



EFT Implementation Guide

Industry

OPTins
Version 4.2
Updated April 14, 2014

NAIC

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

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For more information, please contact:

OPTins Marketing Team
816-783-8787
optinsmktg@naic.org

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Introduction

Insurance regulatory data has been transferred electronically for years. However, the transfer of money that must accompany much of this data has had to move along in a manual manner. Many of the benefits associated with the transmittal of electronic data (accuracy, timeliness, efficiency and cost reduction) have not been leveraged with the transfer of funds. Electronic Funds Transfer (EFT) changes that.

Although the term “electronic funds transfer” encompasses a variety of technologies, the NAIC has limited the scope to ACH for *OPTins* - Online Premium Tax for Insurance - transactions. This technology is widely available, standard, secure and inexpensive.

This guide is designed to provide an overview to the insurance industry of the steps required to implement electronic funds transfer technology with the NAIC and the State Insurance Departments.

How ACH Debit Works

Insurance companies and participating states enroll in the ACH program with the NAIC. Setup includes identifying the correct bank accounts and authorization to withdraw funds.

No technology changes are required. The *OPTins* application interfaces with an NAIC system called CECI (Common Electronic Commerce Initiative). This system provides a tracking number to *OPTins* that allows for detailed transaction tracing capabilities.

Each business day (with the exception of holidays), the CECI system summarizes all of an entity’s transactions and produces a *single* ACH transaction per account; depending on how the entity’s accounts are configured.

CECI uses two of the many available ACH transactions: CTX (Corporate Trade Exchange) and CTX Addenda transactions. One CTX transaction is the equivalent of a “check.” The CTX Addenda transactions (1 to 9,999 per CTX transaction) serve as an “envelope” that contains ANSI x.12 EDI 820 transactions. These transactions provide detailed filing information and travel through the banking system along with the CTX transactions.

The CTX transactions “pull” money from the bank account of the entity and “push” money to the state bank accounts. For payment of state premium taxes, the pull/push process occurs during the same night’s processing. The NAIC uses national banking and EDI standards to provide the widest possible interoperability among its trading partners.

OPTins provides a reporting feature that allows companies to obtain information on all of their e-commerce transactions. Users with the EFT Report role have the option of viewing EFT Reports in Web page or comma-delimited (CSV) formats.

How ACH Credit Works

The payee originates the ACH Credit in a CCD+ format through their financial institution for settlement. Please note that full processing of the payment could take 2-5 business days. The addenda record(s) must be in the format as provided by *OPTins* contained in this implementation guide. This payment option allows the payment and related information to be transferred together; however, it is more prone to errors if the memo/addenda record is improperly formatted.

Contact your financial institution to set up your ACH Credit origination service and to determine the fees they will charge you to make these payments. Make sure you understand you financial institution's ACH processing cut-off times.

No technology changes are required. The *OPTins* application interfaces with an NAIC system called CECI (Common Electronic Commerce Initiative). Need more of an explanation as to how this will work with ACH Credit

The CDD+ transactions "push" money from the bank account of the entity to the NAIC, once the payment is settled, the NAIC will "push" money to the state bank accounts.

Placeholder for the sample addenda record

Implementing ACH Debit

Although there are only five steps to implement ACH Debit, it generally takes three or four functional areas within an entity's organization to complete the process. Those responsible for administering the firm's bank accounts, generally the Treasury department, must be able to account for cash flows. The Accounts Payable area must be able to account for the detailed charges. The premium tax area must be able to confirm information about the filing and that the proper fees were paid. The technical area must make whatever changes, if any, necessary to implement the re-designed business functions and take advantage of the new technology.

Finally, the entire set up must be tested to ensure that it meets business needs.

Step 1: Request Information

Objective:

The NAIC will provide all documents and any additional information as needed in order for the entity to make their decisions.

Process:

For additional questions, please contact:

OPTins Marketing Team
816-783-8787
optinsmktg@naic.org

Step 2: Determine Cash Accounting Procedures

Objective:

Correctly account for cash flows from entity bank accounts and develop the journal entries to entity-specific general ledger accounts. Ensure that the process meets security, authority and auditing standards.

Techniques:

Generally this step is performed by the firm's Treasury Department. Sometimes this step is combined with Step 3. There are several techniques available. Although not complete, this list could provide the starting point for how your entity will implement ACH Debit.

A. Read ACH transmission from the bank.

Since the NAIC uses standard banking transactions, companies may be able to leverage banking processes already in place. Most banks can provide a copy of ACH transactions affecting the entity's account. Many standard accounting packages are able to read ACH format files.

