existing documentation
 - Help file
 - Transaction definition
 - Other implementation guides
- 'Best' based on where it 'should go', modeling practices
- Business use case (roles): To define it we would have to fix it
- *'We tend to lean on old familiar ways.'* Majority of implementations are interpretations, consensus had been informally arrived at, not best, but most common (arrangement vs. financial activity)
- Generated a great deal of discussion



Scope of the Guide

- Original scope included every message in a policy life cycle
- Focused on the New Business 103 Message
- Decision was made to handle Annuities separately
 - But both remain closely aligned due to extensive effort
 - Caused a midstream change in scope
- Decision on what to include (cut from guide)
- Limit scope or you will lose your resources and interest



Review Data Usage

- Transaction definition only has only 13 required tags
- Many more tags should be required, but because of backward compatibility, the transaction spec could not be updated to make any more tags required
- Implementers can look to the IG to see what fields should be included as a best practice



Required, Conditional, Optional

- At the beginning, there was no clear definition or distinction between these parameters
- Definitions
 - **REQUIRED:** Component must be present
 - **OPTIONAL:** If a Requestor HAS the information available to them, they SHOULD send it unless there is some other business reason that prevents it from being sent (such as a security or HIPAA limitation).



Required, Conditional, Optional, continued

- **CONDITIONAL:** Data/data values present elsewhere in the message makes the presence of the component required. IG must include details of the 'triggering' condition
- Rationale
 - Maintain backward compatibility
 - Information/data/data value(s) may not be available
 - Keep number of components that are required to a minimum



Objects Included

Required

- Holding (for policy applied for)
- Policy
- Life
- Coverage (Base)
- Application Info
- Party(Insured)
- Person
- Relation

Optional

- Additional Holding (for existing insurance)
- Additional Party
- Financial Activity
- Arrangement
- Form Instance



Objects Included, continued

<OLife>

- <Holding>
- <Policy>
- <Life>
- <LifeUS
- <Coverage>
- <CovOption>
- <Application Info>
- <SignatureInfo>
- <RequirementInfo>
- <FinancialActivity>
- <Payment>
- <Arrangement>
- <ArrSource>
- <ArrDestination>
- <TaxWithholding>
- <Banking>
- <Authorization>

- <Party>
- <Person>
- <Organization>
- <Address>
- <Phone>
- <Carrier>
- <Producer>
- <CarrierAppointment>
- <EmailAddress>
- <Risk>
- <Relation>
- <FormInstance>
- <FormResponse>
- <Attachment>



Decisions on Controversial Topics

- How to model initial and inforce premium
- How to model roles (insured, owner, beneficiary, producer)– Use Relation or Life Participant?
- How to model the product information



How to Represent Initial and Inforce Premium – Original Conclusion

| Financial Activity | Arrangement |
|---|---|
| ACORD Help File Definition: A Financial Activity is one business event. Note that this business event will trigger one set of accounting activities. | ACORD Help File Definition: Collection of arrangements for this holding. Arrangements are periodic fund transfers between holdings or internal to a holding. |
| Implies 'past' financial event | Implies 'future' financial event |
| Information on Initial Premium would go on Financial Activity | Information on Inforce Premium would go on Financial Activity |

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| Arrangement |
|---|
| ACORD Help File Definition: Collection of arrangements for this holding. Arrangements are periodic fund transfers between holdings or internal to a holding. |
| Implies 'future' financial event |
| Information on Inforce Premium would go on Financial Activity |



How To Model Initial VS. Inforce Premium – Final Conclusion

| Financial Activity | Arrangement |
|---|--|
| Most members of the PLC were using Financial Activity to represent both Initial and Inforce Premium | Since Arrangement was not being implemented as the object for Inforce premium, why force a change to most implementations |
| Recommend that information on both Initial Premium and Inforce Premium go on Financial Activity | Arrangement is still needed for more detailed information on Arrangements for inforce premium such as asset allocation and dollar cost averaging |



Multiple Payments

- Carrier policy admin system treats the financial activity as a whole
- If a financial activity is reversed, then all associated payments must be reversed at the same time
- Represent each payment by one Financial Activity object with more than one associated Payment objects
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- If a financial activity is reversed, then all only that payment is be reversed
- Represent each payment by one Financial Activity object with one associated Payment object



