Payments

Lesson objectives

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

- Define financial terms used by ClaimCenter for managing payments

- Create checks

- Apply deductibles

- Create and pay out auto first and final claims

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."
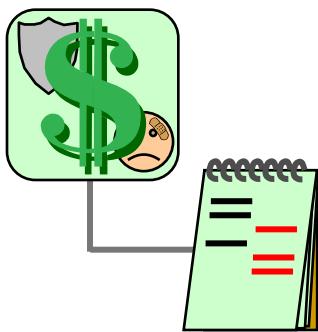
Guidewire

Lesson outline
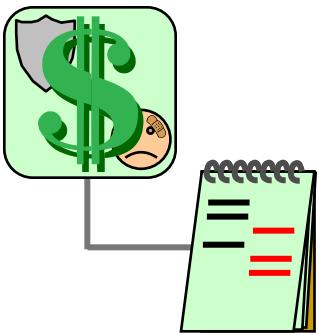
▶ Payment basics

▶ Creating checks

▶ Deductibles

▶ Auto first and final

Checks and payees

Coverage: Collision

Coverage: Med. pay.
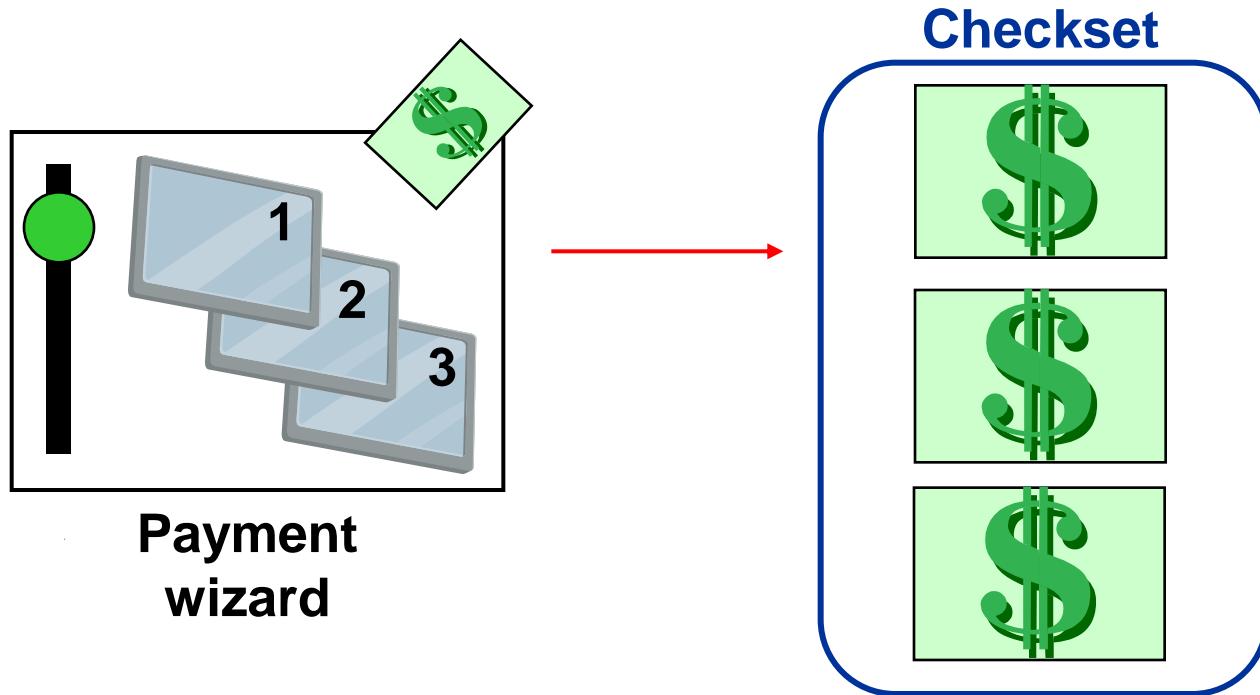
Check

Ray Newton (Payee)
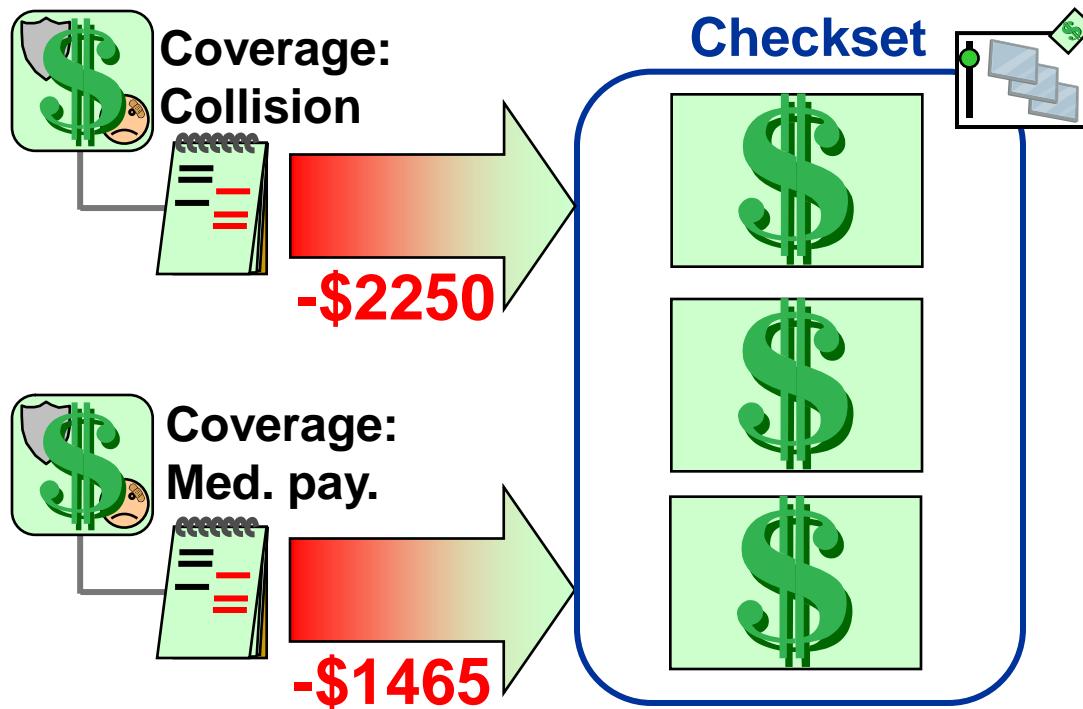
▸ A check is a single transfer of money from one or more reserve lines to one or more individuals or organizations

▸ A payee is a person to whom a check is made payable
- Payees include both claimants and people who provided services for the claim (such as inspectors)

