



Digital First for Annuities

RFI to Establish an Infrastructure for Data Standards

The request for information will help IRI and member firms determine the pieces and solution providers that are needed to build an infrastructure to manage data standards, schemas, samples, etc., including the access and governance model and separately, a single source of product data.

(Updated as of July 8th, 2024)

Introduction to Digital First for Annuities

The Digital First for Annuities effort, led by IRI and its member firms, is transforming the industry landscape by ensuring annuities can be easily integrated into the everyday toolkit of financial professionals. This transformation reimagines how the industry engages with clients and ensures the industry has the infrastructure needed to provide the best possible service.

As one part of this effort, IRI is defining data standards to enable seamless integration between systems and platforms that reduce technology costs and fosters innovation. Our "build once, use many" approach ensures that once a standard is implemented, it can be reused across multiple platforms.

Strategic Goals

Through this effort, IRI and its member firms aim to accomplish the following strategic goals:

1. **Retain the loyal financial professional base** by removing friction and pain points.
2. **Attract new financial professionals** by embedding annuities in their tools.
3. **Maximize the ROI** of existing technology spend.

Current State

Today, annuities do not show up consistently in the brokerage accounts, dashboards, planning tools, wealth management platforms, and investment platforms where financial professionals manage their business. Furthermore, when they are included, the value of the annuity is not always represented accurately. This creates a very disconnected and long experience for annuities compared to the other asset classes.

83 percent of financial professionals use financial planning software; yet only 18 percent leverage annuities in those tools. Sixty-four percent of advisors use portfolio management software to manage consumer's portfolio needs, but only a small portion leverage annuities in those systems. Lack of standardization in the product data is a key driver of this deficit.



Experience Objectives

The IRI Digital First for Annuities initiative strives to address how annuities show up in the systems used by financial professionals to do business. The intended experience outcomes identified by IRI's members are as follows:

- 1. Annuities are consistently represented alongside traditional investments**
 - a. Annuities are included in the brokerage account and client account with consistent data for all product types and products
 - b. Annuities are included in portfolio construction alongside traditional investments (view, assess, and make decisions regarding financial assets)
 - c. Guarantees are represented
 - d. Income pathways are represented with derived and projected income in charts and graphs
- 2. Seamless presale to sale experiences**
 - a. User experiences a seamless transition from presale into the sale stage. For example, the search, analysis, product selection, and illustration performed during the pre-sale experience is populated once the user reaches the sale stage
 - b. Seamless path to purchase from generic product type fit to specific product selection
- 3. Enable presale and sale product comparisons**
 - a. Product and feature comparative analysis enabled with easy-to-retrieve prefilled data
 - b. Easily pull in supporting experiences with mission-critical product data (Ex: compliance/suitability workflows)
- 4. Once purchased, the annuity is viewed and managed as easily as other assets**
 - a. The annuity, the features, and the calculations show up in the account consistently.
 - b. Required minimum distributions are managed in the account easily.
 - c. Seamless experiences are enabled for management of the annuity within the tools and account.



The Cure

IRI and its members believe the path toward achieving these experience objectives is the creation of an interoperable data standard. Consistent, standardized data, delivered real-time, will enable the industry to enhance, develop, and link user experiences. IRI is calling the effort to standardize this data and create real-time protocols to deliver it, “Digital First for Annuities.”

Moving toward standardization is a complex undertaking. There are roughly 65 different categories of data associated with annuity pre-sale, at-sale, post-sale, and payout processes. Many of these data categories will require standardization to achieve the desired experience objectives.

The following values and benefits are critical to the Digital-First for Annuities effort.

1. **Simplified Processes:** Experiences can be linked with standardized product data to create a more streamlined and efficient process.
2. **Feature Compatibility:** Standardized product data and features enable comparing features, pulling in outside feature data like subaccount performance, historical data, and more.
3. **Regulatory Compliance:** Regulatory compliance and suitability is enabled with the ability to pull in new product feature details alongside historical product features, rate details, and historical performance.
4. **Market Access and Expansion:** Easy plug-in to platforms and new markets are enabled with consistent product data and standards. Annuities are more like an asset class, eliminating the need for significant modifications and facilitating market expansion.
5. **Digital Customer and Financial Professional Expectations:** The standardization will enable digital experiences. When fully implemented and adopted across the industry, financial professionals and consumers will find a more modernized, streamlined experience when seeking retirement solutions offering protected income, asset protection, and tax-advantaged benefits of annuities.
6. **Scalability:** The Digital First for Annuity standard follows a “build once, use many” model. Data can be used and reused wherever it is needed (i.e. brokerage account, wealth management plans, proprietary distribution platforms, planning tools, investment platforms, carrier websites, point solutions, order entry, etc.) without the need for costly custom integrations. While the initial focus is presale and sale experiences, as the standards and consistency are created, the other experiences will benefit from the work.

The Prioritization of Product Data Standardization

With so many data categories needing standardization to achieve long-term goals, IRI and its members have undertaken work to prioritize which data standards to tackle in the next phase of work.