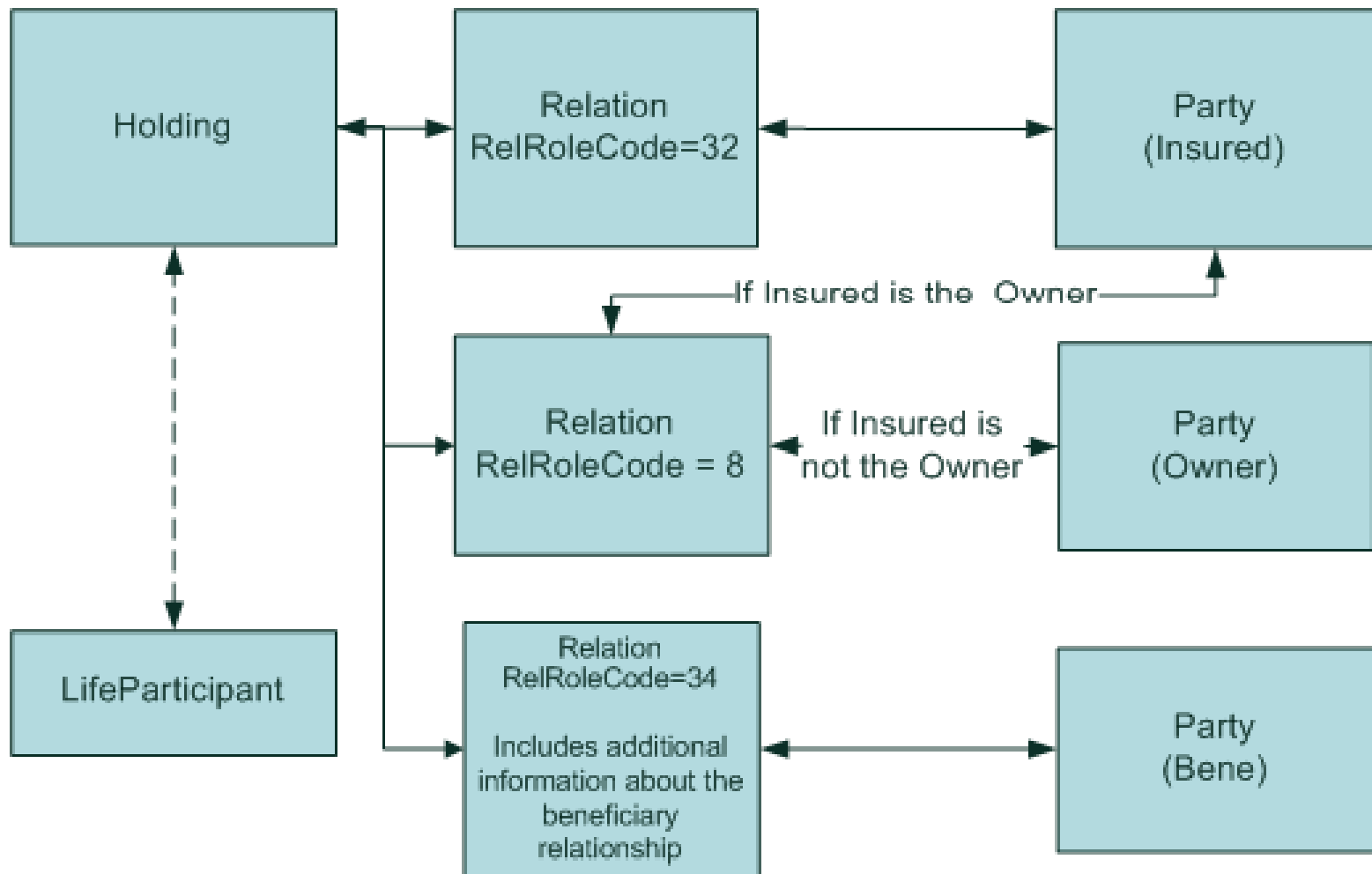
How To Model Roles

- Most challenging divergence, dialogue went on for years
- Disagreement centered around the differences in product
- By categorizing the roles on product, were able to come to agreement on role modeling
- Refer to Help File Implementation Conventions Section 4.16 for more info
- PolicyProduct still needs an update to capture the role level on a product definition