The payment wizard

Payment wizard
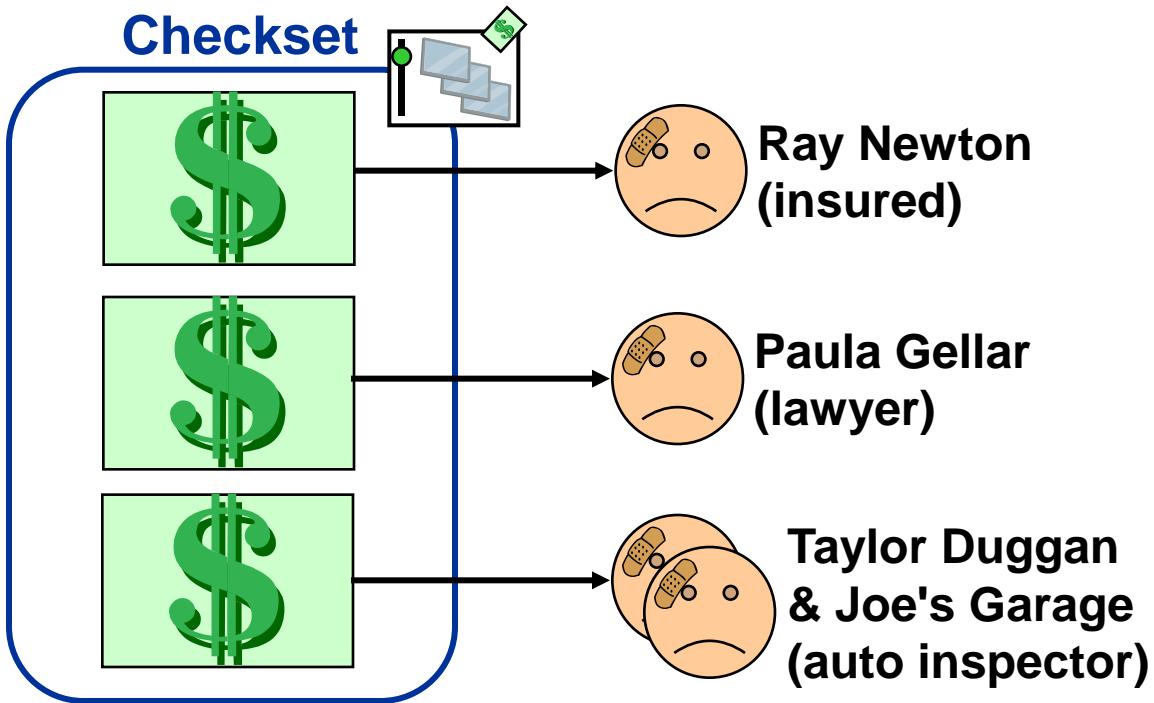
Checkset

▸ The payment wizard is a series of screens used to create checks

- Every iteration of the payment wizard creates a "checkset", which contains one or more checks

Payment transactions

Coverage: Collision

-$2250

Coverage: Med. pay.

-$1465
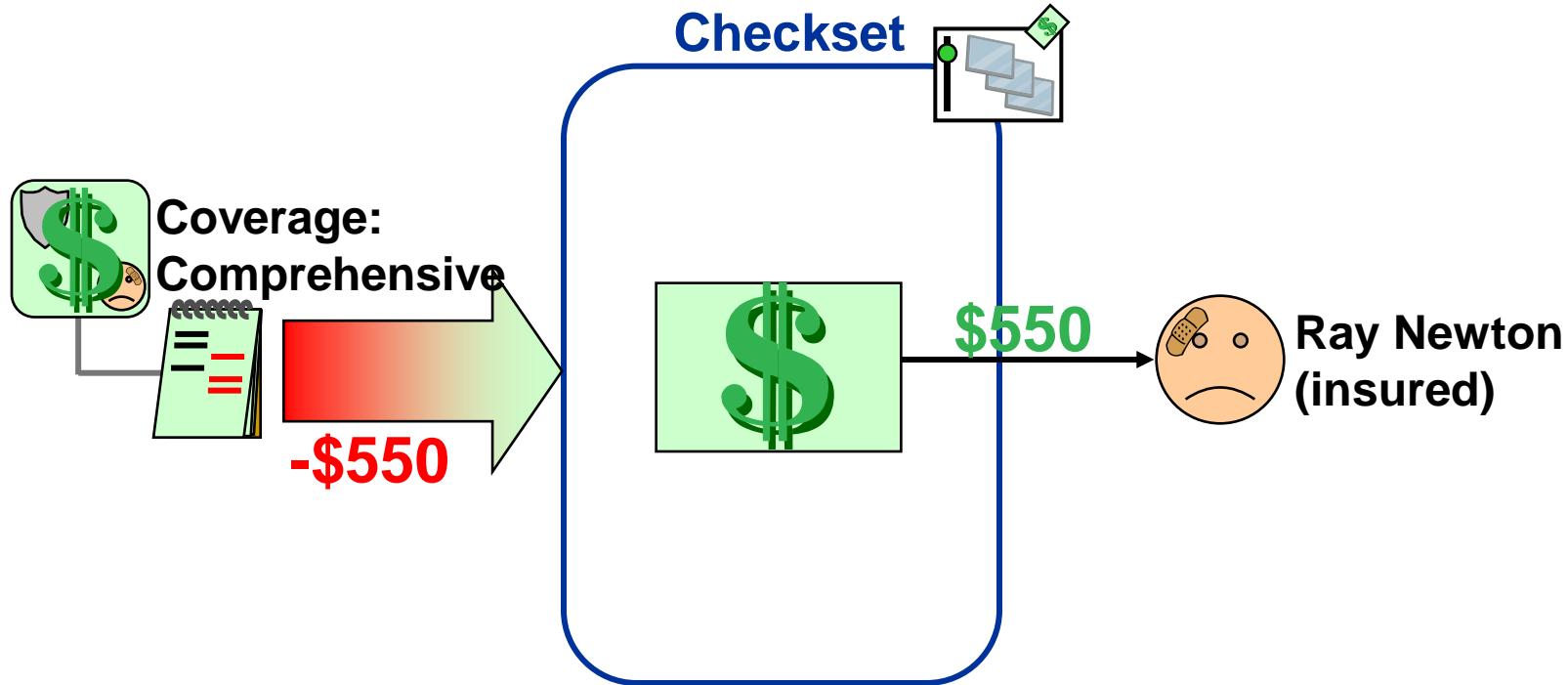
Checkset

▸ Every checkset "gets" its money from one or more payment transactions

▸ Each payment transaction comes from a reserve line, which can be from the same exposure or different exposures

Guidewire

Checks in a checkset

Checkset

Ray Newton (insured)

Paula Gellar (lawyer)

