

Reserves

Lesson Objectives

By the end of this lesson, you should be able to:

- Define financial terms used by ClaimCenter for managing reserves
- Create reserve lines

This lesson uses the notes section for additional explanation and information.

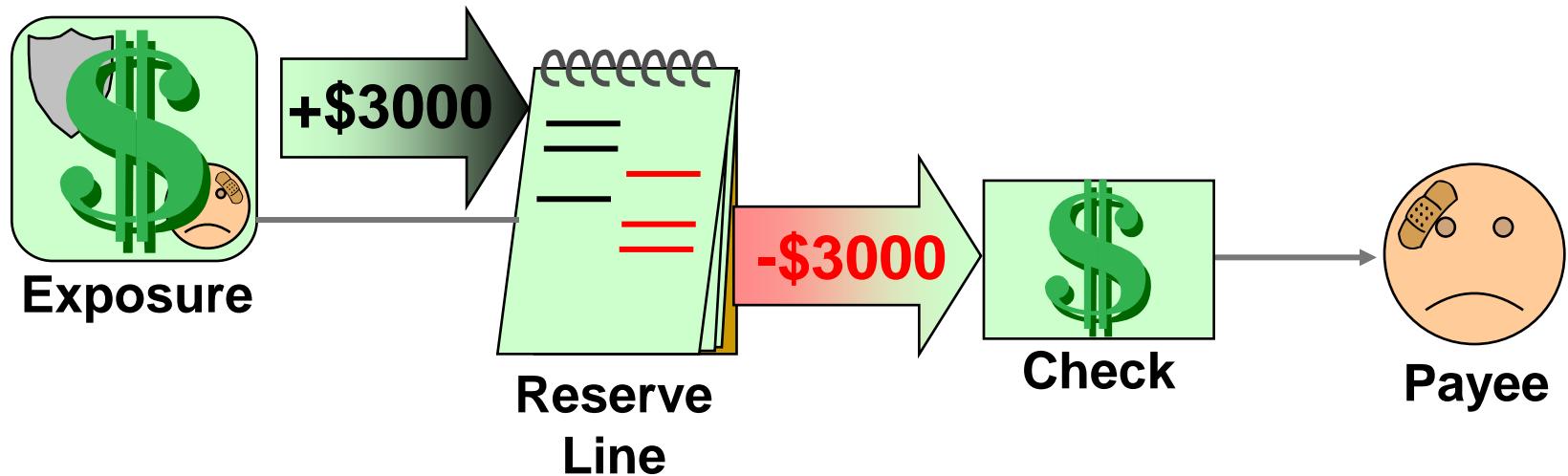
To view the notes in PowerPoint, choose View→Normal or View→Notes Page.

If you choose to print the notes for the lesson, be sure to select “Print hidden slides.”

Lesson Outline

- ▶ Reserve Basics
- ▶ Working with Reserve Lines

Financials

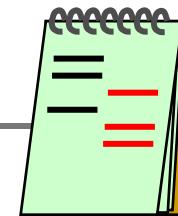


- ▶ Fundamental purpose of exposure is to track information about payment from coverage to claimant
- ▶ "Financials" is umbrella term for process of setting aside money for and then issuing payments

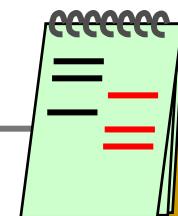
Reserve Lines



Coverage: collision
Claimant: Jim Means



Reserve Line 1
to pay for damage done to
insured's car



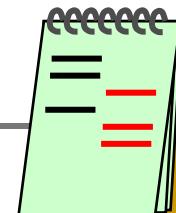
Reserve Line 2
to pay for auto inspection
required by the carrier

- ▶ A reserve line is an amount of money set aside for expected payments related to a given exposure
 - Every exposure ultimately has one or more reserve lines