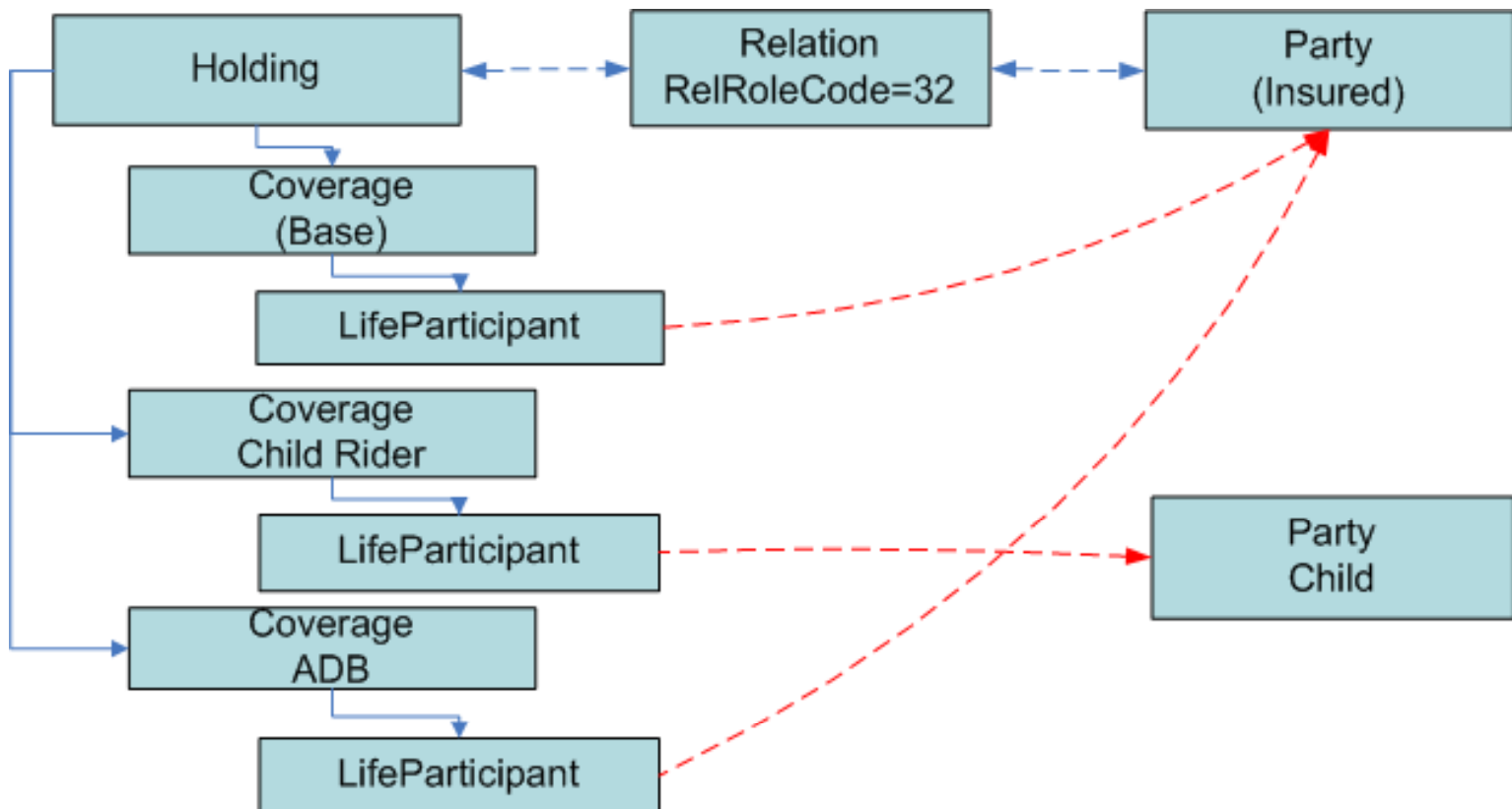
How To Model Roles

| <u>Contract Level</u> | <u>Component Level</u> | <u>Override Level</u> |
|----------------------------------|---|---|
| Role applies to entire contract | Role must be specified for each component | Role is inherited by every component unless specified |
| Must have Relation object | May Have Relation Object | May Have Relation Object |
| May have Life Participant Object | Must Have Life Participant Object on every coverage | Must have Life Participant Object on any <i>override</i> coverage |

