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Keeping on Track:

Global Claims and Freight Claims Management Solutions using Oracle Channel Revenue Management

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Abstract

Learn how a global transportation company leveraged Oracle Channel Revenue Management to transform over 60 disconnected systems and processes into a single enterprise wide claims management system.

Gain an understanding of how Oracle Channel Revenue Management was deployed to automate every aspect of claims processing from claim creation to assignment and research all the way to settlement and end customer communication. Benefits of this solution include: integration with waybill tracking system, incident tracking and costing, 360 degree view of all claims associated with an event, automated claim generation for internal/external parties, claim netting, EDI/Data transmission, and much more.

Business Challenges

For the transportation industry, freight claims processing is one of the most critical activities that can impact a transportation company's success. Claims management is a complicated process requiring the interaction of multiple parties (internal and external), multiple events, and volumes of information. Each claim must be logged, assigned to the proper investigator, researched, settled, distributed and accounted. Most companies handle this myriad of activities with a combination of disconnected systems and manual processes, opening the door for errors and delays that increase costs, reduce revenue and ultimately threaten the customer relationship. Due to these inefficiencies, companies struggle with:

- Centralized control for handling and tracking exception events such as loss and damage reports from their field managers or customers
- Effectively managing and distributing inbound and outbound liabilities from other railways and transportation companies
- Capturing and understanding the true cost of transportation claims while considering transportation partner liabilities, contract clean up services, salvage and other related costs to the claim event
- Performing analysis on claim activity to derive total claim costs/liability and to identify trends

Only after wrangling in this data can companies begin to recognize and take corrective action to eliminate inefficiencies, prevent revenue leakage and reduce the costs associated with freight claims management.

Business Flow and the Relationship of Claims and Events

Loss and Damages

Loss and Damage reports, or L&D's are filed through both internal and external channels. Internal L&D's are generated while freight is en route or when an event occurs, such as a derailment. External L&D's are typically logged by the end customer, either a shipper or consignee. In both cases, the L&D is a record that is maintained during the investigation process that provides information related to the event including:

- Activities associated with the event including site investigation and when and where the event took place
- Record information about the shipment including product, consignee, shipper, and damage
- Record information related to salvage, clean up and disposition of freight
- Record estimates of damage for liability tracking

The last point has actual GL impact, as it is required for the company to maintain an open liability amount for potential claims.

Freight Claims

Customers generate freight claims for multiple reasons including lost or damaged products, overcharges and disputes with freight and transportation costs. Each claim must be assigned to a resource, researched, settled or declined, and then accounted, but this represents only a portion of the process that needs to be managed by the transportation industry. Additional activities need to be taken to assume any additional charges for the event, or recoup some of the overall liability for the transportation company. For example: was a third party liable for the event? Were other railroads involved with the transportation? Do those railroads need to be charged a portion to share the burden of the cost? Were there any suppliers contracted that need to be paid for performing services related to the event? Are there any parties that salvaged the material that need to be charged?

To manage this process, additional claims are generated in the system to track and process all financial activities for all parties involved in the event. The claims created through this process consist of both inbound and outbound claims.

Inbound Claims

- Customer Claims – claims filed by end customers including the shipper and consignee
- Contractor Claims – claims filed by contractors involved in clean up activities and other event related work
- Automobile Claims – claims filed through Electronic Data Interchange by the automobile manufacturers
- Inbound Railroad Claims – claims filed through collaboration with other railroads (equitable distribution of liability)
- Recharges Inbound Claims – claims filed by another railroad to reverse/dispute charges filed

Outbound Claims

- Outbound Railroad Claims – claims filed by one railroad to another railroad that was involved in the transportation between origin and destination
- Salvage Claims – claims generated to charge an external customer for taking ownership of salvageable material
- Third Party Claim – claims generated to charge a third party for actions in causing the event
- Recharges Outbound Claim – claims filed to reverse/dispute an inbound railroad claim

Critical Associations of Data

Costing an Event / Claim

A single event may be associated with many financial claims, both inbound and outbound, making it very hard to determine the true cost of an event. At the end of the day, the railroad must be able to determine its liability based on all the claims; what is being charged to them, and what costs are they able to recoup. As part of this process, they rely on specific industry tags such as waybill numbers and control numbers to group this data together accurately. Using a primary key allows them to add up the costs associated with a claim (customer claim amount and/or contractor amount) and then subtract the recoupable costs (salvage costs, outbound charges, third party liability, etc).

