



Modernizing Annuity Ecosystems: Understanding, Transacting, and Managing Annuities in Today's World

Addressing Activity Status

Executive Summary

This document highlights the critical challenge of financial professionals having transparency for submitted business, proposes a few short-term solutions, and emphasizes the importance of a digital-first approach to enhance efficiency and customer experience.

Problem Summary:

Twenty-four carrier companies and 10 distributor companies responded to a survey to identify how financial professionals and their firms feel about the process of understanding, transacting, and managing annuities. Fifty-seven percent of firms and financial professionals indicated that the financial professional experience across the journey is broken. Many respondents pointed to the fact that it is time-consuming, not consistent across carriers and distributors, and difficult for the financial professional.

A root cause of this frustration is the lack of consistent, real-time, standardized data that can flow easily from the data source to data consumers. A lack of industry-wide rules of engagement for data exacerbates the issue. As a result, carriers must support numerous data requests which require different formats and modes of transmission. This is a costly solution that ultimately impacts consumer pricing.

Adopting Digital-First Strategies:

To address these problems as an industry, support today's financial professional and consumer, and manage cost, we must leverage a digital-first mindset. Doing so allows the industry to deliver essential information to financial professionals in the tools and solutions where they manage their business and work with consumers. Moving to a digital-first strategy also means adopting fast, modern, streamlined processes for each step in the journey that are consistent across the industry. These standardized rules of engagement support broader product understanding, faster transactions, and easier management of annuity products. Moreover, the digital-first mindset employs a "Build Once, Use Many" approach, which lessens the burden placed on carriers to meet the needs of data consumers and is scalable.

Future Vision:

The goal of moving to a digital-first model is to ensure that annuities are easily supported in any tool, any solution, and any step without having to create one-off implementations and translations that slow down the process and limit innovation.

Guiding principles that will be applied to all future projects are digital-first, real-time lightweight API enabled, build once–use many, fast iterations that can be expanded over time.

Rationale for Prioritizing Activity Status Improvements for Short-Term Efforts:

The lack of up-to-date, easy-to-understand transparency in the status of submitted business arose through our survey work as the number one frustration among financial professionals transacting annuity business. Activity status received a mere 53 percent satisfaction rating because financial

professionals cannot relay the correct status of an application to consumers, which is a source of embarrassment for an individual whose relationship with their client is based on trust and expertise.

To identify the status, financial professionals call, email, or check the carrier portal, if the carrier has one. This is a manual and inefficient process. Additionally, to handle the volume of calls, some carriers reported a 60 percent increase in FTEs needed for call center operations. Further frustration and inefficiency occur when the status communicated is outdated, resulting in incorrect Not In Good Order (NIGO) status. This is especially true with training; which is often out-of-date by 24 to 48 hours.

Proposed Short-Term Activity Status Improvement Projects:

As a result, IRI and the 24 carriers and 10 distributors will be prioritizing this concern to drive near-term improvements. We will do this by tackling three quick projects to create an up-to-date and transparent activity status. These are described below.

- i) Establish consistent, real-time activity status messaging across platforms and planning tools.
- ii) Work with training solution providers to share training data in real-time.
- iii) Implement real-time CanSell messaging across carriers.

Future Areas of Focus:

Identification of additional short-term solutions will continue next year with a focus on ongoing maintenance (post-issue), finding ways to speed up contract issues with transfers, and eDelivery. As noted, all of these short-term solutions are steps toward the longer-term digital-first vision. All solutions should adhere to our guiding principles to ensure solutions fit into the overall vision.

