

# Reserves

# Lesson Objectives

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

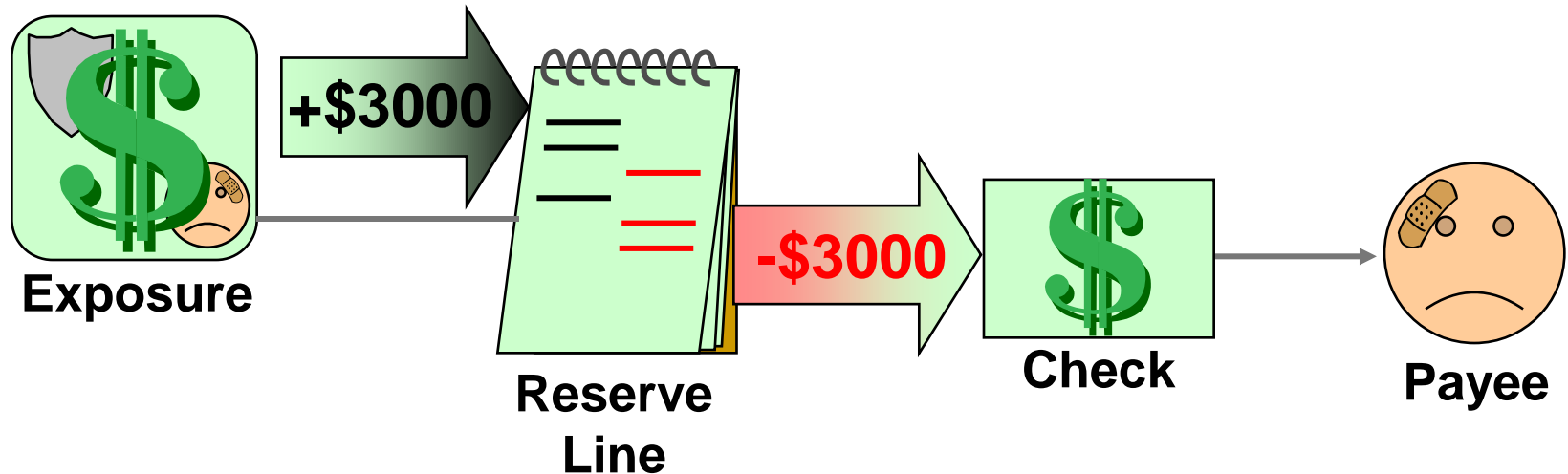
- Define financial terms used by ClaimCenter for managing reserves
- Create reserve lines

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



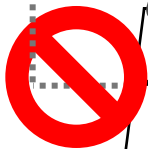
**Coverage: collision**  
**Claimant: Brittany Turner**



**Cost type: Claim Cost**  
**Cost ctgry: Auto body**



**Cost type: Expense**  
**Cost ctgry: Inspection**



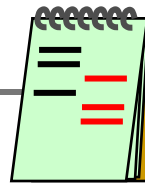
**Cost type: Claim Cost**  
**Cost ctgry: Auto body**