Liability

Liability is accounted for when an L&D is filed and approved. Ultimately this liability needs to either be offset by the claims being filed against the L&D or it needs to be reconciled if no claims are filed. For example, If a Loss and Damage report is filed for $5,000, this dollar amount is booked against the liability account. Any claims that come in and are associated to the L&D relieve the liability upon settlement.

Reporting

Once all the costs are gathered and understood for the financial aspect of the claims process, additional data elements are analyzed for trending analysis. Data elements such as claim reason, declination reason, equipment numbers, VIN numbers, product identifiers and customer information must be gathered and analyzed. Other data elements such as settlement data are used for understanding the ratio of claims received vs. claims paid out as well as claim resolution time.

Legacy State of Freight Claims Management

Although Oracle EBS was already being leveraged by legacy state to manage back office applications, there were over 60 systems and manual processes to manage the claims processing. Due to so many systems and processes, the claims department was in a constant battle to reduce the number of hours lost in a day dealing with non-value oriented administrative tasks. In the past claims specialists and managers might spend 25% of their time searching for relevant information. Customer claims existed in one system, other claims like liability claims were tracked in spreadsheets, and distributions existed as separate lines in a mainframe to be tallied monthly. As a result, claims investigators spent their day vigorously moving between multiple data sets, hard copy reports and other disparate business systems. This of course impacted the time of resolution and had a detrimental effect on customer relationships.

Legacy State Challenges

The legacy process relied on different technologies and multiple inputs. The challenges with managing the claims process with disparate systems included:

- Costs associated with supporting multiple systems and supporting interfaces from legacy systems to Oracle EBS
- Lack of control and visibility with managing claim information in multiple places
- Limited automation resulting in manual and task intensive claim processing
- Data inaccuracies resulting in duplicate claims
- Lengthy resolution time impacts customer relationships

The Solution

Oracle Channel Revenue Management was implemented to create a "closed loop" for all freight claims throughout the organization. In order to achieve this closed loop, the following business rules were first established to support the solution with Oracle ChRM:

- All financial exchanges with any trading partners that are related to an event must result in the generation of a claim in the central repository. These claims can be inbound (money owed to a claimant) or inbound (money recouped)
- Waybill numbers will act as a primary key for all transactions related to L&D reports and claims. All claims need to be recorded to a waybill number so that costs can be summarized to an event or waybill

After these rules were established, we leveraged Oracle ChRM to automate and streamline the claims management process. Elements of the solution included:

- Oracle ChRM Offers for L&D Reporting
- Oracle ChRM Claims for claims management
- Oracle API's for claim creation, integration with customer facing portals and integration with EDI and Railinc
- Territory rules for claim assignment
- Task workflow for task assignment
- Approval workflows for claim approvals and auto-settle

Loss and Damage Reporting Using Offers

ChRM offers are effective in managing loss and damage reports and were filed through a customer portal or directly in the ChRM application. In both cases, an offer was created that collected critical requirements of a Loss and Damage report, including who filed the report, what the estimated value of the loss or damage was, and other related data elements. Once an L&D was created, Oracle Alerts were used to notify certain personnel if certain thresholds were breached on an L&D. For example, alerts were triggered if an L&D exceeded a certain dollar threshold or if the reason for the L&D was "Undelivered".