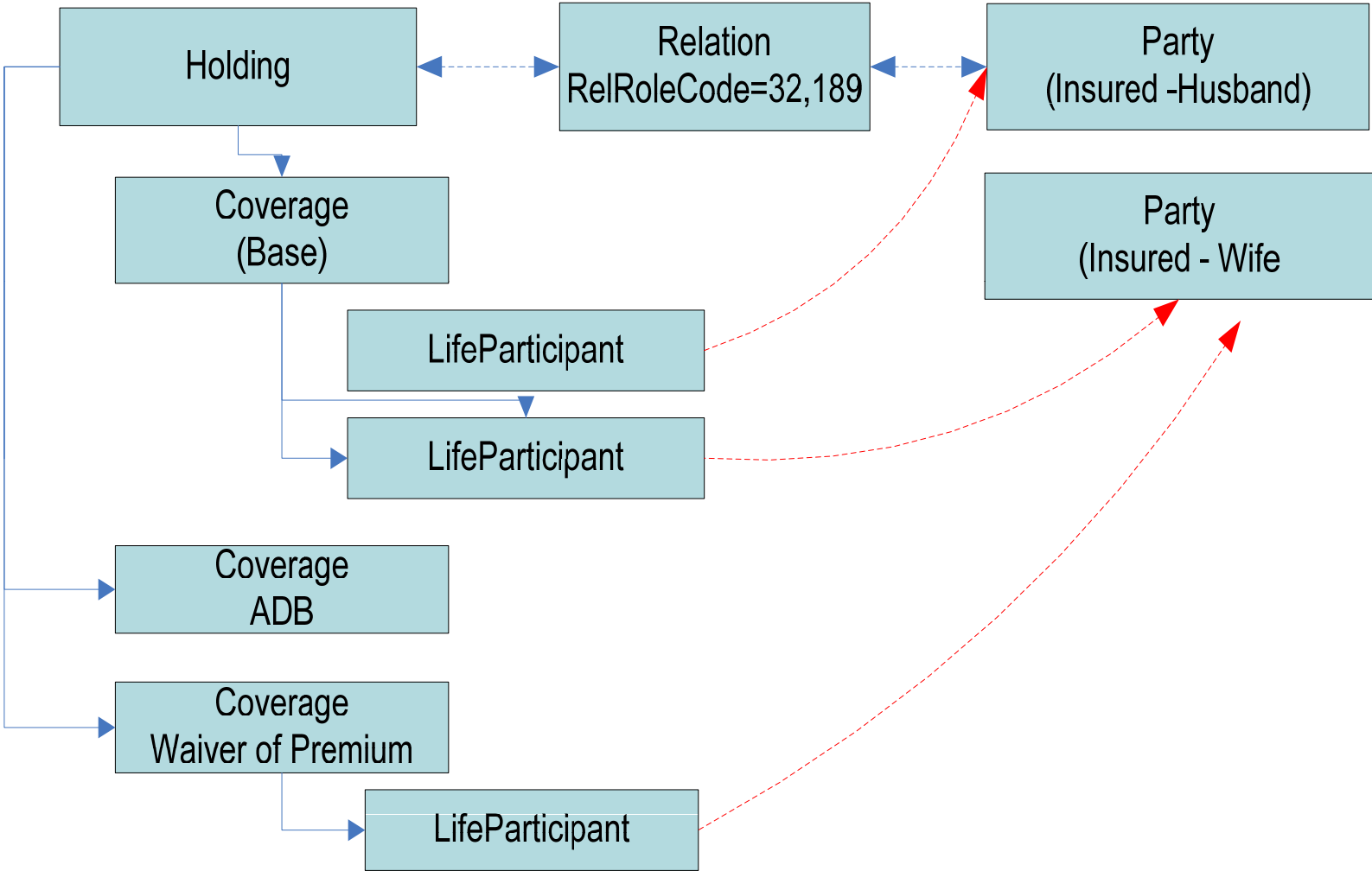
Contract Level Role



Component Level Role

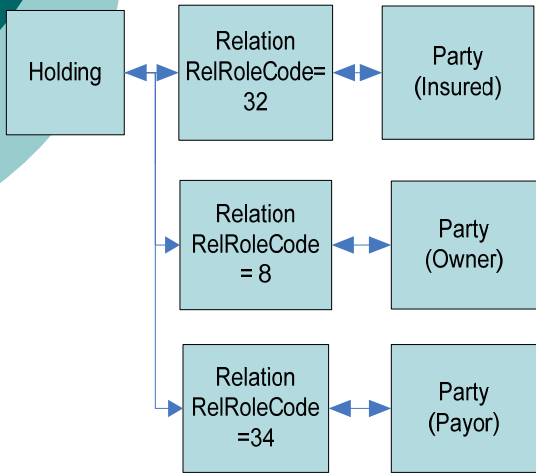


Override Level Role

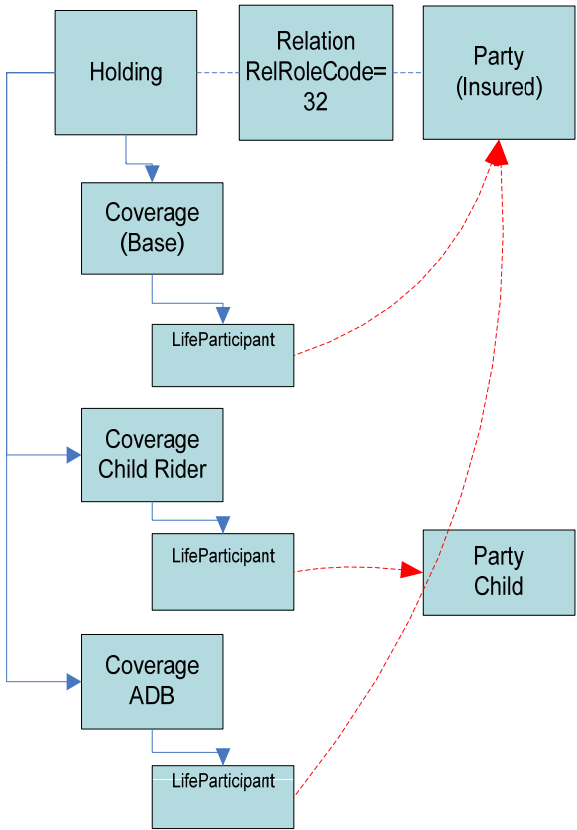


Comparison of the Three Levels of Roles

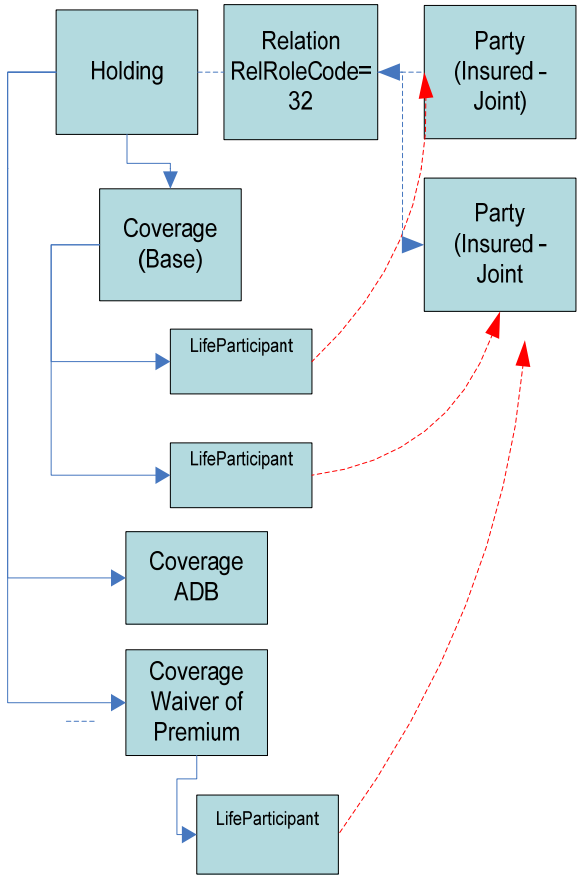
Contract Level



Component Level



Override Level





How To Model Product

- Many of the same tags that describe an instance of a product appear redundantly on both the Policy object and the Coverage (for base) object
- To avoid redundancy in messages, the recommendation is to use the tags on Coverage (for base)
- Exception: Entity Recognition tags on Product must be completed



Lessons Learned

- Limit scope up front
- Update documentation gaps as you go
- Reward participation



Next Steps

- What's left?
 - Variable products
 - Replacements
 - Business Insurance
 - Part B
 - Complex business scenarios
- New participants are welcome
 - Guide is only as good as participation
 - Meetings are Wednesdays 11AM –1PM EST



Conclusion

Why 'Still Crazy'?

'I (we) would not get convicted by a jury of our peers'