B. Read CTX Addenda records and 820 details. (if applicable)

The transmission will include the CTX records and, if your bank provides detailed ACH transactions, the entity can request the CTX addenda records to be included as well. The CTX addenda records act as an “envelope” to ANSI x.12 EDI 820 records affecting the entity’s account. The OPTins tracking number, individual entity name, NAIC group code and company code, FEIN, Filing Period and state are included on 820 transactions.

Some standard accounting packages are able to read CTX Addenda records, including the EDI 820 records. The 820 records provide detailed information about individual transactions – who, why and how much. Included in the data are transaction identifiers that allow you to tie the information back to the OPTins application.

If your firm does not currently have the ability to decode EDI 820 transactions, your system will require a technical change or you will need a new system. This may be a moderately difficult task, since there are several records within the 820 record set and they are compressed within the CTX addenda record.

C. Use OPTins EFT Report to reconcile transactions with current banking documents.

Transactions appear on your bank statement. The date and descriptive information should make it possible for the entity to reconcile. Amounts should be verified by using the OPTins EFT Report. See Appendix 2 for an example of an EFT Report.

Step 3: Execute Implementation Documentation

Objective:

By definition, e-commerce is the movement of money in electronic format rather than by paper. For standard OPTins Licensees, the NAIC is automatically granted authority to access entity accounts when the terms of the OPTins Use Agreement is accepted. The only documentation required are Exhibits A and B and the OPTins Registration Form. Once these documents are submitted, testing can begin.

For questions about the contents of the Use Agreement, please contact:

OPTins Marketing Team
816-783-8787
optinsmktg@naic.org

Process:

Complete the Exhibits and the OPTins Registration Form only and e-mail or fax to the following address and to the attention of any of the four contacts in this guide:

OPTins Marketing Team
816-783-8787
optinsmktg@naic.org

Your entity will be contacted, confirming receipt of your documentation and will be provided with further information about ACH Debit testing.

Step 4: Complete Testing and Certification

There is no “test” banking system, so thorough component testing is very important. It must be carefully coordinated between the entity and the NAIC. The e-commerce process is a closed-loop system. Data originates and terminates at the entity. The NAIC will help coordinate the following testing processes:

System Test – The purpose of the system test (or ‘Penny Test’) is to ensure that communication works among the parts of the system. The NAIC will originate the transmission of “test” transactions, for a specified amount. Because there is no test banking system, these transactions will occur through the normal banking system and your account will be charged the specified amount plus any processing fees your bank may charge. However, all reports and transaction files will be processed using the same process as production. Once the debit appears on the entity’s bank statement, the entity should notify the NAIC that the test was successful. If requested, this step may be repeated. The test is considered a failure if the entity does not see a debit on their account or if the NAIC receives an ACH return. This will require subsequent testing until a successful test is completed.

Step 5: Implementation

Once the entity has successfully completed the testing, they will notify the OPTins Marketing Team via e-mail that the test was successful. Any questions should be directed to any contact in this guide:

OPTins Marketing Team
816-783-8787
optinsmktg@naic.org

Implementing ACH Credit

Although there are only five steps to implement ACH Credit, it generally takes two or three functional areas within an entity's organization to complete the process. Those responsible for administering the firm's bank accounts, generally the Treasury department, must be able to account for cash flows. The Accounts Payable area must be able to account for the detailed charges. The premium tax area must be able to confirm information about the filing and that the proper fees were paid. The technical area must make whatever changes, if any, necessary to implement the re-designed business functions and take advantage of the new technology. Finally, the entire set up must be tested to ensure that it meets business needs.

Step 1: Request Information

Objective:

The NAIC will provide all documents and any additional information as needed in order for the entity to make their decisions.

Process:

For additional questions, please contact:
OPTins Marketing Team
816-783-8787
optinsmktg@naic.org

Step 2: Determine Cash Accounting Procedures

Objective:

Correctly account for cash flows from entity bank accounts and develop the journal entries to entity-specific general ledger accounts. Ensure that the process meets security, authority and auditing standards.

Techniques:

Generally this step is performed by the firm's Treasury Department. There are several techniques available. Although not complete, this list could provide the starting point for how your entity will implement ACH Credit.

A. Read ACH transmission from the bank.

Need information here

B. Use OPTins EFT Report to reconcile transactions with current banking documents.

Transactions appear on your bank statement. The date and descriptive information should make it possible for the entity to reconcile. Amounts should be verified by using the OPTins EFT Report. See Appendix 2 for an example of an EFT Report.