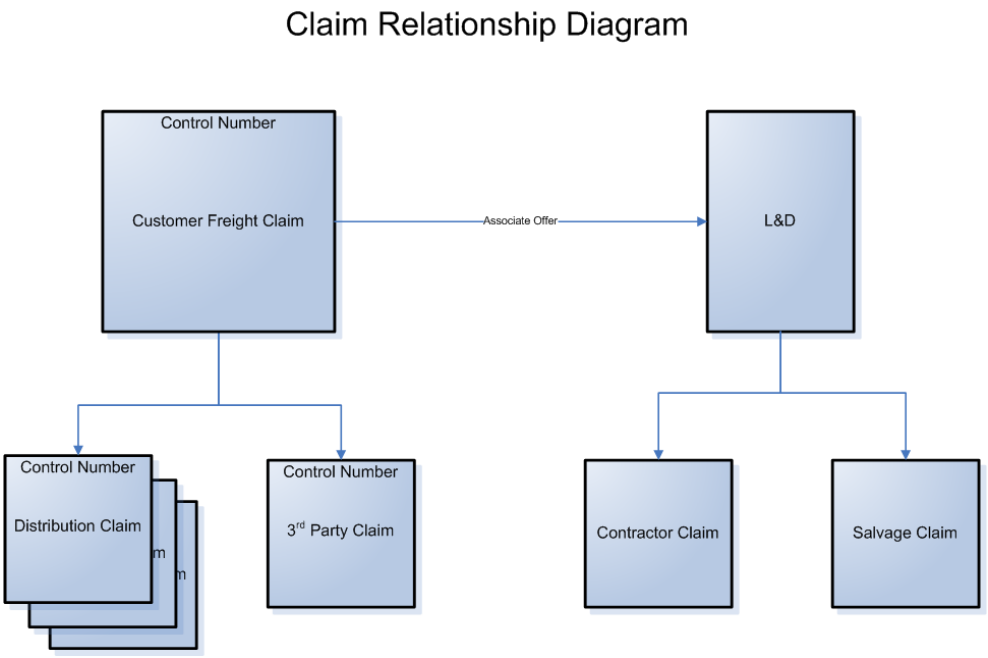
Both customers and employees had access to generate L&D reports, but because L&D's had a financial impact on liability, each one had to be reviewed internally and activated by an employee before a liability was generated and/or claims could be associated to it. Once an L&D was activated, an accrual entry was generated against the liability account for the dollar amount specified for the loss/damage. At this time the L&D also becomes eligible to have claim amounts associated with them to offset the liability amount.

Element Used	Benefit
Offer API to generate L&D's	Automates the entry of L&D's and reduces data entry for employees
Liability accounting	Automated creation of liability accounting
Claim association	Automated accounting for offsetting liability
Oracle Alerts	Notification based on business rules aided in the remediation process

Claims Management and Claims Generation

ChRM acted as a central repository for claim data. As discussed, one of the essential business rules established up front was that every financial transaction with a trading partner related to an event must result in a claim. Therefore, a single customer claim could result in the generation of multiple claims. Referred to as parent to child relationship, child claims associated to the customer claim could include contractor claims, outbound railroad claims, third party claims and salvage claims. These claims would include both credits and debits further reducing or increasing the total cost for the claim.

The diagram below displays the parent child relationship of claims



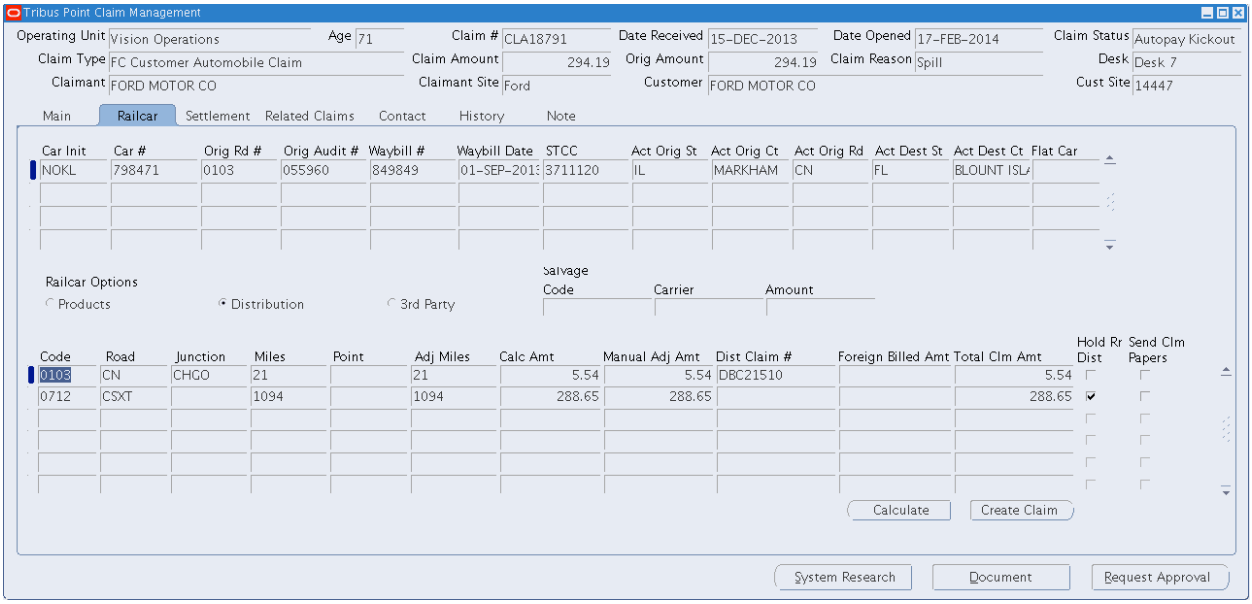
The Distribution of Liability, Recovering Costs and Other Claims