Deep Dive: Activity Status Improvement Proposal

Activity Status MVP:

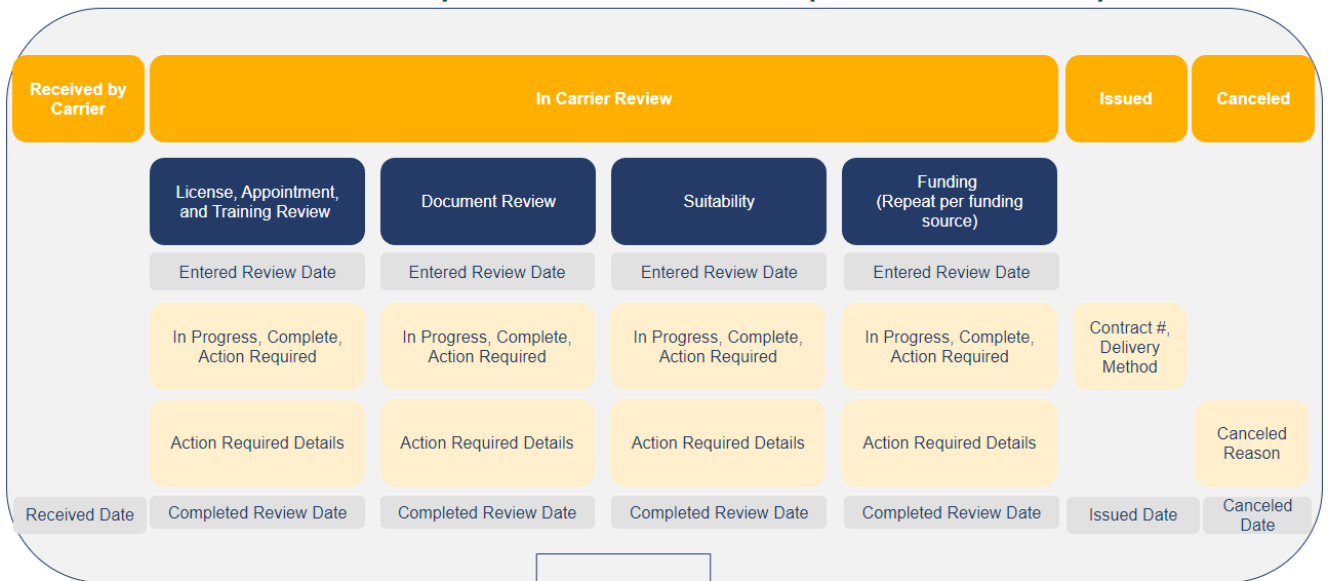
| Objective: Increase FP satisfaction with transacting annuities by removing the top frustrations. | Current Satisfaction Score: 53% among firms and fps. Current Call center staff: increased by 50-60% | Goal: Increase satisfaction score to 90%. 2nd Goal: Decrease calls, call-time and ultimately support staff. |
|--|--|---|
| Frustrations | Minimum Viable Product | Outcomes |
| Submitted business is in a black hole. Very manual and inefficient process to identify status of the submitted business. | Industry supports an activity status that delivers the status to the FP or firm, providing basic insight into the status with actions needed to resolve issues. | Increase FP efficiency, transparency, and satisfaction with an up-to-date status for the phases of contract review. |
| Different phases for review and terminology per carrier are confusing. | Consistent status buckets across the industry and up-to-date status for the phases of contract review. | Eliminate calls related to not understanding the status. |
| No single place for FPs to view status across carriers. Different firm rules to obtain status (back office owns, fp calls/emails carrier, carrier website, and distributor portal) | Meet the FP where they do their business to provide a consistent and accurate activity status (Support a carrier portal* and APIs for 3 rd party and distributor status*) | Decrease carrier support staff by reducing call volumes related to basic information requests for status. |
| Training data is not up to date creating Not In Good Order status. | Training vendors send training data near real-time in the mechanisms supported today and carriers process near real-time*. | Training data and status will be accurate and up-to-date reducing training-related NIGOs. |
| Many appointment and training related NIGOs could be avoided with upfront information. | Support the standard L ,A, and T CanSell* | Reduce and speed up correction of training related NIGOs with upfront notification. |

*Day 1 cost investment; **Day2 cost investment



The charts below outline the minimally viable product (MVP) proposed to improve activity status data flow and communication across the industry as well as the three linked projects identified as required to deliver an accurate and up-to-date activity status.

Standard Activity Status to be Implemented by Q1'24



Carriers display these statuses on their portal and respond to the standard API for status display in 3rd party and distributor portals.