Taylor Duggan & Joe's Garage (auto inspector)
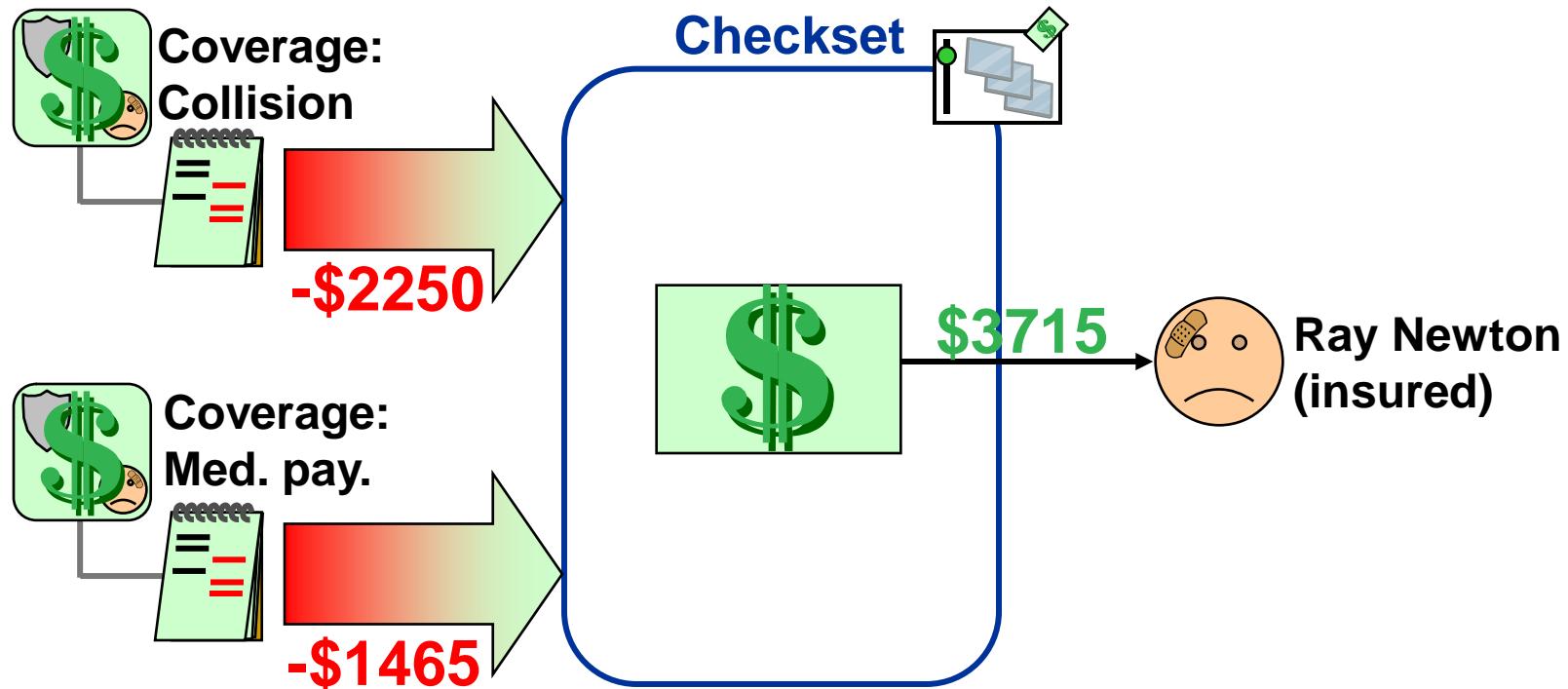
▶ The money in a checkset "goes into" one or more checks

▶ Each check has either:

- A single payee, or
- A set of "joint payees"

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Checkset example 1:
Single payment for single check
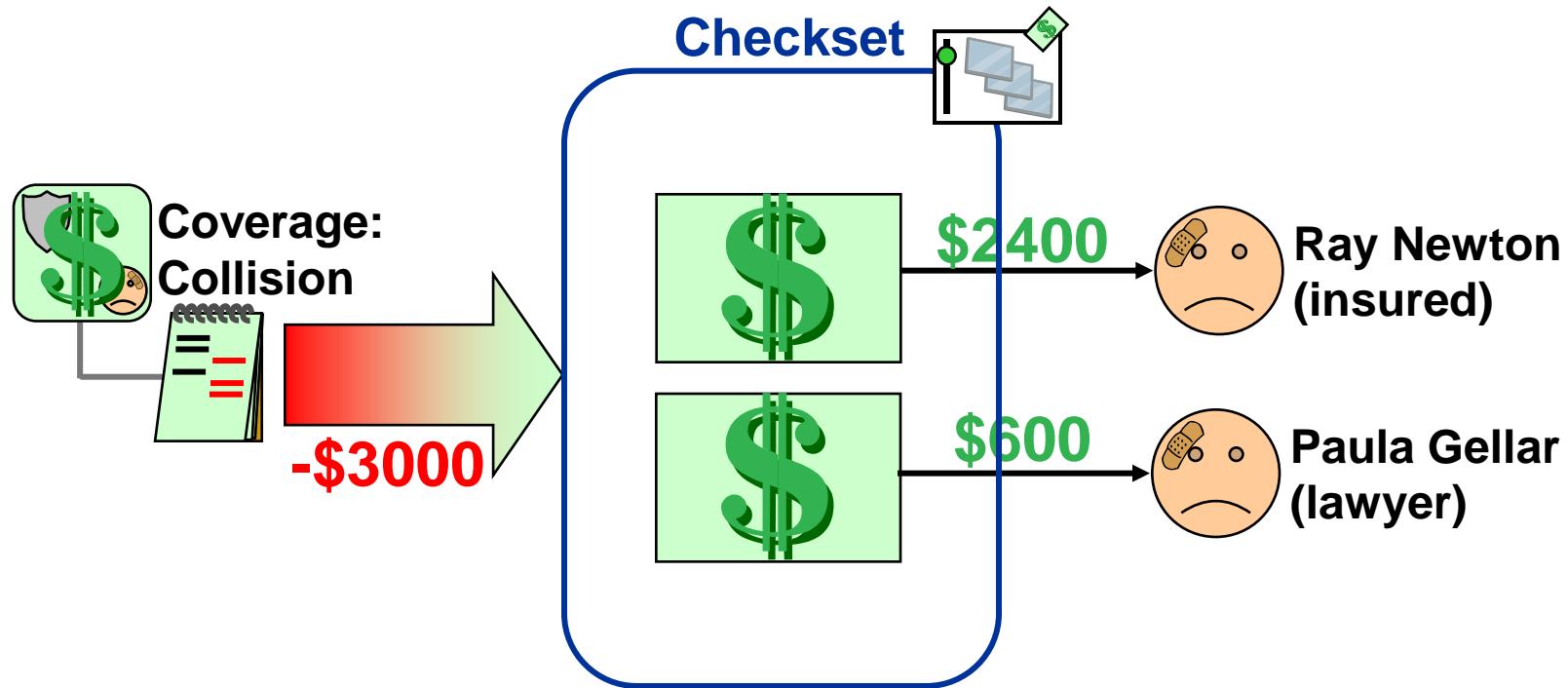
▶ Ray Newton receives a $550 check to repair damage done to his car during a hail storm

Checkset example 2:
## Multiple payments for single check

Coverage: Collision

-$2250

Checkset

$3715 → **Ray Newton (insured)**

Coverage: Med. pay.