Step 3: Execute Implementation Documentation

Objective:

By definition, e-commerce is the movement of money in electronic format rather than by paper. The only documentation required are Exhibits B and the OPTins Registration Form. Once these documents are submitted, testing can begin.

Process:

Complete the Exhibit and the OPTins Registration Form only and e-mail or fax to the following address and to the attention of any of the four contacts in this guide:

optinsmktg@naic.org

816-460-0191 fax

Your entity will be contacted, confirming receipt of your documentation and will be provided with further information about ACH Credit testing.

Step 4: Complete Testing and Certification

There is no “test” banking system, so thorough component testing is very important. It must be carefully coordinated between the entity and the NAIC. The NAIC will help coordinate the following testing processes:

System Test – The purpose of the system test (or ‘Penny Test’) is to ensure that communication works among the parts of the system. The entity will originate the transmission of “test” transactions, for a specified amount. Because there is no test banking system, these transactions will occur through the normal banking system and your account will be charged the specified amount plus any processing fees your bank may charge. However, all reports and transaction files will be processed using the same process as production. Once the payment appears in the NAIC’s electronic bank file with the correct memo/addenda information, the NAIC will confirm with the entity that the test was successful. If requested, this step may be repeated. The test is considered a failure if the NAIC does not see the payment in their electronic file or if memo/addenda information is not properly formatted. This will require subsequent testing until a successful test is completed.

Step 5: Implementation

Once the entity has successfully completed the testing, the OPTins Marketing Team will notify the entity via e-mail that the test was successful. Any questions should be directed to any contact in this guide:

OPTins Marketing Team

816-783-8787

optinsmktg@naic.org

Following pages include:

Appendix 1: Forms to be completed and returned to NAIC

- ◆ Exhibit A: Authorization For Electronic Debit and Credit Entries for implementing ACH Debit only
- ◆ Exhibit B: EFT Enrollment Form
- ◆ OPTins Registration Form

Appendix 2: OPTins Report Examples

Differences between ACH Debit and ACH Credit are listed below.

	ACH Debit	ACH Credit
Cost to Entity	No additional processing fees apply	Taxpayer pays all processing fees at their bank
Responsibility for Test Transaction	OPTins is responsible	Entity is responsible
Responsibility for Confirming Test Transaction	Entity is responsible	OPTins is responsible
Payment Transfer Request Deadlines	On the same business day as the due date	Varies - taxpayer must check with their bank for required deadlines. Full processing of the payment could take 2-5 business days.
Reliability	More reliable payment method because the banking information is stored within the application. The potential for data entry errors that would prevent the transaction from taking place is minimized because the information is entered and fully tested one time and then used by the NAIC application each time the company initiates a transaction.	More difficult for the companies to set up and use. The company must acquire the addenda requirements from the NAIC as well as banking details for the NAIC account then work with its bank to set up an interface to submit the funds and accompanying data. Even after setup is complete, the process is more difficult to use because the company has to prepare and submit the filing in one application (OPTins) and then go to their financial institution to complete the payment portion of the transaction. Even if the money arrives in the NAIC bank account in a timely fashion, if the addenda information is incorrect the application is not going to be able to match the funds to the filing. Until the funds are correctly identified, they can't be forwarded on to the appropriate state.
Security	An identifier for bank information is stored within the application; it is not passed via the internet with each transaction.	Much of the information must be hand-keyed into two separate applications rather than being system-generated by OPTins.
Preference	Some companies have policies that prohibit business areas from engaging in ACH debit transactions	ACH Credit is often stated as a preferred method of making electronic payments.

INDUSTRY EXHIBIT A

**AUTHORIZATION FOR ELECTRONIC
DEBIT AND CREDIT ENTRIES**

The National Association of Insurance Commissioners (“NAIC”) is authorized to initiate debit entries and to initiate, if necessary, credit entries and adjustments for the correction of any debit entries in error from or to the account indicated below of _____ (COMPANY) at the financial institution indicated below:

Name of Financial Institution: _____

Address of Financial Institution: _____

Routing & Transit No.: _____

Account No.: _____

Account Name (if applicable): _____

The Company authorizes the above-named Financial Institution to honor such requests from the NAIC and to debit or if applicable, to credit, the same to the account indicated above. The debit entries initiated by the NAIC are for the payments due under OPTins Use Agreement.