As part of the investigation process, the investigator would determine if the liability would need to be distributed among other parties including other railroads involved in the transportation, or 3rd party contractors that may be responsible for the damage. Salvage claims would further reduce the cost of the claim, and acting as a bill of sale would be used to "sell" any salvageable material to another party. Contractor claims were incidental costs associated with activities like hauling material away or cleanup and added to the cost of the event.

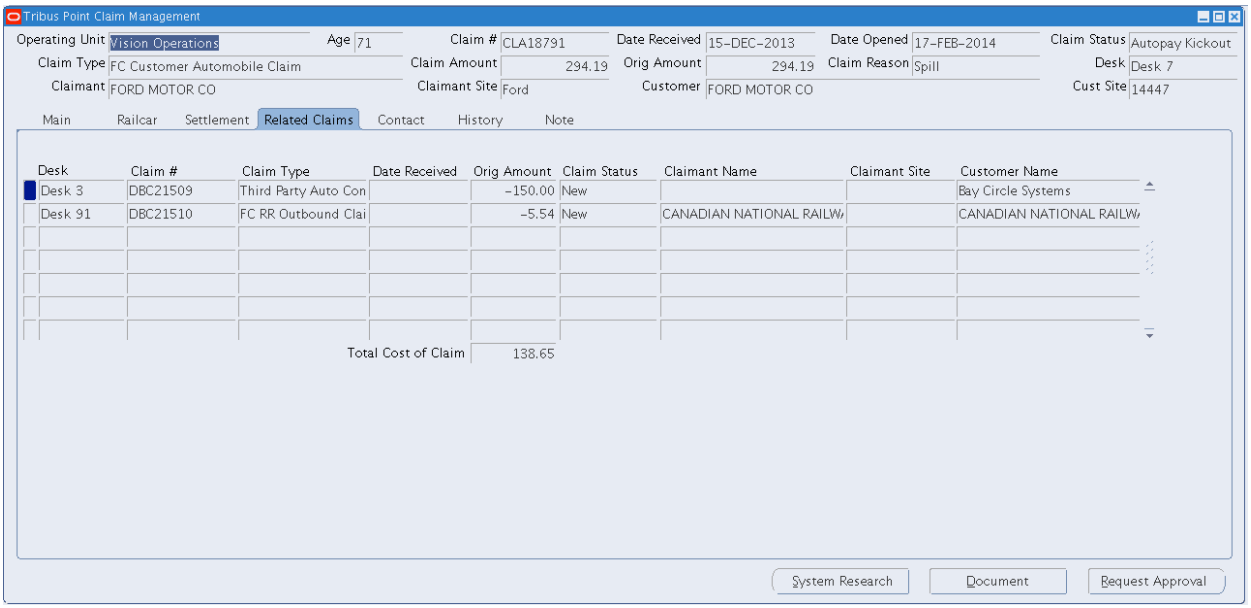
Oracle API's were used to facilitate the generation of all claims. The API's had four integration points

- Claims generated from the customer portal
- Claims generated through EDI and Railinc
- Claims generated from the L&D (salvage and contractor)
- Claims generated from claim form (3rd party and outbound railroad)

For internally created claims, or those claims spawned from parent claims, we added a button to the form to trigger the API. In the event when a claim investigator need to create a distribution claim, they would enter or calculate the amounts to charge to another railroad and click the "Create Claim" button.



As part of the claim generation process, we were also able to leverage the API to control data validations and guarantee data linking as the claims were generated. As a result, all claims generated in the claims system had a waybill number associated to it. Through this waybill, the system was able to discern related claims, potential L&D tie outs, potential duplicate claims as well as perform total cost of the claim calculations. Inbound claims represented the cost of an event, while outbound claims represented costs that could be recovered or charged to other parties. The screen shot below demonstrates the calculation of related claims.