-$1465
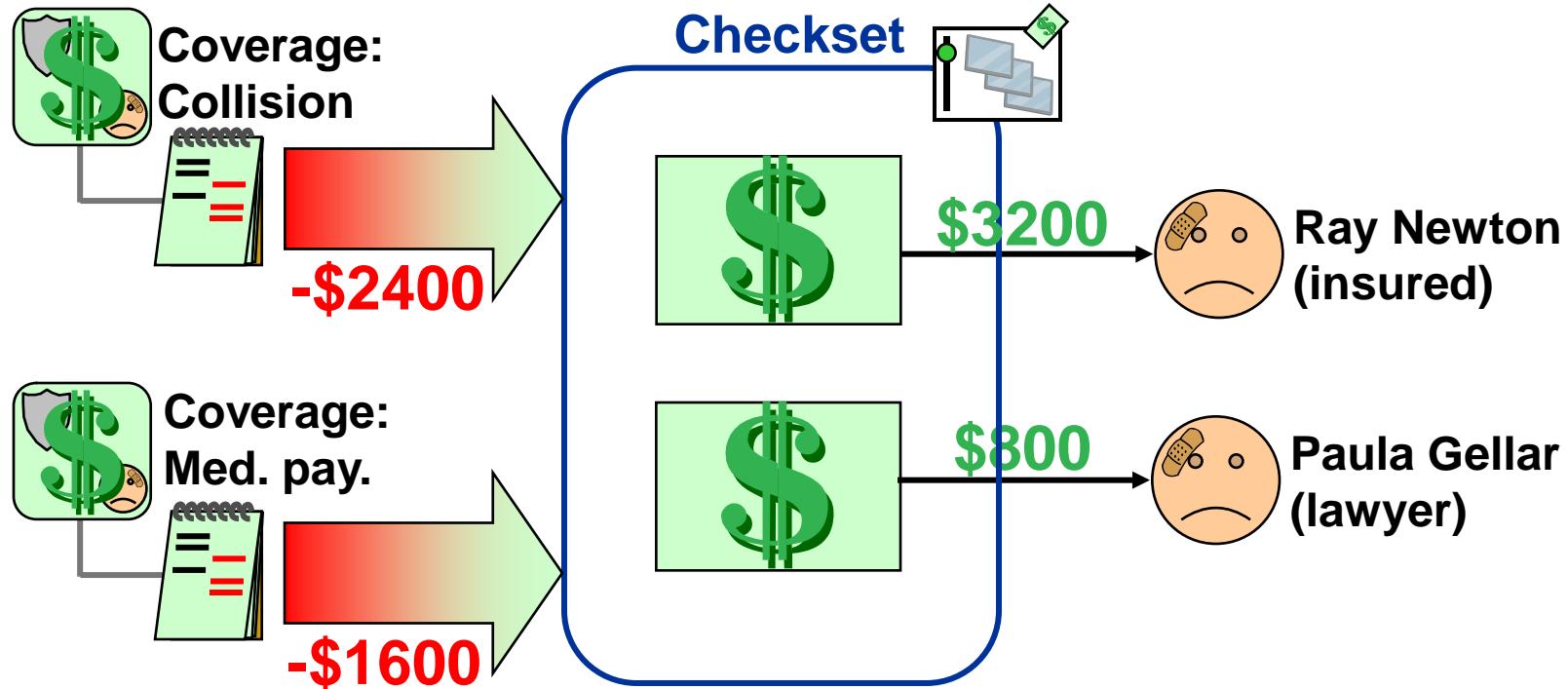
▸ Ray Newton receives a check for $3715 to cover:

- Damage done to his car from a collision
- Medical payments for an injury he got during the collision

Guidewire

Checkset example 3:
Single payment for multiple checks

Checkset

Coverage: Collision

-$3000

$2400 → Ray Newton (insured)

$600 → Paula Gellar (lawyer)

▶ An auto collision required litigation which ultimately ruled in favor of Ray Newton

- He gets a check for $3000 minus the 20% lawyer fee
- His lawyer gets a check for 20% of $3000, or $600

Guidewire

Checkset example 4:
Multiple payments for multiple checks

Coverage: Collision → **-$2400**

Coverage: Med. pay. → **-$1600**

Checkset

$ → **$3200** → Ray Newton (insured)

$ → **$800** → Paula Gellar (lawyer)
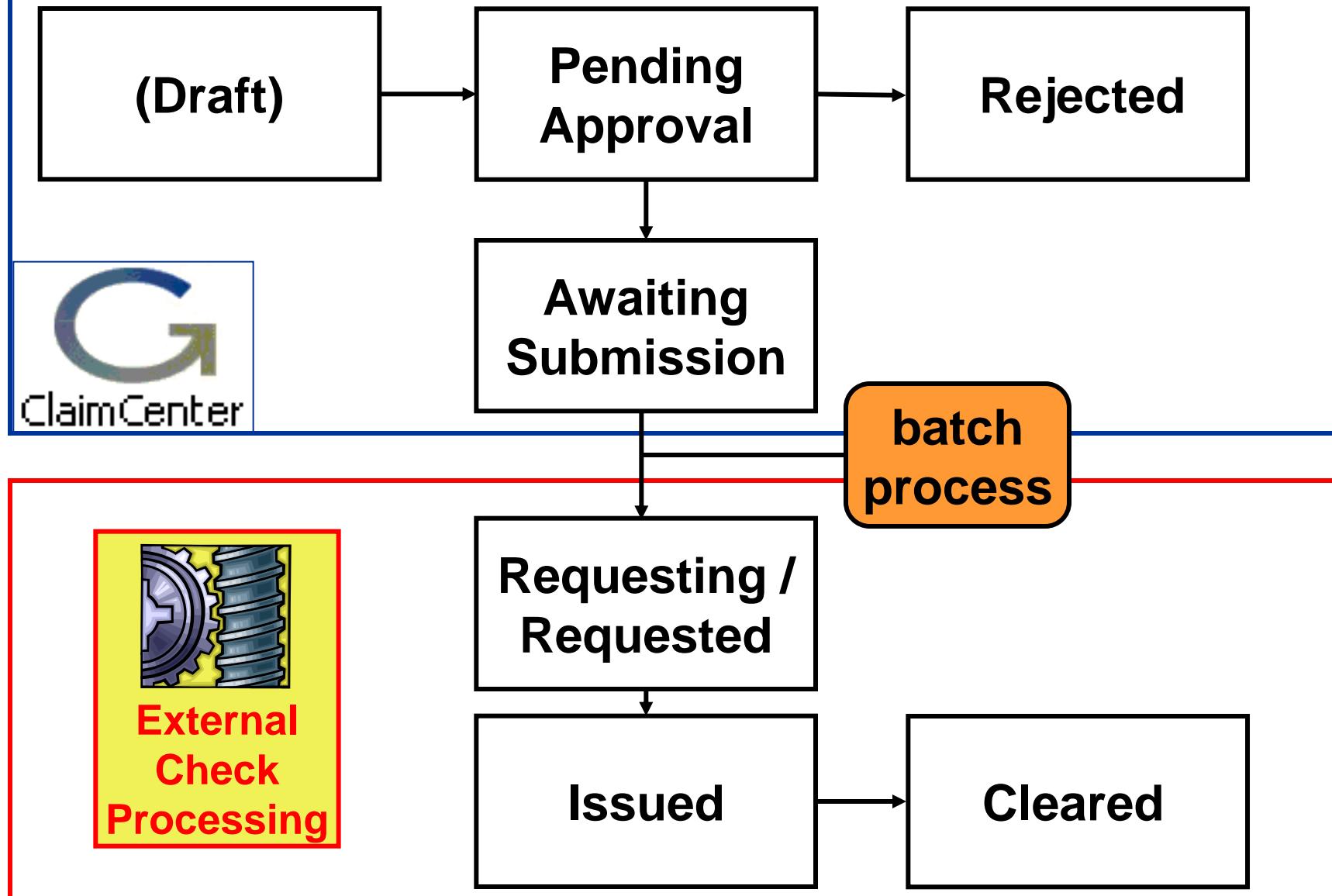
▸ An injury-causing collision required litigation which ultimately ruled in favor of Ray Newton