Product data has been identified as the top priority for standardization because of the extent to which this information is used across the presale, sale, and maintenance user experiences. Product standardization provides a robust framework for ensuring quality, reducing costs, enhancing efficiency, and facilitating market expansion. It simplifies operational complexities and fosters innovation, making it a crucial strategy to achieve the goals and experience outcomes highlighted.



Scope of the RFI

IRI is approaching the industry with a request for information (RFI) to establish, maintain, and make accessible industry standards for annuity-related data. These standards are essential for facilitating annuity data throughout product lifecycle and ensuring that financial professionals' experiences are consistent whether they are engaged in pre-sale, sale, post-sale, payout, status, or money movement activities.

There are two sections to the RFI.

1. **Part 1 – Standards and Schema Hosting Platform:** IRI requires a hosting platform that provides access, discoverability, and governance of the schemas, samples and standards. Agility and scalability are key. The model must accommodate rapid standard creation and increased usage.
2. **Part 2 – Single Source Product Data:** IRI requires product data standardization in a single source within two years. The single source of product data must include unique IDs for active (open) products and historical (closed) products as well as data related to features, fees, performance data, rates, etc. This single source will allow for linkages and easy integration of product data across systems.

Participation

IRI seeks to cast a wide net for input. With that in mind, we make two notes to potential respondents:

- **Experience within the annuity industry is not mandatory:** IRI recognizes there are companies already doing elements of this work in the annuity space. These organizations may bring forward solutions that leverage existing capabilities in a way that will expedite delivery. There are also companies that have completed similar work in adjacent markets. These firms may be able to provide out-of-industry options worth consideration by IRI and its member companies. IRI seeks to understand both types of options so we can achieve the stated goals in an expedited timeframe.
- **Companies need not respond to both parts of the RFI.** The RFI is written in two parts, as outlined above. A company may respond to both parts or may choose to respond only to one part.



RFI Part 1: IRI Digital-First for Annuities Standards and Schema Hosting

The hosting platform will enable IRI members to find and access API schemas, samples and standards. New standards will be added over time, and all standards will need updates on an as-needed basis. Consequently, the platform must facilitate the rapid creation of new standards and changes to existing standards. Notably, the standards must remain the property of the IRI member community and fully within their control to ensure continued standardization.

The following capabilities and features are also critical:

1. **Reliability:** The platform should guarantee high availability and uptime to ensure APIs are accessible to users without interruption.
2. **Discoverable:** The APIs must be discoverable and modularized for easy searching.
3. **Support and Community:** Responsive customer support, community forums, and resources like tutorials and best practices help users troubleshoot issues and leverage the standards effectively.
4. **Developer-Friendly Features:** A user-friendly interface, detailed documentation, SDKs, and developer tools make it easy for developers to onboard, integrate, and manage APIs.
5. **Customization and Flexibility:** The platform should support customization options to meet the diverse needs of different APIs and allow for easy configuration changes.
6. **Integration Capabilities:** Seamless integration with other services, such as DTCC and ACORD, firm API management tools, facilitating the development and deployment process.
7. **Cost-Effectiveness:** Transparent pricing models and flexible billing options enable usage of the standards. Firms may need only one standard or access to all of the standards. Pricing options should support that flexibility.
8. **Compliance and Governance:** Adherence to industry standards, ensures a build once – use many model is supported.
9. **Scalability:** Able to handle an increased number of standards over time and new categories of standards while maintaining accessibility and searchability.
10. **Future Proofing:** Adaptability to changes in regulatory environment and technology advancements may be needed to ensure the standards are usable into the future.



RFI Part 2: IRI Digital-First for Annuities Single Source Product Standard

IRI requires product data standardization in a single source within two years. This single source will allow for linkages and easy integration of product data across systems. The single source of product data must include the following capabilities:

- 1. Consistency and quality:** Product data must be consistent in quality across participating carriers. Unique IDs provide one example of the need for consistency and quality. Each product, including historical products, should be assigned a unique ID, unique rate ID, and unique subaccount ID. Unique feature IDs are also needed to support linking products, features, rates, and performance. Combined, the need for unique IDs is quite complex because of the mix of product types, product versions, terms, etc. For example:
 - MYGA 3, 5, & 7 year would each have a unique ID
 - Each distributor version of the product would have a unique ID
 - Each historical version of a product with different features would need a unique ID
 - Unique product feature IDs by date
 - Unique rate IDs per unique rate term
 - Unique IDs for subaccounts and index closed values
- 2. Product type naming must be consistent to ensure like-for-like mapping.** For example, today, a “fixed indexed annuity” might be labeled a “fixed index” product or an “indexed” product. Similarly, a RILA product might be labeled a “structured annuity,” “registered indexed,” “variable indexed,” “equity-indexed,” or “equity-indexed linked.” We must move to a standard where product-type labels are consistently used across the industry.
- 3. Product features and required feature data must be consistent across carriers,** including historical information. Examples include product types labeled differently from company to company and product features inconsistently named. For example, “guaranteed income with lifetime benefits” might also be called “guaranteed minimum withdrawal benefits.” As another example, “death benefit features” might also be called “contract value DB,” “return of purchase payment DB,” “maximum anniversary value DB,” etc. Notably, because annuity products include many different types of product features, there will be many examples of this issue across products. Additionally, today because of the different naming and categorization, annuity data is sometimes missing, sent in different places, or 999s are sent as a data placeholder. As a result, the account and tools cannot create receptacles for the data that work consistently for a product type.
- 4. Reliability:** Data must have an 80 percent clean rate, ensuring firms can use the data consistently. Examples include:

- The data points required to visualize the value of the annuity must be in product and contract files in a consistent way across carriers (examples include death benefit, income benefit, and asset protection)
 - Withdrawal rate schedule and roll-up rate are required inputs for derived and projected income values
 - Withdrawal start date, amount, and frequency information is required for cash flow reports
 - Performance data is required for VA product visualizations
5. **Real-time API enabled:** The single source of product data must support access to the product data in real-time using lightweight, purpose-driven APIs. The APIs will be defined as part of the Digital-First for Annuities effort based on need and priority.
6. **Cost Efficiency and Reduction:** The solution should reduce costs and create a more scalable model through the following:
- ***Build once, use many scalability:*** Implementors build to the standard one time and that implementation is reusable for other partners.
 - ***Eliminate manual mapping:*** The standard must link products where there is a one-to-one mapping to each unique product and historical product (day 2) that includes the features, performance, investment categories, and rates.
 - ***Create seamless integrations:*** The standard must enable standard integrations that can be used across the industry to connect experiences into a platform model.

Scope of Feedback

Responses to this RFI should include feedback and input on the following elements:

1. Operating Model:

What organizational model should be considered to enable the achievement of the strategic objectives and experience outcomes, ensure access to the standards, ongoing maintenance, governance, scalability, agility, and economic model?

2. Governance Model:

- How can access to the Digital First Standards be effectively managed and regulated?
- What features or components should be included in the governance model to ensure comprehensive access, including standard definitions, use cases, and sample messages?

3. Agility and Scalability:

- How can the governance model support the fast creation of APIs and product standardization?
- What measures should be taken to ensure scalability to accommodate increased volume, usage of standards, and diverse formats (including APIs and future methods)?

4. Economic Model:

- What economic models or funding mechanisms could sustain ongoing agile maintenance and support of the standards?
- How can costs be allocated among stakeholders to ensure fairness and sustainability?
- Include scalability considerations for increased volume, usage, and multiple formats.
- How can cost be adjusted for different size firms and usage models?

5. Technology and Tools:

- What technology and tools are needed to manage the industry standards, provide access to them, organize them, provide samples of the messages, and govern the standards?

6. Data Protection and Privacy:

- What methods are used to protect sensitive data at rest and in transit?
- Outline the access control mechanisms, including authentication and authorization processes.
- Specify the use of multi-factor authentication (MFA) and role-based access control (RBAC).
- Describe the network security measures, such as firewalls, intrusion detection/prevention systems (IDS/IPS), and secure VPNs.
- Detail the security protocols in place for API integrations and data exchanges.

- Describe the vendor's security policies, including incident response, data breach management, and regular security audits.
- What is the frequency and scope of security training provided to employees?
- Explain the process for identifying, assessing, and mitigating vulnerabilities.
- Detail how security risks associated with third-party providers and services are managed.
- What is the procedure for requesting evidence of third-party security assessments and compliance certifications?

7. Disaster Recovery and Business Continuity Plan

- Describe the disaster recovery strategies.
- Outline the comprehensive business continuity plan.

8. Redundancy and Failover

- Detail the system redundancy and failover mechanisms to ensure continuous availability of services.
- Explain how data integrity and availability are maintained during failover scenarios.

9. Data Backup:

- Describe the data backup processes, including frequency, storage locations, and restoration procedures.
- Ensure that backup data is protected with encryption and subject to regular integrity checks.

10. (Product Data Standard only) Suggested Partnerships to Create Product Standardization:

- What solutions are available today to help build or cede the industry data?
- What solutions can partner to create the industry product standard?
- What is the economic model to support partnerships that cede the data?



Format and Submission Guidelines:

Interested parties are invited to submit their responses to the RFI **by August 2nd, 2024**. Responses should be provided in writing in the attached word document. You are welcome to include detailed proposals, recommendations, or insights related to the scope outlined above. Please ensure that submissions are clear and concise and address the specific capabilities and scope of feedback requested.

Timeline and Contact Information:

IRI will entertain questions for one week with the final submission deadline three weeks from posting.

Confidentiality and Intellectual Property:

All submissions will be treated as confidential unless otherwise specified by the respondent. Please indicate if any part of your submission is proprietary or confidential and should be handled accordingly.

Contact Information:

For inquiries or clarifications regarding this RFI, please contact Katherine Dease, kdease@irionline.org and Hannah Pikus, hpikus@irionline.org.

Thank you for your participation in this important initiative to advance Digital First for Annuity standards.

Sincerely,

Katherine Dease

Chief Technology and Innovation Officer

Insured Retirement Institute (IRI)