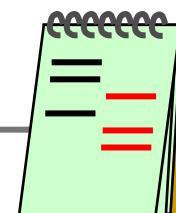
Cost Types



Coverage: collision
Claimant: Jim Means



Reserve Line 1 (damage to car)
Cost type: Claim Cost



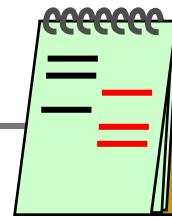
Reserve Line 2 (required inspection)
Cost type: Expense

- ▶ Every reserve line is categorized by a "cost type", which describes if the money is for indemnity or expense
 - Indemnity reserves (claim cost) are used to indemnify claimants ("make them whole" / "restore them to the original state")
 - Expense reserves are used to cover costs incurred by the carrier as a result of processing this portion of the claim

Cost Categories



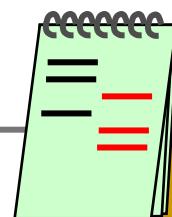
Coverage: collision
Claimant: Jim Means



Reserve Line 1 (damage to car)

Cost type: Claim Cost

Cost category: Auto body



Reserve Line 2 (required inspection)

Cost type: Expense

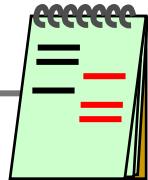
Cost category: Vehicle inspection

- ▶ Every reserve line is further categorized by "cost category"
 - A cost category is a specific classification of a cost type used to track payments, identify leakage, predict future reserves, or control reserve creation and approval

Reserve Lines Are Unique



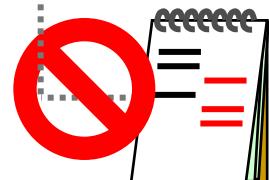
Coverage: collision
Claimant: Brittany Turner



Cost type: Claim Cost
Cost ctgry: Auto body



Cost type: Expense
Cost ctgry: Inspection



Cost type: Claim Cost
Cost ctgry: Auto body



Coverage:
liability - auto damage
Claimant: Marcus Sato



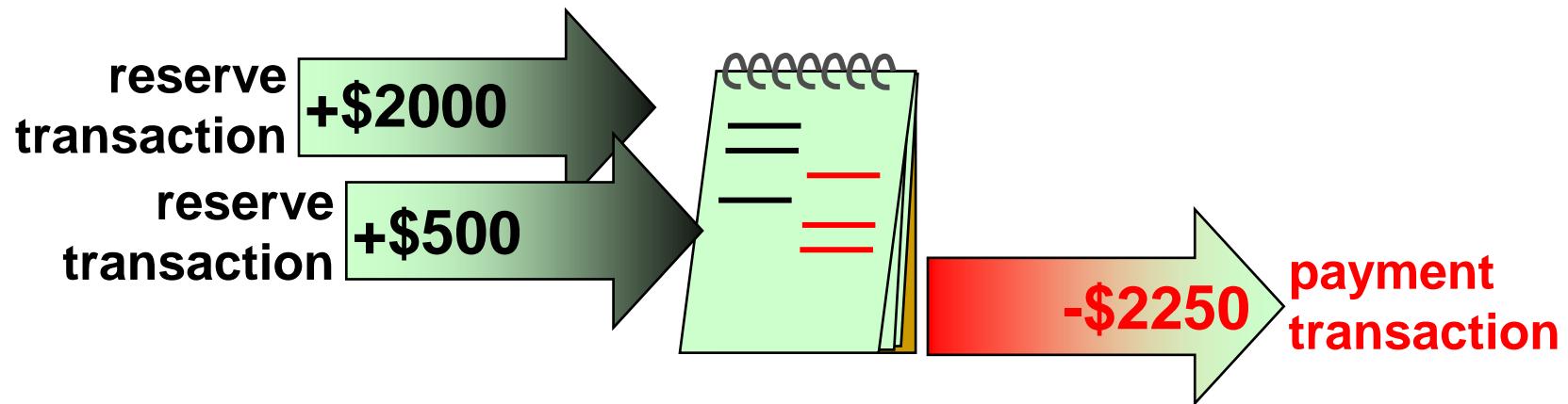
Cost type: Claim Cost
Cost ctgry: Auto body