- Ray gets a check for $4000 minus the 20% lawyer fee
- His lawyer gets a check for 20% of $4000, or $800

Financials approval

-$50,000

▶ ClaimCenter reviews every transaction (including payment transactions) to determine if it requires approval

- Financials approval is discussed in the Management section of the course

Guidewire

The life cycle of a check

(Draft) → **Pending Approval** → **Rejected**

Pending Approval → **Awaiting Submission**

batch process

Awaiting Submission → **Requesting / Requested** → **Issued** → **Cleared**

External Check Processing

ClaimCenter

Guidewire
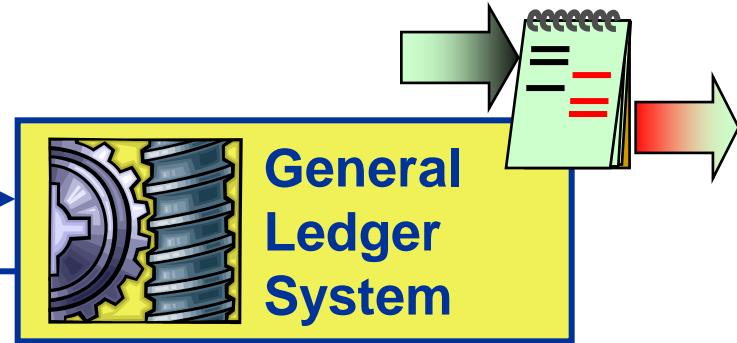
General ledger integration
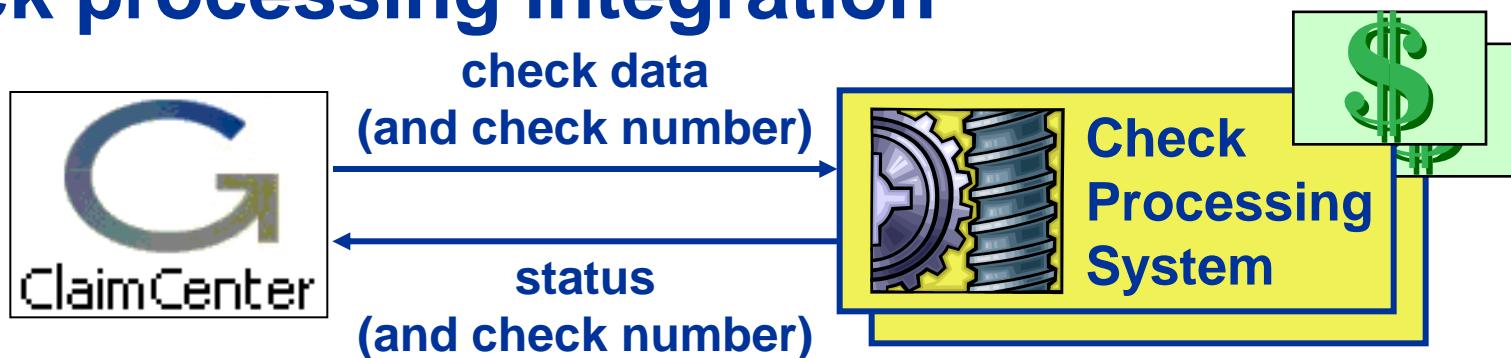
summary level data or every transaction

acknowledgement

General Ledger System
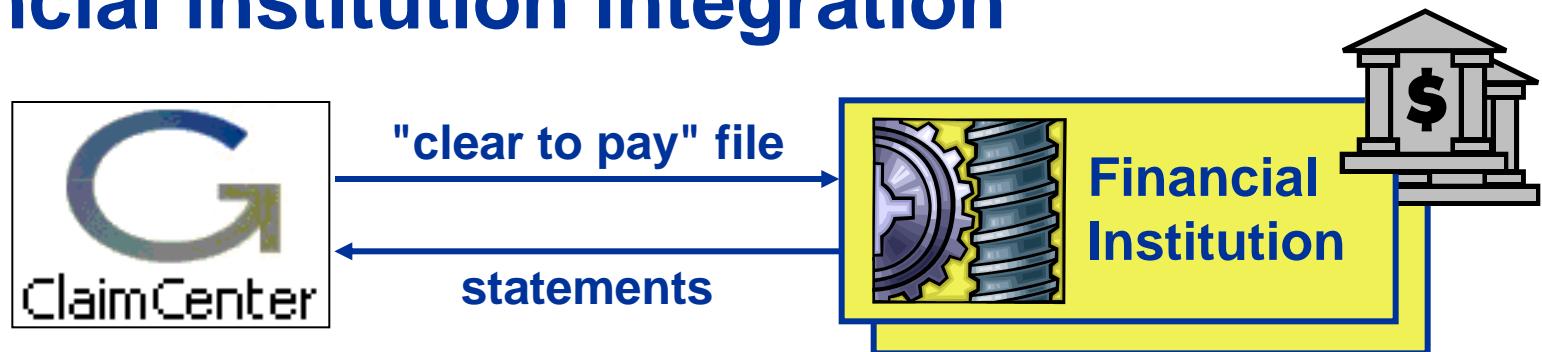
▶ Some instances of ClaimCenter have an integration point to a general ledger system, such as Oracle Financials

- This system tracks finances for the carrier, and the integration point exists so that the ledger system can stay abreast of the payments ClaimCenter is making

▶ Information exchange

- Depending on the carrier, ClaimCenter sends either summary-level data or detailed data about every transaction
- ClaimCenter receives acknowledgement that the information has been received

