

KCI Tax Server Functionality  
8/1/17

	KCI Tax Server
<b>7702 - DEFRA</b>	
Guideline premium testing	
• Guideline level and single calculation	√
• QABs included in calculation	√
• Premium projections for non-level components	√
• Separate bucket tracked for premiums paid	√
• Adjustment event (contract change) processing	√
CVAT testing	√
Corridor death benefit calculation	√
Recapture ceiling testing	√
<b>7702A – TAMRA</b>	
MEC	
• MEC status tracked from incoming 1035 exchange	√
• Excess removal logic / corrective action	√
• Signed MEC form indicator	√
7-PayTest	
• Separate bucket for amounts paid and rules for how to accumulate amounts paid	√
• Death Benefit components -- multiple	√
• QAB credit calculated for QABs	√
• Other additional benefits	√
• Components configurable as Death Benefit, QA, Qualified Additional Benefit, etc.	√
• Other additional benefits	√
• Premium projections for non-level components	√
• Substandard credit included and monitored	√
• Recalculation after material change	√
• Off anniversary testing / off anniversary 7-pay years allowed	√
• Incoming 1035 exchange handling (in from MEC)	√
Reduction testing	
• Detection of a reduction in benefits (DBs and QABs)	√
• 7-pay recalculation upon reduction	√
• Retesting previous 7-pay years upon reduction using highest amounts paid in a particular year	√
Material change testing	
• Deemed material changes (material policy changes) – monitoring of many policy values	√
• Tested material changes (NPT failure)	√
Necessary premium testing	
• Net premium calculation	√
• NPT for Guideline contracts	√

• NPT for CVAT contracts	√
• Deemed cash value tracking	√
• DCV recalculation upon a reduction / adjustments	√
• Gross unnecessary premium adjustments	√
• Traditional life handling	√
<b>Two year lookback</b>	
• Recharacterization of past tax events	√
• Cost basis recalculation, taxable gain calculation	√
<b>Grandfathered contract testing</b>	
	√
<b>72(e)</b>	
<b>Cost basis</b>	
• Separate bucket for tracking cost basis	√
• Transferred cost basis from 1035 exchange	√
• Rider level cost basis rules (investment in contract, inside the contract, outside the contract, etc.)	√
• Money paid by company (disability, etc.) not included	√
• Monthiversary adjustments to cost basis	√
• Traditional life dividend option handling	√
<b>Taxable Gain calculation</b>	
• Multiple taxation methods: FIFO, LIFO, Recapture	√
• Support for MECs, loans, lapse	√
• 10% premature distribution calculation	√
1099 filing	√
Withholdings	√ Logic exists, but isn't used by any connection
<b>1035</b>	
<b>Incoming</b>	
• Incoming cost basis and cash surrender value	√
• Incoming MEC status	√
• Mirrored loan	√
<b>Outgoing 1035</b>	
• Outstanding loan handling	√
• Prior distribution (“boot”) handling	√
• Cost basis, MEC status tracking	√
• Informational 1099	√
• Mirrored loan	No
<b>User workbench (e.g. KCI Tax Workstation)</b>	
• Tax information inquiry	√ 30 tax fields displayed

• Past events (history)	√
• Quotes / what ifs (partial surrender, etc)	√
• Outgoing customer business letters	√
• User alerts	√
• Tax data / 1099 data correction facility	√
• Tax Reports	√
<b>Tax reporting</b>	
• 1099 information tracked in separate table	√
• 1099-R distribution codes 1, 6, 7, and W	√
<b>System features</b>	
• Undo / redo support	√
• Quote capability	√
• Inquiry capability	√
• Transaction level history	√