**Coverage: liability - auto damage**  
**Claimant: Marcus Sato**



**Cost type: Claim Cost**  
**Cost ctgry: Auto body**

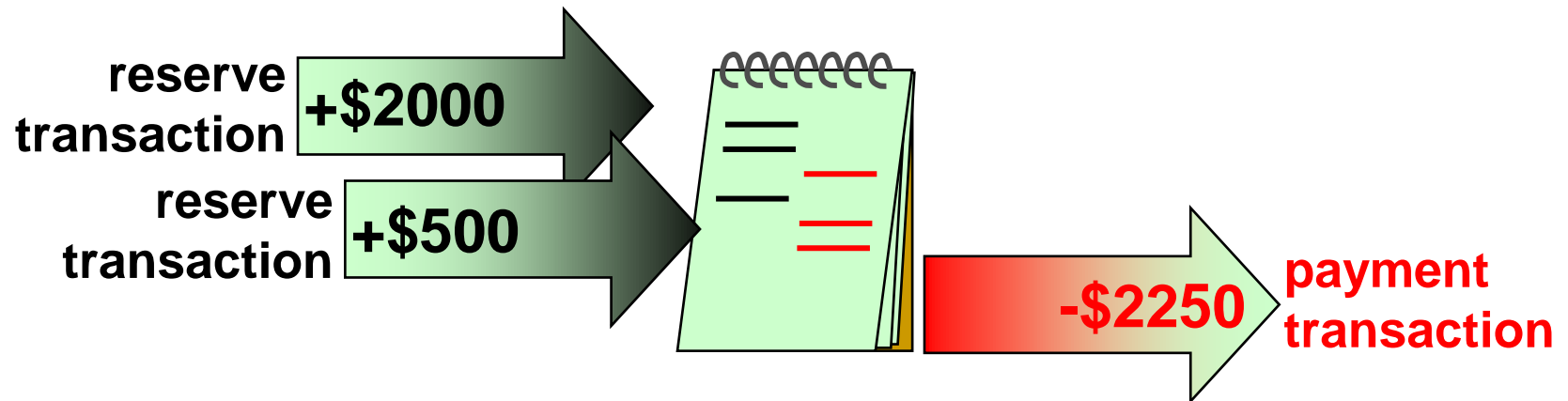


**Cost type: Claim Cost**  
**Cost ctgry: Towing**

- ▶ 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

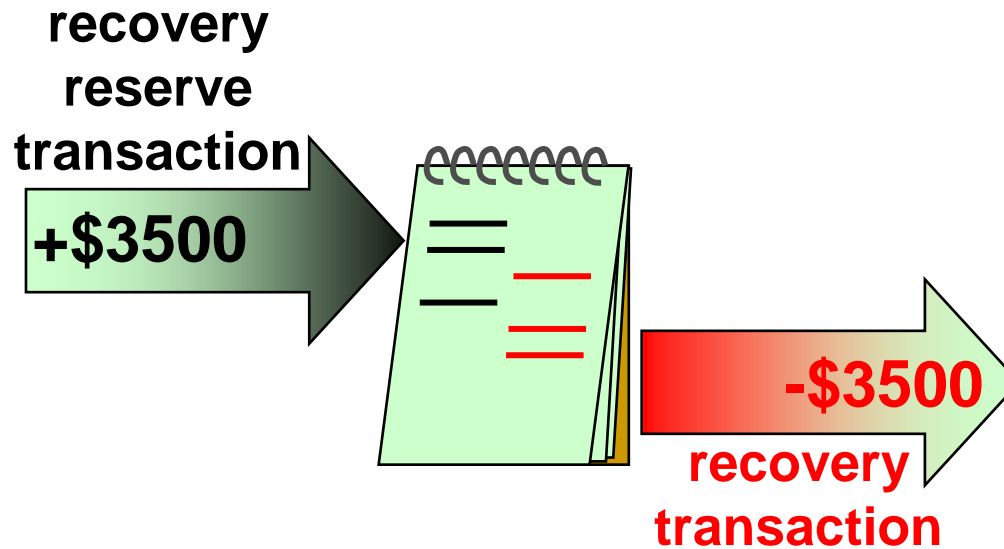


# Basic Transactions



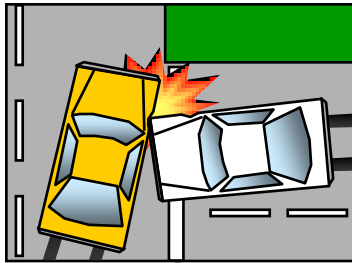
- ▶ Transactions modify the amount of money in a reserve line
  - A reserve transaction modifies the amount of money set aside for the reserve line
  - A payment transaction moves money from a reserve line to a payment to a claimant or other party

# Recovery Transactions

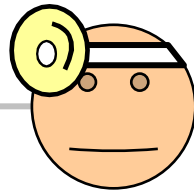


- ▶ There are two transaction types specific to recoveries
  - A recovery reserve transaction denotes money which the carrier expects to get from subrogation or salvage
  - A recovery transaction denotes money which has been collected from subrogation or salvage