Check processing integration

check data (and check number) →

← **status (and check number)**

Check Processing System
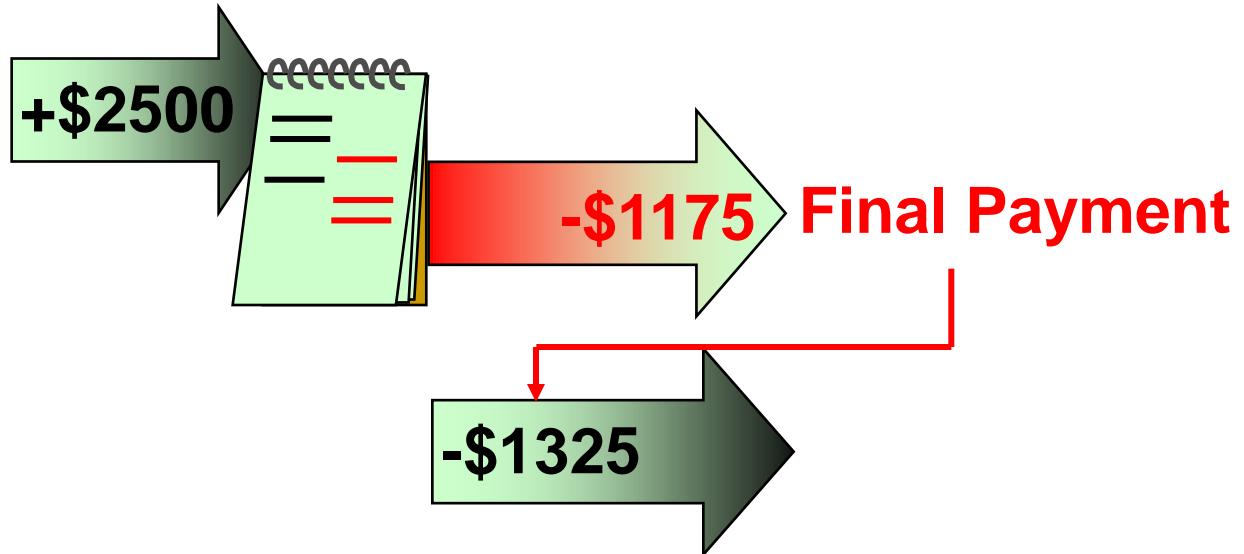
▸ Every instance of ClaimCenter has an integration point to a check processing system

- This system prints paper checks and/or manages electronic funds transfers

▸ Information exchange

- ClaimCenter sends check data (amount, line items, ...)
- ClaimCenter receives the check status (such as requesting or issued)
- Depending on the carrier, the check number may be generated by either system

Guidewire

Financial institution integration

"clear to pay" file → **Financial Institution**

ClaimCenter ← **statements**

▶ Some instances of ClaimCenter have an integration point to a financial institutions (banks)

- The integration point exists so that ClaimCenter can track when checks have been paid

▶ Information exchange

- ClaimCenter sends a "clear to pay" file, which includes the check numbers and amounts for checks issued by ClaimCenter
- ClaimCenter receives statements identifying the check status (cleared, voided, stopped)

Guidewire

The end of the reserve line

+$2500

-$1175 **Final Payment**

-$1325
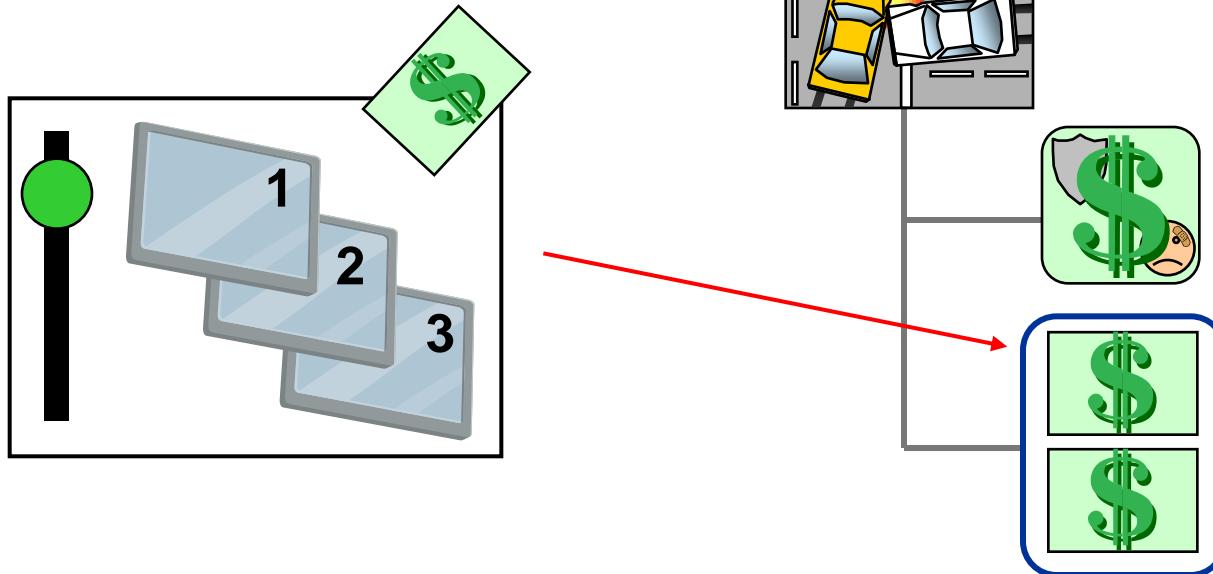
▸ Payment transactions are coded as "partial" or "final"

- A final payment indicates that the financial obligation that the reserve line was created for has been met

▸ When you create a final payment transaction, ClaimCenter:

- Creates a second reserve transaction which reduces the line to zero (or "zeroes out" the reserve line)

Guidewire

Lesson outline

▶ Payment basics

▶ Creating checks

▶ Deductibles

▶ Auto first and final

Guidewire

The payment wizard

▶ Checks are created using the payment wizard

- In the base application:
  - The fields vary based on the method of payment (automated check, manual check, EFT)
  - But, the basic steps are the same for all forms of payment

Guidewire
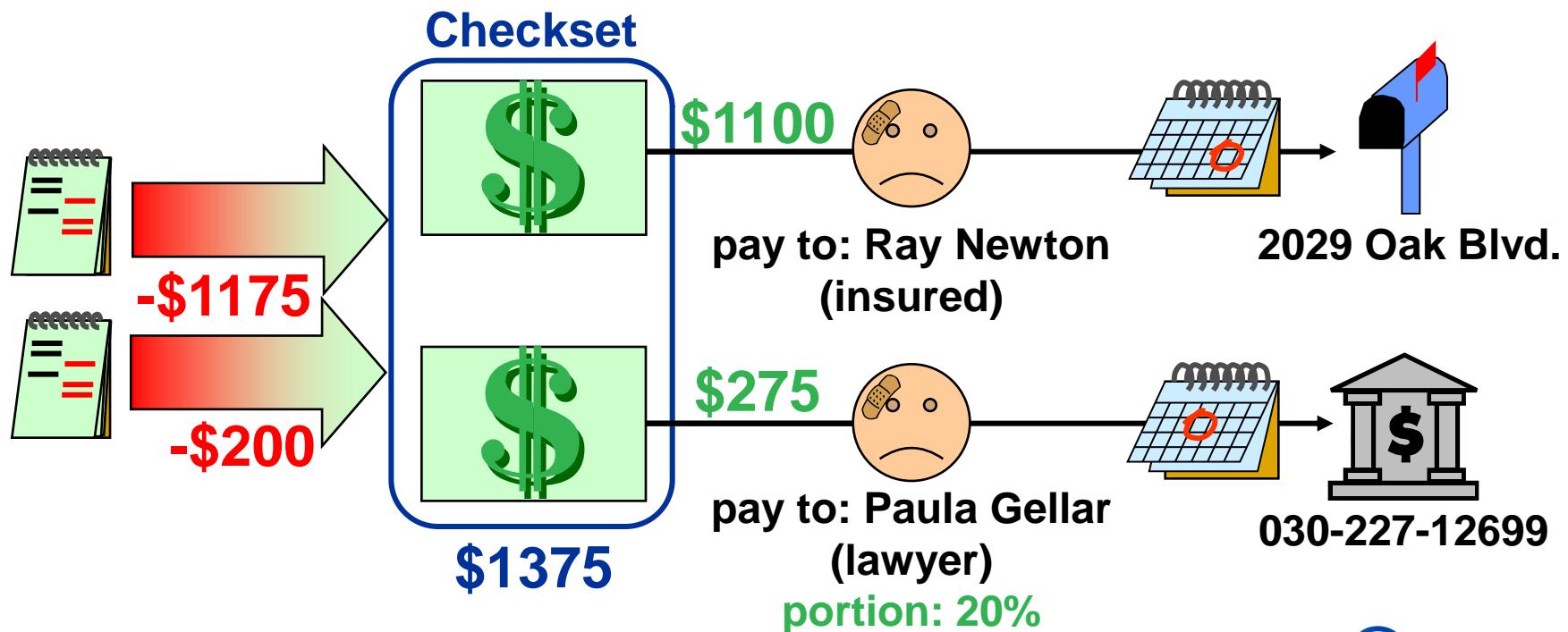
Basic steps of the payment wizard