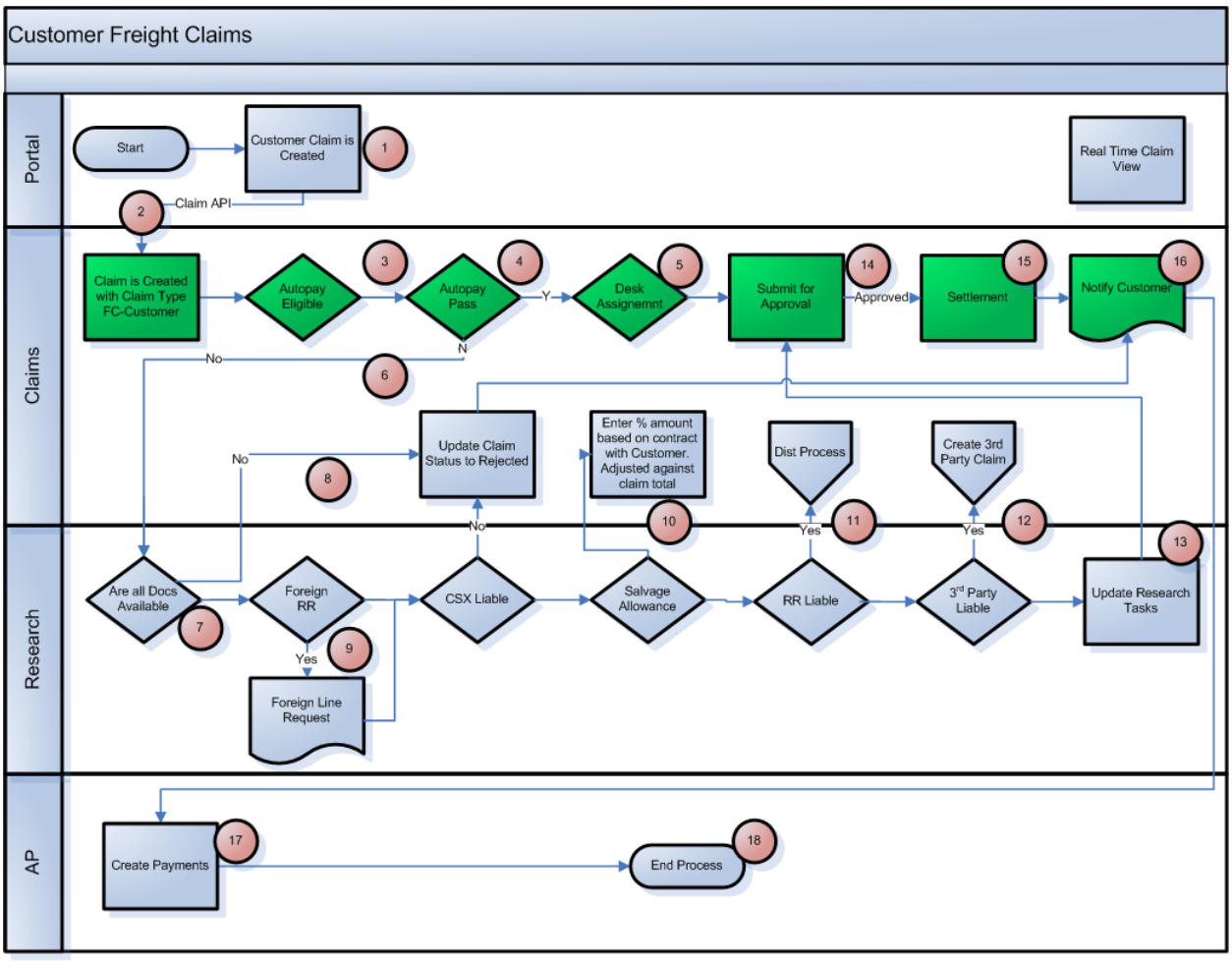


As you can see the total claim amount in the header (294.19) is reduced by two outbound claims; a charge to a Third Party for their involvement with the event (-150.00), and another railroad as they were involved with the transport (-5.54).

Element Used	Benefit
Oracle ChRM	Centralized claims repository
Claim API	Automated creation of claims.