Cost type: Claim Cost
Cost ctgry: Towing

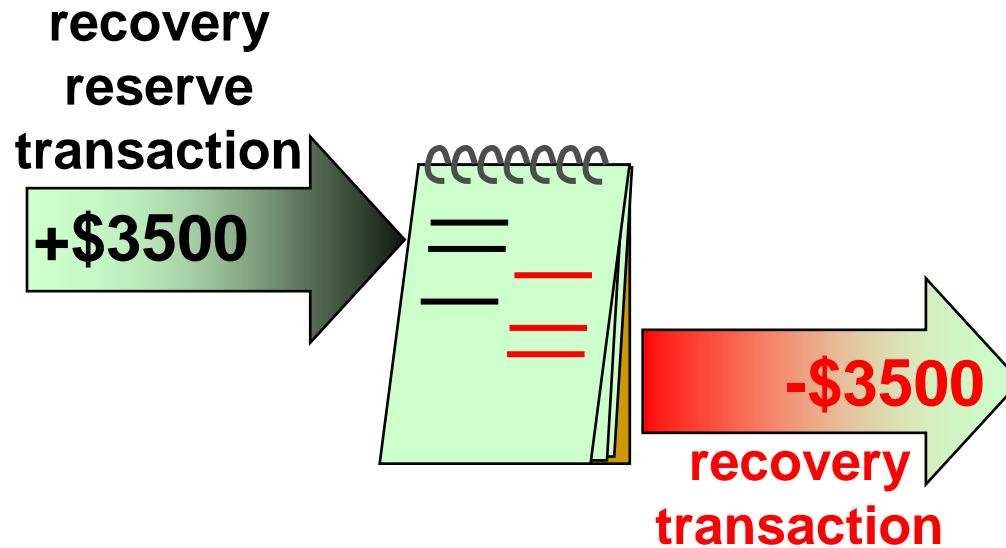
- ▶ Every reserve line is uniquely defined by its exposure, cost type, and cost category
 - You cannot have two reserve lines on the same exposure with the same cost type and cost category

Basic Transactions



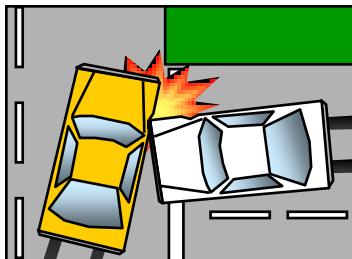
- ▶ Transactions modify the amount of money in a reserve line
 - A reserve transaction modifies the amount of money set aside for the reserve line
 - A payment transaction moves money from a reserve line to a claimant or other party

Recovery Transactions

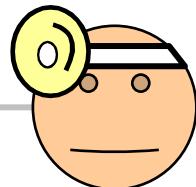


- ▶ There are two transaction types specific to recoveries
 - A recovery reserve transaction denotes money which the carrier expects to get from subrogation or salvage
 - A recovery transaction denotes money which has been collected from subrogation or salvage

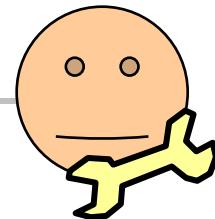
Multicurrency Transactions



- Insured lives in London, UK
- has accident in Calais, France
- covered by a British carrier (GBP)



Dr. Gareth Baker
bill: £283



Jean-Paul's Garage
bill: €417 (base = £330)

- ▶ ClaimCenter financial transactions can be in more than one currency
 - There is one “base” and any number of “transaction” currencies
 - Using the transaction exchange rate, non-base transactions are displayed in both the transaction and base currencies

