



An **Effective Collections** or Credit Control System **Minimizes Delinquency** in the Insurance Industry

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General insurers across the globe have a fiercely competitive market with a supplier-customer chain model driving approximately 70 percent of the overall sales generated by any insurance company. Intermediaries are very critical to supplier-customer chain management; for instance in the U.K., the intermediaries are generating sales revenues of over GBP 225 Million on a month-on-month basis. The phenomenal amount of premium generated brings along with it the complexity of managing multiple broker relationships. Most or all brokerage models work on a 30-60-90 day credit-line period. This builds a self-delinquent model, which needs to be managed based on relationships and strong credit controls coupled with reconciliation and cash application. Delinquency management or a recovery model thereby creates a cross-section across the supplier-customer chain model and is critical to the cash flow of a business.

WNS, a leading global Business Process Outsourcing (BPO) company, has evolved over the years to provide specialized collections services through its global offices present in key geographies. The WNS's Insurance Services group has tailored a unique collections model that is effective in reducing the high delinquency plaguing the industry. This article provides an overview of WNS's end-to-end capability in a recovery model space as well as relationship management and reconciliation both of which are critical for ensuring cash flow and maintaining reduced delinquency levels, and substantiates this with a case study which presents WNS's intervention in supporting its client with the implementation of a more efficient credit control.

WNS Solution Customized for Insurers with Challenges in their Credit Control System

Deploy Real-time Performance Measurement and Monitoring Tool

Considering the dynamics of the collections department and its impact on the top-line of insurers, WNS Insurance Services has developed a real-time performance measurement and monitoring tool that is scalable and customized for different clients in the insurance industry. For instance, the WNS team of subject-matter experts (SMEs) mapped the linkage for one of its insurance client's Oracle-based collection platform with the credit terms of the intermediaries as well as with the analytics team who extract the vital statistics at the end of every month. This team was then able to replicate and split the monthly MI on a day-to-day basis by manually entering the systems and punching in the values for the key metrics. This helped in creating a visual factory and provided detailed insights to all the stakeholders. The team was also able to identify the poorly performing intermediaries and did an effective credit control which helped in enhancing collections on current as well as the overdue buckets.

Induce Research and Analytics

WNS leveraged its research and analytics capabilities to drive the entire collections and credit control strategy. For instance,

- Building the overall Loss-Plan based on historical trends and expected delinquency levels based on paper type and current performance.
- Segmentation of Inventory with focus on new acquisition and First Payment Default.



- Hold-back strategy and letter strategy for self-cure based on risk-based segmentation of Inventory.
- Optimum capacity utilization based on inventory type–Account-to-Collector ratio (ACR) and inventory segmentation-based capacity model.
- Equip the business to make quick decisions through strong rigor on Delinquency Movement Matrix (DMM) and roll-rate–flow-rate visibility.
- Enable easy inventory movement and reconciliation based on best-of-the-breed performance from site through clear line of sight of inventory as well as reconciliation process.

Fund Reconciliation

One of the key activities in the collections world is timely identification and allocation or receipting of monies along with reconciliation and application of funds in the correct account. The WNS-proposed approach for its customers to increase cash flow and reduction of funds in the suspense account is as follows:

- Decentralization of cash allocation and cash application teams
- Banking and collections teams to work in parallel in order to reduce unallocated and unapplied funds

Work Ownership Model

WNS takes complete ownership of its client portfolios and suggests the most suitable strategy post analysis of their processes and engages the end-customer using the credit control strategy as outlined below:

- **Cradle-to-Grave ownership (Blended model)** – This model is used for collections processes, where the stress on rapport building with the broker is high and critical for the end-delivery. This model ensures that the contact point at WNS is limited to the same person and supports relationship-building. This also helps reduce ageing through the personalized relationship-based dispute resolution and query response. This approach is used for consistent customer base with cyclic invoicing.
- **Delinquency-based ownership** – This is a model wherein the invoice recovery would move to a different agent, based on the age of invoice. This one works best with a changing customer base with sporadic invoicing or invoicing dependant on sales. This approach focuses on matching the right collections skill to the age of debt, rather than a long-term relationship build-up.
- **Ownership based on value and volume (Blended model)** – This model is applied to business with varying portfolio and invoicing cycles. It supports the practice of ensuring that high potential customers are ring fenced and not included in this exercise.