Anticipated Costs:

Many carriers already have projects underway to build an activity status. If projects are in flight, the cost to align the industry on standard status with standard communication mechanisms may be incremental and may save cost on the requirement phase as the industry will supply feature level requirements that can be worked into firm-specific requirements. All participating companies are working on a cost-benefit analysis that is specific to their company's circumstances.

Each cost investment is indicated in the chart above with *for Day 1 and ** for Day 2. The additional related projects that will incur an investment to complete are detailed below.

Two Additional Linked Projects to Deliver an Accurate Activity Status

The second top point of frustration for Financial Professionals is outdated training data and no transparency regarding the training status. Outdated data results in incorrect NIGO statuses or an incorrect "ready to sell" status. Financial Professionals will complete their training but not show ready to sell for 24 or 48 hours which puts a hold on the ability to close the sale. There are two easy fixes for this issue that are requested by the industry as a Q1'24 initiative alongside the activity status.

1. Eliminate the cause of outdated training.
2. Implement a call to the carrier that will provide real-time upfront, ahead of the sale, status of the Financial Professionals' "ready to sell" status.

Additional Project 1: Real-Time Training Data to Reflect Correct Activity Status:

To reflect the correct activity status related to training, training classes, and training completion status must be passed from the training vendor to the carrier in real-time or as near real-time as possible. While several training solutions provide the ability to respond in real-time to a direct status request, training files are not sent outgoing to the carrier in real-time. Training files are often sent in a morning batch through the DTCC LNA, and the carriers complete their updates of the training data in a nightly batch process.

Carriers need this data from all of their training vendors to correctly identify training status for AML, product training, NAIC training, SEC Best Interest Training, CE, and any other training requirement in a build-once use many model. A single, central location for the source of all of their training data will enable one API to respond with an accurate FINANCIAL PROFESSIONAL "ready to sell" status for all training. This digital-first "build once, use many" approach manages cost and avoids having to support many different APIs to obtain the data. It is for that reason that the industry is asking training vendors to send the data in the mechanisms supported today to the carrier in real-time or as near real-time as possible.

Additional Project 2: CanSell Status to Reflect Correct Activity Status:

To reduce NIGOs and speed to issue, the industry will use a consistent CanSell message to respond early and upfront with the financial professional's status for licensing, appointment, and training. The message will leverage the "build once, use many" strategy that is part of our long-term plans such that carriers can build this message one time and use it in several use cases. Potential use cases include a "ready to sell" indicator upfront in 3rd party tools like order entry and product selection tools.

Elevator Pitch for Our Efforts

Our members have asked IRI to help implement changes that ultimately eliminate friction that impedes the understanding, transacting, and management of annuity products and grow the market by increasing the net new financial professionals transacting annuities and retaining existing financial professionals.

Why now- a confluence of 3 events

1. Demand - sales are at all-time highs. The demand from consumers and Financial Professionals is to have a modern way to understand, transact, and manage their business.
2. Demographics - Peak 65
3. Financial Professional model shift, most are dual registered and FPs need access to the products where they do their business.

Why IRI?

1. Leading trade association in the space
2. Members represent the entire value chain of insured retirement products.
3. Permanent Strategic Pillar - a long-term commitment

Foundational Groundwork for the Future

1. Create Uniform standards and “Rules of Engagement” for all aspects of the annuity process.
2. Digital First model to ensure that annuities are easily supported in any tool, any solution, and any step without having to create one-off implementations and translations that slow down the process and limit innovation.

Digital First Guiding Principles

Guiding principles that will be applied to all future projects are digital-first, real-time lightweight API enabled, build once–use many, fast iterations that can be expanded over time.

Long term - Future State

1. Digital First for all steps in the process – Modernize how we transact business in a digital model.
2. Meet Consumers and Advisors where they are.
3. Eliminate Regulatory barriers.

3 Short term

Immediately addressing significant friction points that add complexity and time to financial professionals’ ability to understand, transact, and manage annuities.

1. Create a view into the financial professionals’ status of new and pending business applications.
2. Eliminate top NIGOs related to training status being out of date and not known upfront.
3. Enter into discovery for how to make annuities easier to model in the tools financial professionals use for financial planning.