Financials Approval



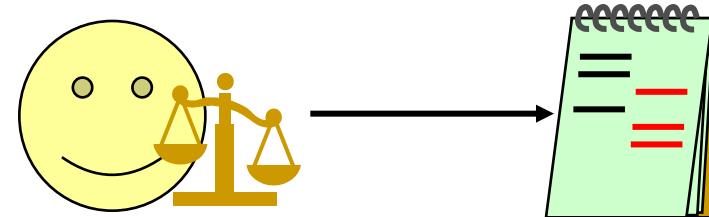
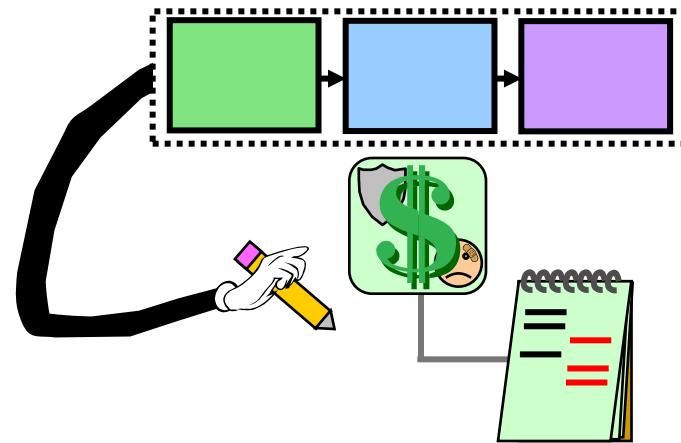
- ▶ ClaimCenter reviews every transaction (including reserve transactions) to determine if it requires approval
 - Financials approval is discussed in the Management section of the course

Lesson Outline

- ▶ Reserve Basics
- ▶ Working with Reserve Lines

Who Creates Reserve Transactions?

- ▶ A reserve can be created automatically by business rules
 - When this occurs, it typically occurs during exposure setup
- ▶ A reserve can be created manually by an adjuster



Automatic Reserves: Example

if **exposure segment = "complex" AND
exposure type = "bodily injury" AND
injury severity = "major (hospitalization)"**

then **create reserve line with:**

- cost type of "Claim Cost"**
- cost category of "Medical"**
- reserve amount of "\$30,000"**

Exposures						
All claimants		Coverage	Claimant	Adjuster	Status	Remaining Reserves
<input type="checkbox"/>	# ▲	Type	Collision	Brittany Turner	Carlos Oppley	Open
<input type="checkbox"/>	1	Vehicle	Liability - Property damage	Marcus Sato	Carlos Oppley	Open
<input type="checkbox"/>	2	Vehicle	Liability - Auto bodily injury	Marcus Sato	Wendy Eisenhower	Open
<input type="checkbox"/>	3	Bodily Injury				\$30,000.00

Creating a Manual Reserve Transaction

New Transaction

Reserve Reserve

Check

Other

Set Reserves

All line items added or changed below will be saved. Any line item with Pending Approval rese Currently Available reserves will have those Pen another field on the line has changed.

<input type="checkbox"/>	Exposure ▲	Coverage ▲	*Cost Type	*Cost Category	Currently Available	Pending Approval	*New Available Reserves
	(1) 1st Party Vehicle - Brittany Turner	Collision	Claim Cost	Auto body	\$2,500.00	- \$	2500.00
	(1) 1st Party Vehicle - Brittany Turner	Collision	Expense - A&O	Vehicle inspection	\$500.00	- \$	500.00
	(2) 3rd Party Vehicle - Marcus Sato	Liability - Property damage	Claim Cost	Auto body	\$2,500.00	- \$	2500.00
	(2) 3rd Party Vehicle - Marcus Sato	Liability - Property damage	Expense - A&O	Vehicle inspection	\$500.00	- \$	500.00
	(3) 3rd Party Bodily Injury - Marcus Sato	Liability - Auto bodily injury	Claim Cost	Medical	\$30,000.00	- \$	30000.00
	<input type="checkbox"/> none (Claim ▾)	<none ▾	<none ▾			\$	0
	Sum:				\$36,000.00	-	\$36,000.00

