

Service Contract Provider Underwrites Warranty Products

Entigo Warranty™ CASE STUDY



BACKGROUND

A service contract provider established a goal to more than double their revenue within a three year period. The provider decided that they could grow their business significantly by offering extended and optional warranty products to the heavy equipment industry because they realized that most service contract companies don't underwrite heavy equipment. They recognized this as a unique, untapped market and wanted to move aggressively to take advantage of the opportunity.

CHALLENGE

The challenge was that the company needed systems and processes to collect accurate and comprehensive warranty claim data in order to properly price and underwrite their policies. Accurate data was a critical element of the strategy because if they underestimated the future claim obligations, this new revenue stream could turn into a drag on the profits of their existing product lines.

The provider had already uncovered two heavy equipment component manufacturers that were interested in working with them to offer extended warranties on their products. One obstacle was that potential customers had diverse systems, some of which could not even process extended warranty claims. It was decided that the providers would also need to manage the claims processing for manufacturers without an internal claims processing systems.

One of the key strategies in the new extended warranty product plan was to increase the number of customers and policies without significantly increasing staff. In order to achieve this, the plan called for dealers to enter the warranty claims through a web-based interface and send them automatically to the provider's system, thus collecting the data without any internal manual intervention. In the case where the provider was also processing the claims, they wanted the majority of standard claims to be processed and paid automatically to minimize the labor cost associated with claim review.

CHALLENGE

- Develop systems and processes to support new business line
- Ensure that the new business could scale without labor significant increases

SOLUTION

- Implement Entigo Warranty, commercial-off-the-shelf product
- Claim entry cost are minimized since dealers will input claims themselves
- 80% of claims are processed automatically





The first step was to review the provider's existing mainframe systems to determine if they could meet the requirements for the new line of business. They found that the existing system did not have the functionality necessary to integrate data from multiple customers and it was cost prohibitive to add that functionality. So over an 8 week period, the service contract provider developed a Request for Proposal that detailed all the requirements of the system. To expedite the availability of the system, their strategy was to implement a commercial, off-the-shelf warranty chain management solution that would grow and provide flexibility as needs changed in the future.

SOLUTION

After comprehensive due diligence by a cross-functional team and thorough evaluation of a number of vendors, the service contract provider chose Entigo to provide a state-of-the-art warranty solution. The evaluation included visits and discussions with three Entigo customers who offered strong testimonials for the company and product. The Entigo Warranty application, along with the Entigo professional services team, would supply the application and integration expertise required for a project of this magnitude and importance.

The provider believes that the Entigo Warranty solution will keep internal costs to a minimum as they scale the new extended warranty business. The integrated rules engine allows the creation of defined policies and processes that enables up to 80% of the claims to be evaluated and processed by the system. Warranty claims outside the boundaries set for normal processing will be flagged for further evaluation by the provider. The system isolates

instances where a particular service center is submitting claims atypical of those normally received and prevents fraudulent or inflated claims from being processed.

The Entigo solution collects data with the extensive level of detail that is required to properly price and underwrite the extended warranties. The system captures component serial numbers and batch IDs at the point of service as well as equipment mileage and hours in service to ensure that details critical to profitable pricing and underwriting are not lost during the claim process. The provider noticed, in past experiences, that only 15% - 20% of registration data was accurate enough to effectively and easily process subsequent claims. Solid data was also crucial to enable recovery of claim costs from suppliers in the case that a supplier's part was the cause of the problem.

The Entigo Warranty technical foundation and architecture differentiated the solution from the competitors. The product includes administrative tools that allow the service contract provider to tailor the application for specific needs of new customers, without requiring customization from the Entigo professional services organization. The system is web based, so updated functionality can be seamlessly and easily deployed in the future. The flexibility of the Entigo system minimizes total cost of ownership over time as the business grows.

The initial implementation of the first component manufacturer is scheduled for release early fall 2003. The service contract provider plans to bring its second customer live as well, within one month.

About Entigo

Entigo is the world's leading provider of warranty chain management solutions. With Entigo Warranty, customers save millions by efficiently and accurately processing claims, increasing supplier cost recovery, and accelerating problem identification and resolution. Entigo is headquartered in Malvern, PA and can be reached on the web at www.entigo.com or via phone at (610) 232-2900.