Step 1: Specify checks and payees

Step 2: Specify the payment transactions
(The wizard calculates the checkset total and each check amount.)

Step 3: Specify check instructions

Checkset

-$1175

-$200

$1100
pay to: Ray Newton (insured)

2029 Oak Blvd.

$275
pay to: Paula Gellar (lawyer)
portion: 20%

030-227-12699

$1375

Guidewire

Prerequisites of the Payment Wizard:
Claim at "ability to pay"

▶ In order to <u>initiate</u> the payment wizard, the claim's validation level must be "ability to pay"

Prerequisites of the payment wizard:
Exposure at "ability to pay"

▶ In order to make checks from a given exposure's reserve lines, the exposure must be at "ability to pay"

Initiating the payment wizard

▸ The payment wizard is initiated through the New Transaction menu

Step 1: Payees
(Specifying the primary payee)

Step 1 of 3: Enter payee information

| Cancel | Next > | Add Payee | Remove Payee |

	Primary ⭐	Pay To △	Deduction Type	Delivery Method
☐ ▶	⭐			Send

Check Details

Primary Payee

Name * [Ray Newton ▼] ▼

Type * [Insured ▼]

[Add Joint Payees]

Pay To The Order Of * [Ray Newton]

Mail To

Check Delivery [Send ▼]

Recipient * [Ray Newton]

Mailing Address [287 Kensington Rd. #1A, South P]

Tax Reporting

Report As [Not reportable ▼]

Guidewire
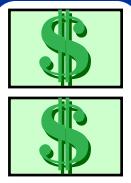
Step 1: Payees
(Creating additional payees/checks)

Step 2: Payment transactions
(The first payment transaction)

Payment types

Step 2: Payment transactions (Additional payment transactions)

Multicurrency payments

Step 2 of 3: Enter payment information

Cancel | < Back | Next > | Add Payment | Remove Payment

		Exposure	Coverage	Cost Type	Cost Category	Amount
☐	▶	(1) 1st Party Vehicle - Ray Newton	Comprehensive	Claim Cost	Towing	$750.00 CAD = $635.42
						$750.00 CAD = $635.42

Payment Details

Reserve Line * (1) 1st Party Vehicle - Ray Newton; Claim Cost/Towing ▼

Coverage Comprehensive

Payment Type * Final ▼

Eroding? * ⦿ Yes ○ No

Available Reserves $1,694.46 = $2,000.01 CAD

Comments [ ]

Currency * $ CAD ▼

Exchange Rate Mode ○ Manual ⦿ Automatic

Exchange Rate 1 $ CAD = 0.847228 $ USD

Line Items | Add Item | Remove |

	Category	Amount
☐	Other ▼	$ 750.00 CAD = $635.42
		$750.00 CAD = $635.42

▶ Payments can be done in any currency

Guidewire

Step 3: Check instructions

The completed check(s)

Financials (Total Incurred: $1,375.00): Checks
Summary | Transactions | **Checks**

Check Number	Pay To	Gross Amount	Issue Date	Scheduled Send Date
12121	Ray Newton	$1,100.00		05/27/2008
12122	Paula Gellar	$275.00		05/27/2008

Exposure 1
Type: Claim cost
Category: Auto body

-$1175

Exposure 1
Type: Expense
Category: Inspection

-$200

Pay to Ray Newton
$1100

Pay to Paula Gellar
$275

Guidewire

Fields unique to the automatic check payment method

Instructions

Payment Method	Check
Check Batching	A/P default
Check Instructions	<none selected>
When To Pay	● * 05/27/2008
	○ **Recurring**

Recurrence Pattern

● Weekly: every ___ week(s) on Monday

○ Monthly: ○ day ___ of every ___ month(s)
          ● the first ▾ Monday ▾ of every ___ month(s)

☐ Issue check ___ business days in advance of check's due date

Due date of first check ../../....

Number of Checks ___

Total Recurrence Amount

Future checks in the recurrence can be edited after saving.

All the fields shown here are unique to the automatic check payment method

Step 3 of 3: Set
Cancel < Back

Pay To The Order
Mail To
Gross Amount
Deductions
Net Amount
Claimant
Date of Service
Invoice Number
Memo

Documents Linke
To Payment

Instructions
Payment Method — Check
Check Batching — A/P default
Check Instructions — <none selected>
When To Pay — ● * 05/27/2008
             ○ **Recurring**

Recurrence Pattern
● Weekly: every ___ week(s) on Monday
● Monthly: ○ day ___ of every ___ month(s)
          ● the first ▾ Monday ▾ of every ___ month(s)
☐ Issue check ___ business days in advance of check's due date
Due date of first check ../../....
Number of Checks ___
Total Recurrence Amount
Future checks in the recurrence can be edited after saving.

Fields unique to the manual check payment method

▸ Manual payments are used to track hand-written checks (such as a check written by an inspector immediately after the inspection of a damaged vehicle or property)

Making payments against a non-existent reserve line

▸ You can create a payment transaction against a reserve line that doesn't exist by choosing the "New..." option

  ● This creates an additional reserve transaction for exactly the same amount as the payment transaction so that the reserve line is created and then emptied in a single step

Lesson outline

▶ Payment basics

▶ Creating checks

▶ Deductibles

▶ Auto first and final

Guidewire

Deductible

▶ A **deductible** is an amount of money that the insured must pay out of pocket for a loss. The carrier provides payment only for the amount above and beyond the deductible.