- ▶ Reserve transactions can be created manually through the New Transaction menu

Categorizing the Reserve Transaction

<input type="checkbox"/>	<u>Exposure</u> ▲	<u>Coverage</u> ▲▲	* <u>Cost Type</u>	* <u>Cost Category</u>
	(1) 1st Party Vehicle - Brittany Turner	Collision	Claim Cost	Auto body
	(1) 1st Party Vehicle - Brittany Turner	Collision	Expense - A&O	Vehicle inspection
	(2) 3rd Party Vehicle - Marcus Sato	Liability - Property damage	Claim Cost	Auto body
	(2) 3rd Party Vehicle - Marcus Sato	Liability - Property damage	Expense - A&O	Vehicle inspection
	(3) 3rd Party Bodily Injury - Marcus Sato	Liability - Auto bodily injury	Claim Cost	Medical
	<input type="checkbox"/> (1) 1st Part ▼	Collision	Claim C ▼	Towing ▼
	none (Claim-level)		Unspecified Cost Type	
	(1) 1st Party Vehicle - Brittany Turner		Claim Cost	
	Do (2) 3rd Party Vehicle - Marcus Sato		Expense - A&O	
			Expense - D&CC	

- ▶ Specify the related exposure, cost type, and cost category
 - You cannot select an existing exposure/type/category combination

Specifying the Amount

<input type="checkbox"/>	<u>Exposure</u> ▲	<u>Coverage</u> ▲▲	<u>*Cost Type</u>	<u>*Cost Category</u>	Currently Available	Pending Approval	<u>*New Available Reserves</u>
	(1) 1st Party Vehicle - Brittany Turner	Collision	Claim Cost	Auto body	\$2,500.00	-	\$ 2500.00
	(1) 1st Party Vehicle - Brittany Turner	Collision	Expense - A&O	Vehicle inspection	\$500.00	-	\$ 500.00
	(2) 3rd Party Vehicle - Marcus Sato	Liability - Property damage	Claim Cost	Auto body	\$2,500.00	-	\$ 2500.00
	(2) 3rd Party Vehicle - Marcus Sato	Liability - Property damage	Expense - A&O	Vehicle inspection	\$500.00	-	\$ 500.00
	(3) 3rd Party Bodily Injury - Marcus Sato	Liability - Auto bodily injury	Claim Cost	Medical	\$30,000.00	-	\$ 30000.00
<input type="checkbox"/>	(1) 1st Part	Collision	Claim C	Towing			\$ 150
	Sum:				\$36,000.00	-	\$36,150.00

- In addition to categorizing the reserve line, you must specify the amount of money to be added to it by the initial reserve transaction

Multicurrency Reserve Transaction

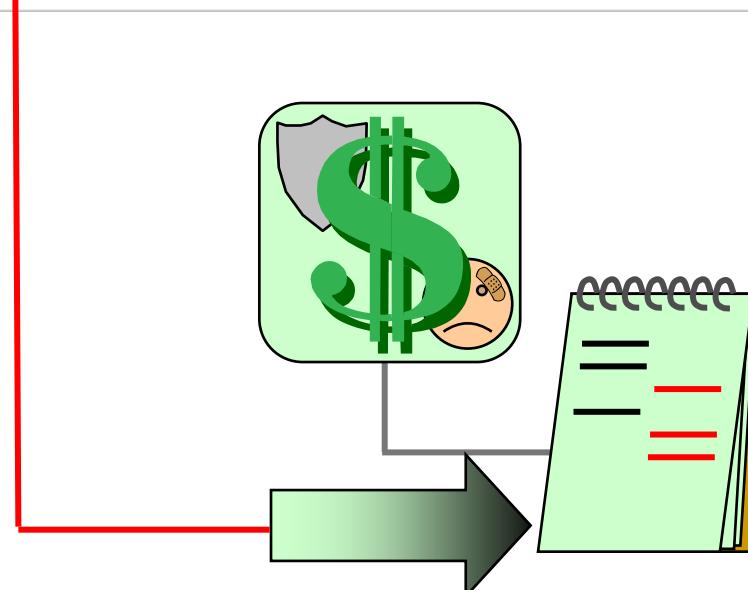
<input type="checkbox"/>	Exposure ▾	Coverage ▾	*Cost Type	*Cost Category	Currently Available	Pending Approval	*New Available Reserves	<input type="button"/> Change
	(1) 1st Party Vehicle - Ray Newton	Comprehensive	Claim Cost	Auto body	\$2,500.00	-	\$ 2500.00	<input type="button"/>
	(1) 1st Party Vehicle - Ray Newton	Comprehensive	Expense - A&O	Vehicle inspection	\$500.00	-	\$ 500.00	<input type="button"/>
<input type="checkbox"/>	(1) 1st Part	Comprehensive	Claim C	Towing			\$ 1694.46	<input type="button"/> \$2,000.00 CAD = \$1,694.46
	Sum:				\$3,000.00		-\$4,694.46	\$2,000.00 CAD = \$1,694.46