This authorization shall remain in full force and effect until the above-named Financial Institution as well as the NAIC have received written notice from the Company of termination of authority in such time and manner as to afford the Financial Institution as well as the NAIC a reasonable time to act on said termination. Notwithstanding the foregoing, this authorization shall terminate no later than thirty (30) days after written notice of termination is received by the NAIC.

Signature of Authorizing Party: _____

Name & Title of Authorized Party: _____

Name of Company: _____

Address: _____

Telephone Number: _____

Date: _____

INDUSTRY EXHIBIT B
EFT ENROLLMENT FORM

Company Name

Treasury/Cash Management/Bank Account Manager Contact

Name

Phone

Fax

E-mail

Premium Tax Department Accounting/Accounts Payable Contact

Name

Phone

Fax

E-mail

Premium Tax Department Contact

Name

Phone

Fax

E-mail

Report Menu

The screenshot shows a web browser window titled "OPTins - Windows Internet Explorer". The main heading is "OPTins EFT Report". Below the heading, there is a prompt: "Please choose the parameters for your report." The form contains the following fields and options:

- Begin Date (inclusive):** A text input field with a calendar icon to its right.
- End Date (inclusive):** A text input field with a calendar icon to its right.
- Include:** A list of four items with checkboxes:
 - ACH Debit Payments (Processed)
 - ACH Credit Payments (Processed)
 - Non-reconciled ACH Credit Payments
 - Scheduled Filings (In queue for processing)
- Report format:** Two radio buttons: Web page and CSV file.

At the bottom of the form, there are two buttons: "Submit" and "Cancel".

EFT Report

OPTins - Windows Internet Explorer

OPTins EFT Report for optinstutorial
EFT Report for dates 08/22/2011 to 08/22/2011
Date generated: 08/22/2011

ACH Payments

Transaction Date	Entity Name	NAIC Company Code	FEIN	National Producer Number	State ID Number	Submitter Name	State	Filing Tracking Number	Filing Period	Filing Year	Amount	Transaction Number
08-22-2011	Premium Tax Filer	98765	11-8888888			Brandy Woltkamp	WV	WV2011Q100023804	Quarter 1	2011	\$11,500.00	23804EFTTESTWVIC0217200920110822081442
08-22-2011	Premium Tax Filer	98765	11-8888888			Brandy Woltkamp	--	WV2011Q100023804	Quarter 1	2011	\$10.00	23804EFTTESTNAICKENNEDY20110822081442
TOTALS for 08-22-2011, 2 transaction(s), TOTAL AMOUNT \$11,510.00												
ACH GRAND TOTAL for Report Period, 2 Transaction(s) TOTAL AMOUNT \$11510.00												

OPTins - Windows Internet Explorer

OPTins EFT Report for optinstutorial
EFT Report for dates 08/01/2011 to 08/22/2011
Date generated: 08/22/2011

ACH Payments

Transaction Date	Entity Name	NAIC Company Code	FEIN	National Producer Number	State ID Number	Submitter Name	State	Filing Tracking Number	Filing Period	Filing Year	Amount	Transaction Number
08-08-2011	Surplus Lines Business Entity Filer		55-4444444	4156324	3169761	Brandy Woltkamp	AS	AS2011Q100023684	Quarter 1	2011	\$1,452.00	23684EFTTESTNAICJOKER20110808145317
08-08-2011	Surplus Lines Business Entity Filer		55-4444444	4156324	3169761	Brandy Woltkamp	--	AS2011Q100023684	Quarter 1	2011	\$10.00	23684EFTTESTNAICKENNEDY20110808145317
08-08-2011	Surplus Lines Business Entity Filer		55-4444444	4156324	74568965	Brandy Woltkamp	NJ	NJ2011Q100023665	Quarter 1	2011	\$1,500.00	23665EFTTESTNAICJOKER20110808122807
08-08-2011	Surplus Lines Business Entity Filer		55-4444444	4156324	74568965	Brandy Woltkamp	--	NJ2011Q100023665	Quarter 1	2011	\$10.00	23665EFTTESTNAICKENNEDY20110808122807
08-08-2011	Surplus Lines Producer Filer			9512375		Brandy Woltkamp	AZ	AZ2011S100023664	Semi-Annual 1	2011	\$30,754.56	23664EFTTESTAZOPTINS07070820110808122415
08-08-2011	Surplus Lines Producer Filer			9512375		Brandy Woltkamp	--	AZ2011S100023664	Semi-Annual 1	2011	\$10.00	23664EFTTESTNAICKENNEDY20110808122416
TOTALS for 08-08-2011, 6 transaction(s), TOTAL AMOUNT \$33,736.56												