This assists the focus on reducing the number and value of outstanding by focusing efforts on both aspects of the portfolio.

Customizing Approach by Debt Age

The age of debt and the type of account decides the collections effort to be utilized. It is obvious that the approach to early-stage collections and late-stage collections will be different. Building on this, in most of our non-portfolio-owned processes, we have built core teams that address the different ageing buckets. This approach leads to the following benefits:

- Support the right staff skill-sets for the collections stage and build domain knowledge
- Concentrated efforts in each bucket to ensure reduced roll-over
- Define frequency of contact by stage of collection
- Support the capability of studying the behaviors of different ageing buckets like promise-to-conversion, contact-to-settlement ratio, query / dispute contribution to ageing
- Support to some extent the nullification on intra-agent variations in the collections approach

Ease of Reporting

- Build the reporting structure with a top-down approach and rigor towards reducing losses
- End-to-end reporting from loss-plan to roll-rates by site at each delinquency stage
- Inventory management and Inventory reconciliation with daily visibility to delinquency in each bucket and rolled up to monthly delinquency
- Trending vis-à-vis current performance and prediction of month-end delinquency
- Variance reporting against historical performance and drivers leading to performance change

Dialer Strategy

- Strengthen the performance through robust dialer strategy focused on high risk–high balance inventory
- Create iterative dialer strategies which yield higher contacts to dials and thereby improved dialer utilization
- Ensure higher prime-time utilization which yield stronger collections efficiency
- Run dialer strategies which segments historical data to create BTTC (Best-Time-To-Call) basis inventory segmentation



Case Study

WNS supported a leading global insurance company with implementing an efficient credit control platform

Our client, one of the leading insurance companies, embarked on a journey to move its credit control function from its already existing mainframe to a more advanced Oracle-based platform. The objective was to have one finance application and consolidate all the functions being performed on different platforms due to multiple acquisitions that our client had made over the years. This move was in anticipation of higher operational efficiencies and better quality of reporting and interface. WNS SMEs were invited by the client to participate in the design phase to test and implement the new platform, and also provide suggestions to make it more user-friendly and efficient.

Implementation Challenges

As our teams progressed to the cut-over date when migration of the policies to Oracle and sunset of the legacy system was completed, our team encountered various interface errors in the platform, for instance,

- Failure of auto-reconciliation system which is the interface provided to brokers by the client for managing the policies
- Interface failure between the underwriting and Oracle systems
- Auto-generation of thousands of letter to policy holders with incorrect payment schedules

These errors led to high number of complaints, leading to broker and customer dissatisfaction. Besides, these also posed a challenge for our employees who worked uninterrupted to compensate for re-work generated.

Key Steps Undertaken at WNS to Control the Situation

- The team supported the business by first manually reconciling the accounts (worth GBP 80 Million) impacted by interface errors by jointly putting in over 20,000 extra hours at work

- Cross-training of staff to manage the huge influx of call volume due to incorrect statements getting generated due to system errors
- Six percent additional staff hired and trained on short notice to manage the volumes and handle the customer queries
- Team of SMEs created to manage complaints and ensuring that CSAT is maintained in spite of challenges encountered
- Utilizing basic MS Excel tools to prepare a tracking mechanism for payment volumes as the reporting function failed in Oracle and no MI was being produced
- Creation of a Performance Management System (PMS) internally to track the volume of payment and reconciliations
- Adoption of 'Proof-of-concept' methodology for wide-ranging deployment of the platform

Benefits Delivered by WNS

The key steps taken by WNS had a direct impact on controlling the situation while the IT teams worked non-stop behind-the-scenes to fix the errors that had taken a huge toll on our client's profitability. The timely support that the client received was greatly appreciated as it enabled:

- Reduction in unallocated cash from GBP 66 Million to GBP 20 Million
- Reduction in unapplied cash from GBP 35 Million to GBP 13 Million
- Reduction in complaints which were caused by the above issues
- Reduction of backlogs which were caused by interface failures due to Oracle implementation by 90 percent

To learn more, please write to us at marketing@wns.com