- If a reserve transaction is in a non-base currency, then the amount is displayed in both the transaction currency and the base currency

The Completed Reserve Transaction

Actions ▶		Financials (Total Incurred: \$36,150.00): Transactions				
		Summary Transactions Checks				
		Reserves ▾				
		Create Date ▾	Amount	Exposure	Coverage	Cost Type
		05/23/2008	\$2,500.00	1	Collision	Claim Cost
		05/23/2008	\$500.00	1	Collision	Expense - A&O
		05/23/2008	\$2,500.00	2	Liability - Property damage	Claim Cost
		05/23/2008	\$500.00	2	Liability - Property damage	Expense - A&O
	Financials	05/23/2008	\$30,000.00	3	Liability - Auto bodily injury	Claim Cost
	Notes	05/23/2008	\$150.00	1	Collision	Claim Cost
						Towing

- ▶ The reserve transaction can be seen from the Financials - Transactions list
 - Note that this is a list of reserve transactions, not a list of reserve lines



Viewing Existing Reserve Lines

View dropdown

Financials (Total Incurred: \$36,150.00): Summary					
Summary Transactions Checks					
Exposure	Remaining Reserves	Future Payments	Total Paid	Recoveries	Net Total Incurred
Reserve lines					
(1) 1st Party Vehicle - Brittany Turner - Collision	\$3,150.00				\$3,150.00
Claim Cost	\$2,650.00				\$2,650.00
Auto body	\$2,500.00				\$2,500.00
Towing	\$150.00				\$150.00
Expense - A&O	\$500.00				\$500.00
Vehicle inspection	\$500.00				\$500.00
(2) 3rd Party Vehicle - Marcus Sato - Liability - Property damage	\$3,000.00				\$3,000.00
Claim Cost	\$2,500.00				\$2,500.00
Auto body	\$2,500.00				\$2,500.00
Expense - A&O	\$500.00				\$500.00
Vehicle inspection	\$500.00				\$500.00
(3) 3rd Party Bodily Injury - Marcus Sato - Liability - Auto bodily injury	\$30,000.00				\$30,000.00
Claim Cost	\$30,000.00				\$30,000.00
Medical	\$30,000.00				\$30,000.00
Claim Total	\$36,150.00				\$36,150.00

Status of each
reserve line

- ▶ The Summary screen lists reserve lines for the claim
 - Each reserve line has its own context menu ()

