



# EFT Implementation Guide

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## Industry

SERFF  
Updated March 27, 2015

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National Association of Insurance Commissioners

## Introduction

Insurance regulatory data has been transferred electronically for several years. However, the transfer of money that must accompany much of this data has had to move along in a parallel, 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) will change that.

Although the term “electronic funds transfer” encompasses a variety of technologies, the NAIC has limited the scope to ACH for SERFF 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 EFT 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 SERFF system interfaces with a new NAIC system called CECI (Common Electronic Commerce Initiative). This system provides a tracking number to SERFF that allows for detailed transaction tracing capabilities.

Each business day (depending on bank and NAIC holidays), the CECI system summarizes all of a company’s transactions and produces a *single* ACH transaction per account; depending on how the company’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 company and “push” money to the state bank accounts. For payment of state fees, 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.

SERFF 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 reviewing Detailed or Summary Reports and they can be downloaded as Excel or comma-delimited files.

## Implementing EFT

Although there are only eight steps to implement EFT, it generally takes three or four functional areas within a company'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 filing 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. The following steps are examined in further detail below:

- Step 1: Contact the NAIC with any questions after reviewing this guide.
- Step 2: Determine and implement accounting procedures to account for banking transactions.
- Step 3: Determine and implement accounting procedures to account for detailed charges.
- Step 4: Determine and implement filing procedures to relate financial changes to filings.
- Step 5: Communicate company setup configuration to the NAIC staff.
- Step 6: Execute Exhibits A, B & C and submit to the NAIC. (Third-Party Filers and Rating/Advisory Organizations must complete an entire EFT Indemnification Agreement.)
- Step 7: Complete testing and certification.
- Step 8: Implement

### ***Step 1: Request Information***

#### **Objective:**

Answer any additional questions concerning EFT implementation. Additional questions may be resolved by our State EFT PowerPoint Presentation located on our website at [http://www.serff.com/documents/eft\\_tutorial\\_state.ppt](http://www.serff.com/documents/eft_tutorial_state.ppt).

#### **Process:**

### ***Step 2: Determine Cash Accounting Procedures***

#### **Objective:**

Correctly account for cash flows from company bank accounts and develop the journal entries to company-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 company will implement EFT.

**1. Read ACH transmission from the bank.**

Since the NAIC uses standard banking transactions, you may be able to leverage banking processes already in place. Most banks can provide a copy of ACH transactions affecting the company's account. Many standard accounting packages are able to read ACH format files. The CTX transaction contains the amount of the withdrawal and descriptive information. Included in the descriptive information is a 15-character identifier. The NAIC uses the first two characters, leaving 13 characters for a company-specific number that could map to a general ledger account.

If your firm does not currently have the ability to decode ACH transactions, a technical change to your systems will be required. If you are already receiving some ACH formats, adding the CTX format will be a relatively minor change.

**2. Use current banking documents to record transactions manually.**

ACH deposits, as do all deposits, appear on your monthly bank statement. The date and descriptive information should make it possible for the company to create manual journal entries for each day, or on a summary basis. Amounts could be verified by using the SERFF EFT Report. See Appendix 2 for samples of reports.

**3. Use SERFF EFT Report to make manual entries.**

This technique reverses option 2. In this case, entries are made on a daily or summary basis based on the SERFF EFT Report. Amounts are verified against the bank statement on a monthly basis. See Appendix 2 beginning on page 17 for samples of reports.

***Step 3: Determine Detailed Accounting Procedures***

**Objective:**

Correctly account for the filing fees paid. Ensure that the process meets security, authority and auditing standards.

**Techniques:**

This step may be combined with either step 2 or 4 or may stand on its own. The technique used will depend on how the other steps are implemented.

**1. Read CTX Addenda records and 820 details.**

If your bank provides detailed ACH transactions, the transmission will include both the CTX and CTX addenda records. The CTX addenda records act as an "envelope" to ANSI x.12 EDI 820 records affecting the company's account.

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 SERFF system.

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.

**2. Obtain 820 data or report from your bank.**

Although 820 translation is not necessarily widespread within industry, most banks have this capability. Your bank may be able to provide either 820 reports or data. If this information is used primarily as for auditing purposes, this may suffice.

**3. Use SERFF EFT Report.**

The SERFF EFT Report contains detailed information about SERFF filings. The user can generate the report by choosing the time frame and format (Microsoft Excel, comma-delimited or html format). See Appendix 2 for samples of reports.

***Step 4: Determine Filing Procedures***

**Objective:**

The filing department must be able to identify the detailed transactions and connect them to a filing.

