EXHIBIT C-2

LOCKBOX 707 PROCESSING SPECIFICATIONS

A. Overview.

There are four different fees which are deposited into this lockbox. All authorized insurers pay an annual audit and examination fee, in the amount of $850.00, $300.00, or $225.00, which is due no later than March 1. Risk Retention Groups pay an annual registration fee, in the amount of $150.00, which is due no later than January 1. Service Contract Providers pay an annual fee in the amount of $200.00, which is due no later than December 31. Accepted Reinsurers pay an annual fee in the amount of $200.00, which is due no later than March 1.

Many companies send their filings via courier express if they feel it will allow them to meet impending deadlines. The Bank must provide for both types of delivery; remittances must be quickly routed to proper lockbox processing assignment area. As the recipient of mail, the bank 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:
        *   Should the amount of the check not agree with the amount shown on the tax return, the amount of the check is to be utilized and the remittance processed to completion. In this case, the amount of the check must be written and circled on the tax return.
        *   Should any checks still be in question, the remittance should be processed to completion and a copy of the remittance forwarded under separate cover to the Department. Any Such remittances should not be included with the regular/routine processing.

    b. Date [same as in Exhibit C-1]

    c. Acceptable payee [same as in Exhibit C-1]

    d. Blank Payee [same as in Exhibit C-1]

    e. No check enclosed [same as in Exhibit C-1]

    f. Foreign Check [same as in Exhibit C-1]

    g. 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 … [same as in Exhibit C-1]

7. Forward daily … [same as in Exhibit C-1]

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8.   Reports required … [same as in Exhibit C-1]

9.   Reports required in Item 6 above must be faxed or e-mailed on a daily basis to a designee within the Department. The current designee for receipt is:

>   Name: Ann Strickland
>   Fax: 334-240-3194
>   Email: Nealie.Strickland@insurance.alabama.gov

10.   Process Return 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 Department.

>   c.   Notification must be given by telephone to the State Treasurer's Office and the Department on any check over $2,500 which is to be returned to the State.

11.   Reconcile … [same as in Exhibit C-1]

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APPENDIX A

Data capture summary

Attached are copies of the Audit and Exam Transmittal Form (Form PR), Service Contract Provider Renewal Application Fee Transmittal Form (Form SC), Risk Retention Group Annual Registration Transmittal Form (Form PK) and Accepted Reinsurer Annual Maintenance Fee Transmittal Form (Form AR). The data that must be captured from each of these forms is highlighted.

The data capture pertaining to the Audit and Examination Transmittal Form must be completed in a manner that will permit its transmission separately from the data pertaining to tax returns.

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APPENDIX B

Data Transmission Format and File Layout Summary

The following transmission formats and file layouts must be used to transmit all data captured.

Note: Deviations from the below described transmission formats and file layouts are not permitted.

Transmission Formats

Daily transmissions for each data capture must be made using one of the transmission methods listed below.

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

File Layout

Audit and Examination Transmittal Form Data Capture

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

CHECK#	INSTYPE	NAIC	AMOUNT
00000000	PR	012345	000000.00