

## EXHIBIT C-3

### LOCKBOX 704 PROCESSING SPECIFICATIONS

#### A. Overview

Approximately 20,000 applications were processed in 2007 for the initial appointment and /or license of producers, service representatives, adjuster, business entities, temporary producer, and surplus line brokers. This volume is expected to remain steady from year to year. The amount of fees collected in 2007 was approximately \$1,220,000.00.

In September 2008, an online application process utilizing credit card payments for specific license types will be implemented. When this process is implemented, the number of applications processed through the lockbox will decrease significantly. After the initial conversion to the online application process is implemented and functioning properly, other applications may be converted to the online process resulting in little or no volume of applications for this lockbox.

Applicants are instructed to mail their applications and payment to the lockbox address. Some applicants may send their filings via courier express if they feel it will expedite the renewal process. The Respondent must provide for both types of delivery; remittances must be quickly routed to the proper lockbox processing assignment area. As the recipient of mail, the Respondent is responsible for returning all certified mail return cards to the originator. Return receipt cards should not be left attached to envelopes or included in items forwarded to the Department.

#### B. Processing Standards

The bank shall:

1. Collect mail: same as in Exhibit C-1
2. Process remittances: same as in Exhibit C-1
3. Verify checks/application forms for the proper information:
  - a. Dollar amount:
    - i. Should the written and numeric figures of the check not agree the bank should process the application using the written figures.
    - ii. Should the amount of the check not agree with the amount shown on the application, the amount of the check is to be utilized and the remittance processed to completion, if the funds equal or exceed the amount shown on the application. The amount of the check must then be written and circled on the application and the applicant's name on the check.
    - iii. Should any checks still be in question, the remittance should be halted, and the remittance(s) and invoice(s) forwarded under separate cover to the department.
    - iv. Verify the amount of the check is equal to the fee listed on the application.
    - v. Accept only the forms that are attached in Appendix A.
  - b. Accept only Insurance Company checks for forms AL-1-TSR, AL-2A and AL-2B.
  - c. Date: same as in Exhibit C-1

- d. Acceptable payee: same as in Exhibit C-1
  - e. Blank payee: same as in Exhibit C-1
  - f. No check enclosed. Envelopes received with no check (payment) are to be stamped “No Payment Enclosed.” They should be forwarded to the Department without processing.
  - g. Foreign check: same as in Exhibit C-1
  - h. Signature Missing: same as in Exhibit C-1
4. Properly endorse: same as in Exhibit C-1
  5. Batch checks: same as in Exhibit C-1
  6. Capture all data listed in the Data Capture Summary (Appendix A) and include it in daily transmissions of transactions processed utilizing the format detailed in the Data Transmission Format and File Layout Summary (Appendix B).

NOTE: If only one check is received that covers multiple applications, each application must be **listed individually** and indicate an amount for each additional application form in the group. The check must equal the total amount of the applications.

7. Forward to the Department at the address listed below all turnaround materials via courier for the delivery to the Department by 10:00 AM the next business day. This packet of material must include:
  - a. Application forms
  - b. Reports containing data captured from applications in accordance with Item 6 above.
  - c. Lockbox edit listing
  - d. Deposit slip/ticket photocopies
  - e. All items that cannot be processed (with explanations)
  - f. In addition, this daily envelope will contain:

Miscellaneous exception items; such as envelopes that have unidentified checks, or no checks at all. These exception items must be kept separate from the other materials, but they may be in the same envelope.

NOTE: All items processed after the lockbox edit list and electronic file cutoff time must be included in the next day’s deposit. Only items listed on the lockbox edit list and included in the electronic file will be batched and mailed to the Department in the current day material envelope.

8. Notify the Department via secure transmission of any data transmissions (as described in Item 6 above) available for download. Data transmissions should include only those items processed before the cutoff time established in the State’s funds availability schedule and included on the lockbox edit list. All items processed after the cutoff time must be included in the next day’s transmission in the data capture report referred to in Item 6 above. They must be sent by secure transmission on a daily basis to a designee within the Department. The current designee for receipt is:

Name: Sharon Watford  
Fax: 334-241-4110  
Email: Sharon.Watford@insurance.alabama.gov

9. Process returned checks as follows:
  - a. Automatically redeposit all return items one time.
  - b. If check is returned a second time, the check should be charged to the state's account and returned to the State Treasury.
  
10. Reconcile: same as Exhibit-C-1
  
11. Provide a daily report summarized by form number. Each form number list should be presented separately and in alphabetical order with a total at the end. An additional report should present the total of all the form number lists processed, the number of transactions of each form type, and the amount of each to arrive at the sum deposited for the day. Deliver To:

Department of Insurance  
Accounting Division  
201 Monroe Street, Suite 1700  
Montgomery, Alabama 36104

## APPENDIX A

### Data Capture Summary

1. AL-1 Application for Individual Producer License (void after 10/08)
2. AL-1-TSR Individual's Application for Temporary License or Service Representative License/Appointment , Resident or Non-resident
3. AL-2A Notice of Producer Appointment(Multiple Producers) (void after 10/08)
4. AL-2B Notice of Producer Appointment (Multiple Insurers) (void after 10/08)
5. AL-70 Application for Business Entity Producer License (Alabama Domiciled Entities) (void after 10/08)
6. U-BE Uniform Application for Business Entity Insurance License/Registration (void after 10/08)
7. U-IND Uniform Application for Individual Insurance Producer License (void after 10/08)
8. AL-90 Application for Adjuster License
9. AL-SLB-1 Application for Individual Surplus Line Broker License

Note: After September 2008, the AL-1, AL-70, U-BE, and U-IND forms will be processed online not through the lockbox.

## APPENDIX B

### Data Transmission Format and File

The following transmission format and file layout must be used to transit all data captured.

*Note: Deviations from the below described transmission format and file layout are not permitted.*

#### **Transmission Format**

A daily transmission must be made using the transmission methods listed below:

1. A secure File Transfer Protocol (FTP) to a Transmission Control Protocol (TCP) or Internet Protocol (IP)
2. Via twisted pair telephone line and modem utilizing some form of security software, e.g., Crosstalk 3.01

#### **File Layout Box 704**

File: Variable Record Length  
Data Type: Text  
Delimiter: Semi-colon

<u>Field Name</u>	<u>Character</u>	<u>Length of field</u>
Form Type	Alpha/Numeric	10
Check Maker	Alpha	50
Last Name	Alpha	20
First Name	Alpha	16
Suffix Name	Alpha	9
SSN or FEIN	Numeric	9
Appointing Company	Alpha	30
NAIC #	Numeric	7
Fees processed	Numeric	19.2
Process Date	Date	8