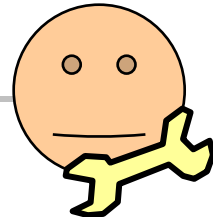
# Multicurrency Transactions



- 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



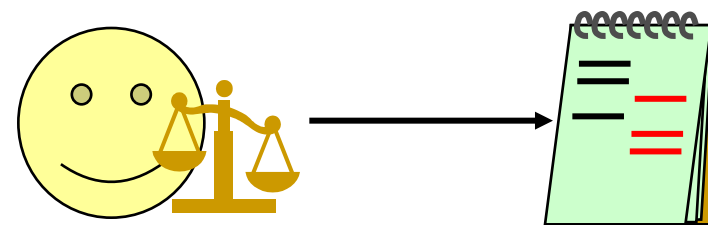
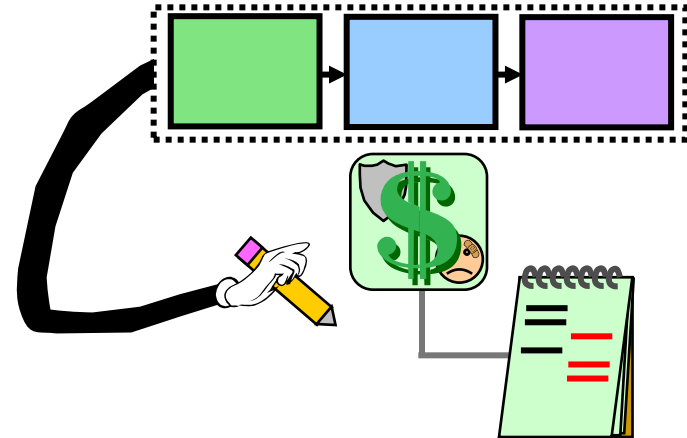
- ▶ ClaimCenter reviews every transaction (including reserve transactions) to determine if it requires approval
  - Financials approval is discussed in the Management section of the course

# 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 ▾		Assign	Refresh	Close Exposure	Create Reserve	Print/Export	
<input type="checkbox"/>	#▲	Type	Coverage	Claimant	Adjuster	Status	Remaining Reserves
<input type="checkbox"/>	1	<a href="#">Vehicle</a>	Collision	<a href="#">Brittany Turner</a>	<a href="#">Carlos Oppley</a>	Open	\$3,000.00
<input type="checkbox"/>	2	<a href="#">Vehicle</a>	Liability - Property damage	<a href="#">Marcus Sato</a>	<a href="#">Carlos Oppley</a>	Open	\$3,000.00
<input type="checkbox"/>	3	<a href="#">Bodily Injury</a>	Liability - Auto bodily injury	<a href="#">Marcus Sato</a>	<a href="#">Wendy Eisenhower</a>	Open	\$30,000.00

# Creating a Manual Reserve Transaction

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

**New Transaction**

Reserve

Check

Other

**Set Reserves**

Save Cancel Add Remove Show Group

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

<input type="checkbox"/>	<u>Exposure</u> △	<u>Coverage</u> △	* <u>Cost Type</u>	* <u>Cost Category</u>	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
<b>Sum:</b>					<b>\$36,000.00</b>	<b>-</b>	<b>\$36,000.00</b>



# 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 Co▼	Towing▼
	none (Claim-level)		Unspecified Cost Type	
	(1) 1st Party Vehicle - Brittany Turner		Claim Cost	
	(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	*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"/>	(1) 1st Part▼	Collision	Claim Co▼	Towing▼			\$ 150
	<b>Sum:</b>				<b>\$36,000.00</b>	-	<b>\$36,150.00</b>