**Techniques:**

In many cases, the detailed SERFF filing information must be recorded in a company system. Such an instance would indicate that a technique which included data transfer would be most appropriate. The techniques for this step are very similar to those in the previous step.

**1. Read CTX Addenda records and 820 details.**

The SERFF tracking number, type of insurance, sub-type of insurance, filing type, individual company name, NAIC company code and state name are included on 820 transactions. If your firm has the ability to read 820 data, this would be the easiest way to interface your company's filing system. Any automated interface with your filing system would require a technical change.

**2. Obtain 820 data/report from your bank.**

This option is identical to Option 2 Step 3. If you do not require an automated interface, this may be a viable option.

**3. Use SERFF EFT Report.**

The SERFF EFT Report contains detailed information about filings. Since it is available in Microsoft Excel, comma-delimited or html format, it may be possible to integrate with a company system. See Appendix 2 for samples of reports.

***Step 5: Communicate setup configuration***

There are many ways to set up the CECI system. Once you have made the decisions about how you will implement e-commerce at your company, you must communicate your decision to the NAIC staff along with the Exhibits and/or E-Commerce Agreement.

## ***Step 6: Execute E-Commerce Agreement***

### **Objective:**

By definition, e-commerce is the movement of money in electronic format. For standard SERFF Licensees, the NAIC is automatically granted authority to access company accounts when the terms of the SERFF Electronic License Agreement is accepted. The only additional paperwork required are the three Exhibits – A, B & C. Once the Exhibits are submitted, testing can begin.

Third-Party Filers and Rating/Advisory Organizations must execute the E-commerce agreement before testing can begin. See Appendix 1 for a draft copy of the agreement. For questions about the contents of the agreement, please contact:

**SERFF Marketing**  
[serffmktg@naic.org](mailto:serffmktg@naic.org) • (816) 783-8787

### **Process:**

Complete the Exhibits only (Standard Licensees) or Electronic Funds Transfer and Indemnification Agreement and all Exhibits (Third-Party Filers and Rating/Advisory Organizations). You can email these documents to:

[serffmktg@naic.org](mailto:serffmktg@naic.org)

Your company will be contacted, confirming receipt of your documentation and will be provided with further information about EFT testing.

## ***Step 7: Complete Testing and Certification***

There is no “test” banking system, so thorough component testing is very important. It must be carefully coordinated between the company and the NAIC. The e-commerce process is a closed-loop system. Data originates and terminates at the company. 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 company’s bank statement, the NAIC should be notified that the test was successful. If requested, this step may be repeated.

## ***Step 8: Implementation***

Once the company has successfully tested the system, they will notify the NAIC of the date they would like to move into production with EFT. The NAIC staff will complete

EFT process by updating Settings to enable EFT in production. NAIC staff and company staff should monitor the system for the succeeding week to ensure that things are processing appropriately. Any questions should be directed to:

**SERFF Marketing**

[serffmktg@naic.org](mailto:serffmktg@naic.org) • (816) 783-8787

Complete the Forms A, B and C only (Standard Licensees) or Electronic Funds Transfer and Indemnification Agreement and all Exhibits (Third-Party Filers and Rating Organizations) and email to:

[serffmktg@naic.org](mailto:serffmktg@naic.org)



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**Exhibit A**

**AUTHORIZATION FOR ELECTRONIC  
DEBIT AND CREDIT ENTRIES**

**SERFF Instance Name:** \_\_\_\_\_

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 payment of DOI Fees as such term is defined in the EFT Agreement between the Company and the NAIC.

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: \_\_\_\_\_

Printed Name of Authorized Party: \_\_\_\_\_

Title of Authorizing Party: \_\_\_\_\_

Name of Company: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Date: \_\_\_\_\_





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**Gzi kdk B**

**EFT Enrollment Form**

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Company Name

**Treasury/Cash Management/Bank Account Manager Contact**

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Name

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Phone

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Fax

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Email

**Rate and Form Filing Department Accounting/Accounts Payable Contact**

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Name

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Phone

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Fax

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Email

**Rate and Form Filing Department Contact**

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Name

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Phone

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Fax

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Email



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**Gzi kly C**

**EFT Role Authorization**

In order for a SERFF Industry Filer to submit transactions with EFT payment, they must be assigned the role of EFT Filer. Running EFT reports requires the role of EFT Reporting. Current user IDs can be modified to include these roles. Tracker customers please enter your 'SPI' ID in the Name column, but it is not necessary to include any other information in Form C.

Company Name \_\_\_\_\_

		<b>EFT Role to Add (check all that apply)</b>	
<b>Person's Name</b>	<b>Username in SERFF</b>	<b>EFT Filer role</b>	<b>EFT Report role</b>