Summary Screen Views - Exposure

Financials (Total Incurred: \$36,150.00): Summary					
Summary Transactions Checks					
Exposure	Remaining Reserves	Future Payments	Total Paid	Recoveries	Net Total Incurred
(1) 1st Party Vehicle - Brittany Turner - Collision	\$3,150.00				\$3,150.00
Claim Cost	\$2,650.00				\$2,650.00
<input checked="" type="checkbox"/> Auto body	\$2,500.00				
<input checked="" type="checkbox"/> Towing	\$150.00				
Expense - A&O	\$500.00				
<input checked="" type="checkbox"/> Vehicle inspection	\$500.00				
(2) 3rd Party Vehicle - Marcus Sato - Liability - Property damage	\$3,000.00				
Claim Cost	\$2,500.00				
<input checked="" type="checkbox"/> Auto body	\$2,500.00				
Expense - A&O	\$500.00				\$500.00
<input checked="" type="checkbox"/> Vehicle inspection	\$500.00				\$500.00
(3) 3rd Party Bodily Injury - Marcus Sato - Liability - Auto bodily injury	\$30,000.00				\$30,000.00
Claim Cost	\$30,000.00				\$30,000.00
<input checked="" type="checkbox"/> Medical	\$30,000.00				\$30,000.00
Claim Total	\$36,150.00				\$36,150.00

- Exposure view contains 3 levels
- 1st level – exposure
 - 2nd level – cost type
 - 3rd level – cost category

Summary Screen Views - Claimant

Financials (Total Incurred: \$36,150.00): Summary					
Summary Transactions Checks					
Claimant	Remaining Reserves	Future Payments	Total Paid	Recoveries	Net Total Incurred
Brittany Turner	\$3,150.00				\$3,150.00
(1) 1st Party Vehicle - Brittany Turner - Collision	<u>\$3,150.00</u>				<u>\$3,150.00</u>
<input checked="" type="checkbox"/> Claim Cost Auto body	<u>\$2,500.00</u>				
<input checked="" type="checkbox"/> Claim Cost Towing	<u>\$150.00</u>				
<input checked="" type="checkbox"/> Expense - A&O Vehicle inspection	<u>\$500.00</u>				
Marcus Sato	\$33,000.00				
(2) 3rd Party Vehicle - Marcus Sato - Liability - Property damage	<u>\$3,000.00</u>				
<input checked="" type="checkbox"/> Claim Cost Auto body	<u>\$2,500.00</u>				
<input checked="" type="checkbox"/> Expense - A&O Vehicle inspection	<u>\$500.00</u>				
(3) 3rd Party Bodily Injury - Marcus Sato - Liability - Auto bodily injury	<u>\$30,000.00</u>				<u>\$30,000.00</u>
<input checked="" type="checkbox"/> Claim Cost Medical	<u>\$30,000.00</u>				<u>\$30,000.00</u>
Claim Total	\$36,150.00				\$36,150.00

- ▶ Claimant view contains 3 levels
- 1st level – claimant
 - 2nd level – exposure
 - 3rd level – cost type & category