- ▶ 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	Change
	(1) 1st Party Vehicle - Ray Newton	Comprehensive	Claim Cost	Auto body	\$2,500.00	-	\$ 2500.00	
	(1) 1st Party Vehicle - Ray Newton	Comprehensive	Expense - A&O	Vehicle inspection	\$500.00	-	\$ 500.00	
<input type="checkbox"/>	(1) 1st Part▼	Comprehensive	Claim Co▼	Towing▼			\$ 1694.46	\$2,000.00 CAD = \$1,694.46
	<b>Sum:</b>				<b>\$3,000.00</b>		<b>-\$4,694.46</b>	<b>\$2,000.00 CAD = \$1,694.46</b>

- ▶ 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

Summary

Workplan

Loss Details

Exposures

Parties Involved

Policy

Financials

Notes

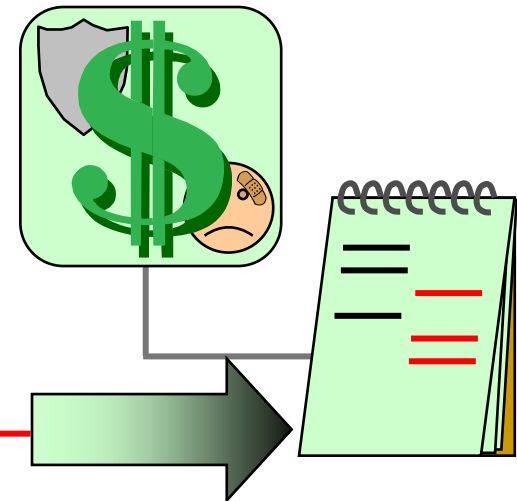
Financials (Total Incurred: \$36,150.00): Transactions

Summary | Transactions | Checks

Reserves

Create Date	Amount	Exposure	Coverage	Cost Type	Cost Category
05/23/2008	\$2,500.00	1	Collision	Claim Cost	Auto body
05/23/2008	\$500.00	1	Collision	Expense - A&O	Vehicle inspection
05/23/2008	\$2,500.00	2	Liability - Property damage	Claim Cost	Auto body
05/23/2008	\$500.00	2	Liability - Property damage	Expense - A&O	Vehicle inspection
05/23/2008	\$30,000.00	3	Liability - Auto bodily injury	Claim Cost	Medical
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

Status of each  
reserve line

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

- ▶ 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
<b>(1) 1st Party Vehicle - Brittany Turner - Collision</b>	<b><u>\$3,150.00</u></b>				<b><u>\$3,150.00</u></b>
Claim Cost	<u>\$2,650.00</u>				<u>\$2,650.00</u>
▾ Auto body	<u>\$2,500.00</u>				
▾ Towing	<u>\$150.00</u>				
Expense - A&O	<u>\$500.00</u>				
▾ Vehicle inspection	<u>\$500.00</u>				
<b>(2) 3rd Party Vehicle - Marcus Sato - Liability - Property damage</b>	<b><u>\$3,000.00</u></b>				
Claim Cost	<u>\$2,500.00</u>				
▾ Auto body	<u>\$2,500.00</u>				
Expense - A&O	<u>\$500.00</u>				<u>\$500.00</u>
▾ Vehicle inspection	<u>\$500.00</u>				<u>\$500.00</u>
<b>(3) 3rd Party Bodily Injury - Marcus Sato - Liability - Auto bodily injury</b>	<b><u>\$30,000.00</u></b>				<b><u>\$30,000.00</u></b>
Claim Cost	<u>\$30,000.00</u>				<u>\$30,000.00</u>
▾ Medical	<u>\$30,000.00</u>				<u>\$30,000.00</u>
<b>Claim Total</b>	<b><u>\$36,150.00</u></b>				<b><u>\$36,150.00</u></b>

► Exposure view contains 3 levels

- 1<sup>st</sup> level – exposure
- 2<sup>nd</sup> level – cost type
- 3<sup>rd</sup> 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
<b>Brittany Turner</b>	<b>\$3,150.00</b>				<b>\$3,150.00</b>
(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				
<b>Marcus Sato</b>	<b>\$33,000.00</b>				
(2) 3rd Party Vehicle - Marcus Sato - Liability - Property damage	\$3,000.00				
<input checked="" type="checkbox"/> Claim Cost Auto body	\$2,500.00				
<input checked="" type="checkbox"/> Expense - A&O Vehicle inspection	\$500.00				\$500.00
(3) 3rd Party Bodily Injury - Marcus Sato - Liability - Auto bodily injury	\$30,000.00				\$30,000.00
<input checked="" type="checkbox"/> Claim Cost Medical	\$30,000.00				\$30,000.00
<b>Claim Total</b>	<b>\$36,150.00</b>				<b>\$36,150.00</b>