Territory Rules and Task Management

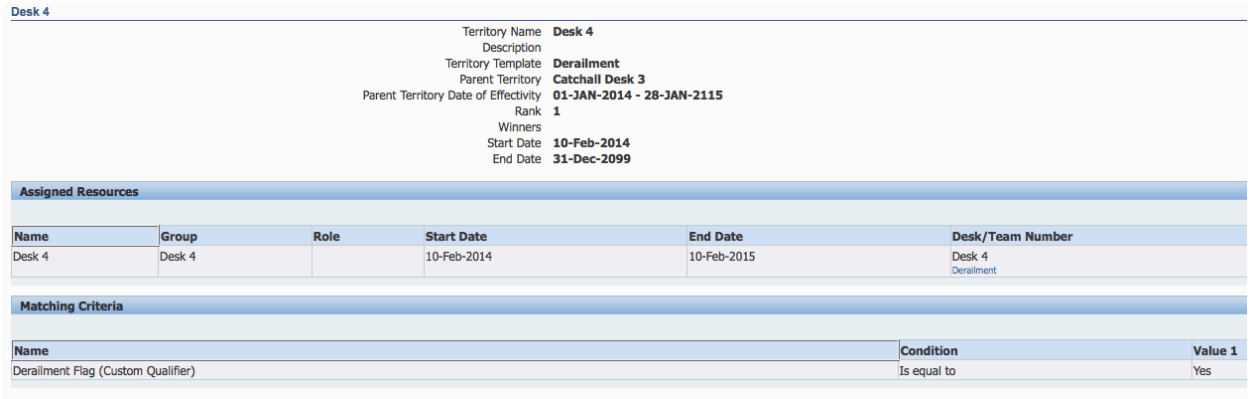
To initiate the claim investigation process, claims are routed through a series of decision points. During these points several claim attributes are reviewed and a determination is made as to how the claim will be handled. Each decision point has a set of validation rules. When these rules are met, the claim will progress toward another set of decisions. This decision tree is repeated until ultimately a disposition is determined; Can the claim be paid automatically? Is this claim related to a derailment? What is the commodity?



Regardless of the final disposition of the claim, all claims are routed to an appropriate desk for review and handling. These Desks take ownership of claims and are responsible for researching and processing the claim. For example, one desk may be responsible for processing claims with a claim type of “Contractor Claim”, while another desk may be responsible for processing claims with a reason code of “Derailment”. The desks are also responsible for confirming and completing a set of predefined tasks required by each desk during the investigation process. Only after these tasks are marked as complete can a claim be settled.

Using a combination of Oracle Territory Rules and Task Management, we were able to automate the decision process, determine dispositions, and route the claims to appropriate desks. Task Management allows for tasks to be assigned to workflows. For this solution, a single workflow was triggered at the beginning of the process called “Assign Desk and Check Autopay”. This task triggered the workflow, controlling all the decision points down the chain until ultimately the desks were assigned.

Territory rules are defined with a set of conditions and a ranking. The ranking determines which rules are reviewed first while the conditions validate the attributes within the claims. For example, if “Derailments” were always to be routed to Desk 4 regardless of all other rules, then this rule would have a ranking of 1. When this rule is met, the claim is routed to the appropriate desk (Desk 4) and the appropriate resource. (See image below).



Desk 4

Territory Name	**Desk 4**
Description	
Territory Template	**Derailment**
Parent Territory	**Catchall Desk 3**
Parent Territory Date of Effectivity	**01-JAN-2014 - 28-JAN-2115**
Rank	**1**
Winners	
Start Date	**10-Feb-2014**
End Date	**31-Dec-2099**

Assigned Resources

Name	Group	Role	Start Date	End Date	Desk/Team Number
Desk 4	Desk 4		10-Feb-2014	10-Feb-2015	Desk 4 Derailment

Matching Criteria

Name	Condition	Value 1
Derailment Flag (Custom Qualifier)	Is equal to	Yes

Additionally, a “catch – all” desk rule was defined to handling any claims that were missing attributes or had incorrect data. The task workflow could be invoked at any time during the claims research process by resetting the desk assignment to “Assign Desk and Check Autopay”.

Element Used	Benefit
Task Workflow	Automates upfront processing of claims
Territory Management	Automates routing and assignment to resource groups (aka desks)

Conclusion

Prior to Oracle’s ChRM solution, freight claim data was disconnected throughout the organization, causing data inaccuracies and delays in claim processing. Oracle Channel Revenue Management provides the necessary tools to capture, automate and track freight claims. Through automation and centralization real benefits were achieved including:

- Reduction of duplicate claims
- Reduction of claim processing costs
- Claim settlement reduction time
- Increased analytics