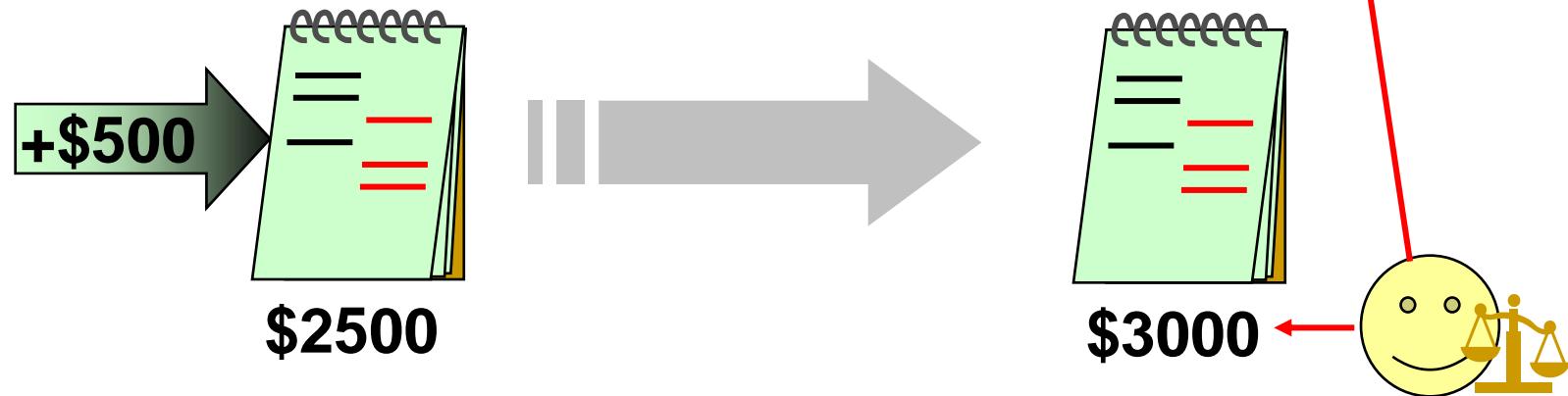
Summary Screen Views - Coverage

Financials (Total Incurred: \$36,150.00): Summary					
Summary Transactions Checks					
Coverage	Remaining Reserves	Future Payments	Total Paid	Recoveries	Net Total Incurred
Collision	\$3,150.00				\$3,150.00
(1) 1st Party Vehicle - Brittany Turner - Collision	\$3,150.00				\$3,150.00
<input checked="" type="checkbox"/> Claim Cost Auto body	\$2,500.00				
<input checked="" type="checkbox"/> Claim Cost Towing	\$150.00				
<input checked="" type="checkbox"/> Expense - A&O Vehicle inspection	\$500.00				
Liability - Auto bodily injury	\$30,000.00				
(3) 3rd Party Bodily Injury - Marcus Sato - Liability - Auto bodily injury	\$30,000.00				
<input checked="" type="checkbox"/> Claim Cost Medical	\$30,000.00				
Liability - Property damage	\$3,000.00				\$3,000.00
(2) 3rd Party Vehicle - Marcus Sato - Liability - Property damage	\$3,000.00				\$3,000.00
<input checked="" type="checkbox"/> Claim Cost Auto body	\$2,500.00				\$2,500.00
<input checked="" type="checkbox"/> Expense - A&O Vehicle inspection	\$500.00				\$500.00
Claim Total	\$36,150.00				\$36,150.00

- Coverage view contains 3 levels
- 1st level – coverage
 - 2nd level – exposure
 - 3rd level – cost type & category

Modifying an Existing Reserve Line Amount

Exposure	Coverage	*Cost Type	*Cost Category	Currently Available	Pending Approval	*New Available Reserves	Change
(2) 3rd Party Vehicle - Marcus Sato	Liability - Property damage	Claim Cost	Auto body	\$2,500.00	-	\$ 3000.00	\$500.00



- To add money to an existing reserve line, enter the amount that the reserve line should have in the New Available Reserves column
 - ClaimCenter automatically calculates the amount that the transaction needs to be to affect the change

Lesson Objectives Review

You should now be able to:

- Define financial terms used by ClaimCenter for managing reserves
- Create reserve lines

Review Questions

1. A reserve line is defined uniquely by what three values?
2. What are the two most common (or most fundamental) cost types?
3. What is the difference between a reserve line and a reserve transaction?
4. Can you create more than one reserve line against the same category / cost type combination?

Reservation of Rights

Copyright © 2009 Guidewire Software, Inc. All Rights Reserved.

This file and the contents herein are the property of Guidewire Software, Inc. Use of this course material is restricted to students officially registered in this specific Guidewire-instructed course. Replication or distribution of this course material electronically or in paper format is prohibited without express permission from Guidewire.

Guidewire, Guidewire Software, Guidewire ClaimCenter, Guidewire PolicyCenter, Guidewire BillingCenter, Guidewire ContactCenter, Guidewire Insurance Suite, Guidewire Education, and the Guidewire logo are trademarks or registered trademarks of Guidewire Software, Inc. All other trademarks are the property of their respective owners.