- Claimant view contains 3 levels
- 1<sup>st</sup> level – claimant
  - 2<sup>nd</sup> level – exposure
  - 3<sup>rd</sup> 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
<b>Collision</b>	<b><u>\$3,150.00</u></b>				<b><u>\$3,150.00</u></b>
(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>				
<b>Liability - Auto bodily injury</b>	<b><u>\$30,000.00</u></b>				
(3) 3rd Party Bodily Injury - Marcus Sato - Liability - Auto bodily injury	<u>\$30,000.00</u>				
<input checked="" type="checkbox"/> Claim Cost Medical	<u>\$30,000.00</u>				
<b>Liability - Property damage</b>	<b><u>\$3,000.00</u></b>				<b><u>\$3,000.00</u></b>
(2) 3rd Party Vehicle - Marcus Sato - Liability - Property damage	<u>\$3,000.00</u>				<u>\$3,000.00</u>
<input checked="" type="checkbox"/> Claim Cost Auto body	<u>\$2,500.00</u>				<u>\$2,500.00</u>
<input checked="" type="checkbox"/> Expense - A&O Vehicle inspection	<u>\$500.00</u>				<u>\$500.00</u>
<b>Claim Total</b>	<b><u>\$36,150.00</u></b>				<b><u>\$36,150.00</u></b>

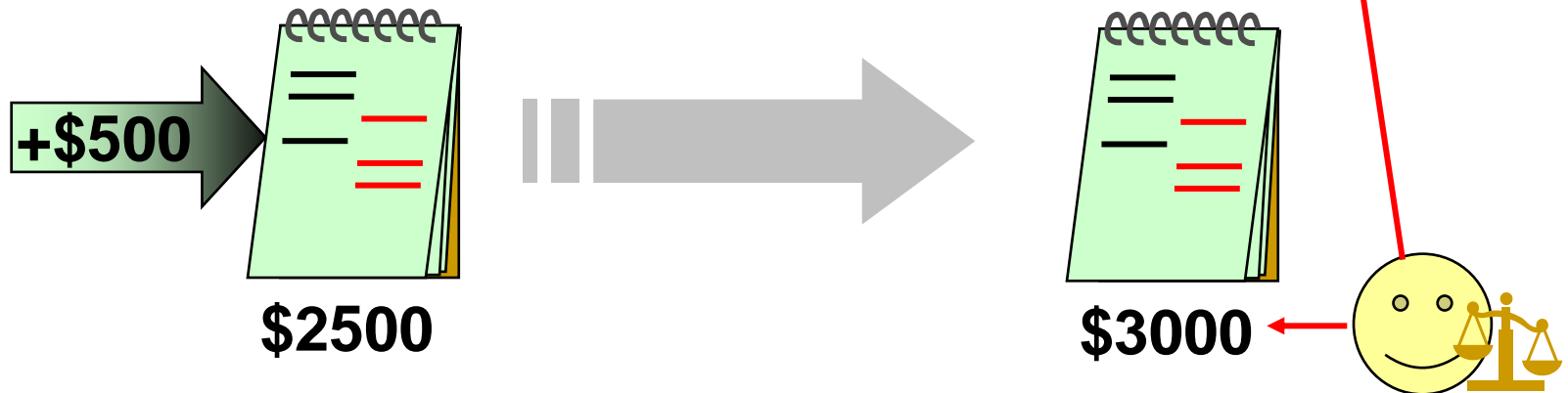
► Coverage view contains 3 levels

- 1<sup>st</sup> level – coverage
- 2<sup>nd</sup> level – exposure
- 3<sup>rd</sup> 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?

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