▶ In base ClaimCenter 6.0, deductible handling is only enabled for personal auto claims, and only for vehicle damage exposures

Guidewire

Enable deductible handling

▶ Two relevant parameters in config.xml

- UseDeductibleHandling – enables deductible handling
- AllowMultipleLineItems – not technically about deductible handling, but deductible handling will not work if this is disabled

```xml
<!-- Whether to use Deductible Handling -->
<param name="UseDeductibleHandling" value="true" />
<!-- Whether to allow multiple line items in a transaction -->
<param name="AllowMultipleLineItems" value="true" />
```

Guidewire

Permissions

▸ New permission "Edit Deductible"

- Allows user to override deductibles
- Allows user to waive deductibles

Viewing deductibles in ClaimCenter: Claim headline

Summary

Summary | Claim Status | Claim Health Metrics

Basics

Open ▭ 0 days (Target: 10)

Ran into tree

Financials

	Gross Incurred	$3,000.00
	Paid	$0.00
	Deductible	$500.00 Unpaid

▶ Deductible amount and status visible in claim headline

Guidewire

Viewing deductibles in ClaimCenter: Exposure detail page

▶ Deductible information displayed with financials on exposure detail page

(1) 1st Party Vehicle - **Mark Henderson** (Up to Exposures)

Edit | Assign | Close Exposure | Create Reserve

Details | Total Loss Calculator

Exposure
Loss Party	Insured's loss
Primary Coverage	Collision
Coverage Subtype	Collision - Vehicle Damage
Coverage	1991 Ford Wagon
Adjuster	Andy Applegate
Group	Auto1 - TeamA
Status	Open
Create Date	08/12/2009
Validation Level	Ability to pay

Coding
Segment	Auto - mid c
Handling Strategy	Unknown
Jurisdiction State	California

Other Carrier Involvement
Other Coverage
Details

Insurer | Po

Financials
Remaining Reserves	$3,000.00
Future Payments	-
Total Paid	-
Total Recoveries	-
Net Total Incurred	$3,000.00

Deductible
Waive Deductible?	No
Deductible Amount	$500.00
Deductible Paid?	No
Modify Deductible?	No

CA 91145

ged

Deductible

Waive Deductible?	No
Deductible Amount	$500.00
Deductible Paid?	No
Modify Deductible?	No

Guidewire

Changing the deductible

▸ User can alter deductible on exposure detail page if deductible has not yet been applied

- Waive deductible

- Modify deductible

Writing a check

Financials (Total Incurred: $3,000.00): Summary
Summary | Transactions | Checks

Exposure

	Remaining Reserves	Total Paid	Recoveries	Net Total Incurred
(1) 1st Party Vehicle - Mark Henderson - Collision	**$3,000.00**			**$3,000.00**
Claim Cost	$2,500.00			$2,500.00
▾ Auto body	$2,500.00			$2,500.00

Edit Reserve
Quick Check
Create Check

Step 1 of 3: Enter payee information

Cancel | Next ≥ | Add Payee | Remove Payee

		Primary ★	Pay To △
☐	▶	★	Mark Henderson

Check Details

Primary Payee
Name * Mark Henderson ▾
Type * Claimant ▾

Step 2 of 3: Enter payment information

Cancel | ≤ Back | Next ≥ | Add Payment | Remove Payment
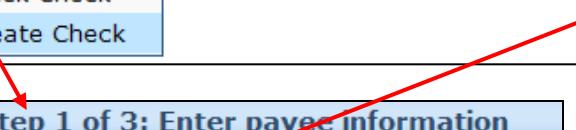
☐		Exposure	Coverage	Cost Type	Cost Category
☐	▶	(1) 1st Party Vehicle - Mark Henderson	Collision	Claim Cost	Auto body

Payment Details

Reserve Line * (1) 1st Party Vehicle - Mark Henderson; Claim Cost/Auto body ▾
Coverage   Collision
Payment Type * Partial ▾
Eroding? * ⦿Yes ○No
Available Reserves $2,500.00
Comments
Line Items

Add Item | Remove | **Apply Deductible**

☐	Category	* Amount
☐	Other ▾	$ 700
		$700.00

▶ New "Apply Deductible" button on step 2

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Apply the deductible

▶ Deductible is applied to current payment

- Line item added with deductible as an offset payment
- Payment (and check) total reduced by value of deductible

▶ "Apply Deductible" button disappears

Complete the check

Step 3 of 3: Set check instructions

| Cancel | < Back | Finish | Link Document |

Pay To The Order Of	Mark Henderson
Mail To	85 Circle Rd.
	West Lake Village, CA 91145
Gross Amount	$200.00
Deductions	-
Net Amount	$200.00
Claimant	Mark Henderson

Financials (Total Incurred: $3,000.00): Summary
Summary | Transactions | Checks

Exposure

	Remaining Reserves	Total Paid	Recoveries	Net Total Incurred
(1) 1st Party Vehicle - Mark Henderson - Collision	$2,800.00	$200.00		$3,000.00
Claim Cost	$2,300.00	$200.00		$2,500.00
Auto body	$2,300.00	$200.00		$2,500.00

▶ Financial screen shows total paid to be amount of check
- No visibility into deductible handling

▶ Deductible has no effect on reserves or NTI
- Actual amount of check is all that matters

Guidewire

Additional payments against same reserve

▸ No "Apply Deductible" button because deductible already applied

No partial deductible transactions

▸ ClaimCenter will not allow you to apply the deductible against a payment that is less than the deductible amount

Ignoring the deductible

▶ ClaimCenter will not let you close an exposure if there is an unmet deductible

Guidewire

Lesson Outline

▶ Payment basics

▶ Creating checks

▶ Deductibles

▶ Auto first and final

Guidewire
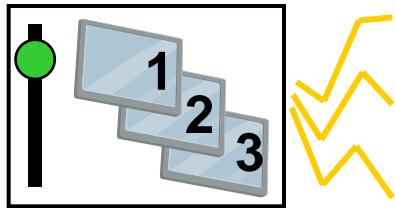
Auto first and final wizard

> ▸ The auto line of business has a "First and Final" wizard
> - It is intended for simple claims that require no adjudication
> - Most common usage is for windshield damage

Completing auto first and final

▶ The Auto First and Final Wizard completes all the steps in one

- Vendor selection
- Payment amount
- Reserve creation

Lesson objectives review

You should now be able to:

- Define financial terms used by ClaimCenter for managing payments
- Create checks
- Apply deductibles
- Create and pay out auto first and final claims

Guidewire

Review questions

1. Betty Baker went through the payment wizard one time. She specified three payees (and there were no joint payees or recurring payments). Based on this information alone:
   a) Can you tell how many checksets there are?
   b) Can you tell how many checks there are?
   c) Can you tell how many payment transactions there are?

2. A check includes a $200 final payment from a $500 reserve line. Why does ClaimCenter create a second transaction? What is the dollar amount of this transaction?

3. What happens if you start the payment wizard when the claim is not at "ability to pay"?

4. What happens if you start the payment wizard when the claim is at "ability to pay" but none of its exposures are at "ability to pay"?

5. Are deductibles applied to payments or checks?

Guidewire

Reservation of rights