September 5, 2013

 View mobile version (mobile/mobile_20130905.html)

PCMI's Extended Warranty Management System:

Service contract administrators and underwriters need software that helps them manage both claims and revenue. And increasingly, they need multilingual and multiple-currency systems that can travel with them as they expand internationally.

Way back when *Warranty Week* was founded in 2003, a sage industry veteran named Mark Nagelvoort explained to us the main difference between warranty management software and extended warranty management software.

"Manufacturer warranties are like extended warranties without the revenue," he said. At the time, he was having great success with sales of a vehicle service contract management platform created by NAT Inc. And while he was well aware of warranty management software packages such as 4CS, he also noted that they didn't do a great job with extended warranties.

Except for the initial revenue from the consumer, which must be deferred and then recognized gradually over the life of the service contract, the way the two kinds of platforms work is vastly similar. Claims come in, repairs are arranged, accounts are debited. And then data is aggregated and analyzed.

Much has been written about the product warranty management software platforms, but this week we're launching a series of articles about the extended warranty industry with a closer look at Mark Nagelvoort's latest venture, PCMI Corporation (http://www.pcmicorp.com/about-us/company-overview/), and its inaugural product, called Policy Claims and Reporting Solutions, or PCRS.

It all started back in 1999, when NAT launched its first fully-automated extended warranty administration platform. It worked equally well for home warranties, consumer product extended warranties, and vehicle service contracts, though it proved to be most popular with the latter clan.

"It really streamlined how many people you needed," Nagelvoort said. "For instance, if you had 25 people in your administration company, we could help you double the amount of volume you're doing, without hardly expanding your staff at all."

That platform and the company were sold in the middle of 2005 to Dealertrack Inc., a major vendor of dealer management software for franchised automotive dealerships. Nagelvoort stayed on for two more years, as president of a new division called Dealertrack Aftermarket Services Inc. And Nagelvoort signed a five-year non-compete agreement related to auto dealers, which expired in 2010. Now, he's back in the business with a venture called PCMI.

"In late 2010, I started reassembling our team," he said. "In 2011 we got very serious about coming out with a new release. And in November of 2011 we launched the new application called PCRS."

The new platform, like the old platform, is a fully-automated extended warranty administration system. But it's also much more. Nagelvoort said it adds the ability to manage ancillary products, such as tire & wheel warranties, glass etching, GAP coverage, paintless dent repairs, and prepaid maintenance. And it does more to help the dealers and retailers sell and register the actual contracts.

Mark Nagelvoort
PCMI Corp.

"It does a lot more than just service contracts," Nagelvoort said. "The goal was to address three separate areas: 1) sales support and claims support at point of sale, 2) a complete administration system that had a lot more product depth, and 3) offering a portfolio management system for the sales teams on iPads. And also, we wanted to offer it globally, so it had to work in other countries."

Key Customers

Soon, Nagelvoort signed a couple of key customers. PCMI and Starr Indemnity & Liability Co. issued a joint press release (http://www.pcmicorp.com/wp-content/uploads/2012/12/PCMI-Insurance-consumer-FINAL-06-06.pdf) in June. PCMI and the Tricor Automotive Group Inc. announced an agreement (http://www.pcmicorp.com/wp-content/uploads/2012/12/PCMI-Auto-Industry-

Warranty.pdf) in July. Nissan Global Reinsurance, Ltd. signed on (http://www.pcmicorp.com/wp-content/uploads/2012/12/Nissan-PCMI-Agreement.pdf) in August.

Starr Indemnity is a major property and casualty insurance company based in New York, whose parent company was founded way back in 1919 in Shanghai by Cornelius Vander Starr. The chairman and CEO of the parent company is Maurice R. Greenberg, who may be better-known as the former chairman of the American International Group, Inc. As "Hank" Greenberg's online bio (http://www.starrcompanies.com/about-starr/starr-leadership) explains, AIG was actually created by C.V. Starr & Co., Inc. And when Greenberg retired from AIG in 2005, he remained and remains CEO of C.V. Starr to this day.

Starr is using PCRS's portfolio management and risk management modules for its mobile phone and consumer electronics programs. Michael Ryan, Starr's vice president of warranty programs, said the big problem that PCRS solves is its ability to accurately earn the warranty insurance premium. For instance, it takes into account the manufacturer's warranty that's usually running in parallel at the beginning of the service contract. And it adjusts the revenue recognition to account for actual claims experience.

"If you're earning everything pro-rata, and you're not fully earning contracts that have replacements, for example, ultimately your loss ratio and your earnings will be inaccurate," he said. "With this system, you have a true picture of what your loss ratio really is, versus what it might be if run on a curve."

Ryan said having an accurate method of earning warranty premiums is crucial to not only the insurance companies, but also to the administrators. If inaccurate data tells them their book of business is "running too hot," they may feel forced to seek price increases that are in reality unnecessary. And that impacts the prices consumers pay, and their willingness to even consider buying extended service contracts.

"PCMI is the only one that does it," Ryan added. "And they really understand the insurance portion of the business, and the accounting and the actuarial side. They understand the way insurance companies operate."

Faster Sales Reporting

The Tricor Automotive Group is a well-known but privately-held automotive dealer group in Canada. Basically, it manages the aftermarket business for over 160 dealers, and it uses PCRS to monitor the F&I departments within those dealerships and to aggregate sales data from their dealer management systems. Before PCRS went in, it took 30 to 90 days to get those sales reports. Now it comes in as real-time data.

Joseph Campbell, president and CEO of Tricor, said the system interconnects a whole array of systems and platforms used by the dealers and vehicle service contract administrators they work with. "I am extremely happy with the custom stuff that PCMI has developed for us. For my etching program, it gives me easy loss data. It earns the premium appropriately," he said.

"I think the key thing about Mark, and the thing that impresses me most about his operation," Campbell added, "is his willingness to go above and beyond and do what it takes to give you what you need. Everything we did was custom from scratch. And there were numerous billing issues that he had to create from scratch. And he has worked very well with our staff to make sure he can accommodate our needs."

Nagelvoort said he sees enormous opportunities for the new platform not only in the U.S., but also in Europe, South America, and Asia. "The manufacturers' warranty is substantially less outside the U.S. than inside the U.S.," he said. Yet extended warranties are much less common. "You're not seeing the penetration. You're not seeing the volume."

Growing International Opportunities

In addition, he said, the passenger car OEMs are looking beyond their success in the U.S. market for the kinds of technologies that can help them manage service contracts in different countries with different currencies, different languages, and different tax laws. That's built into PCRS.
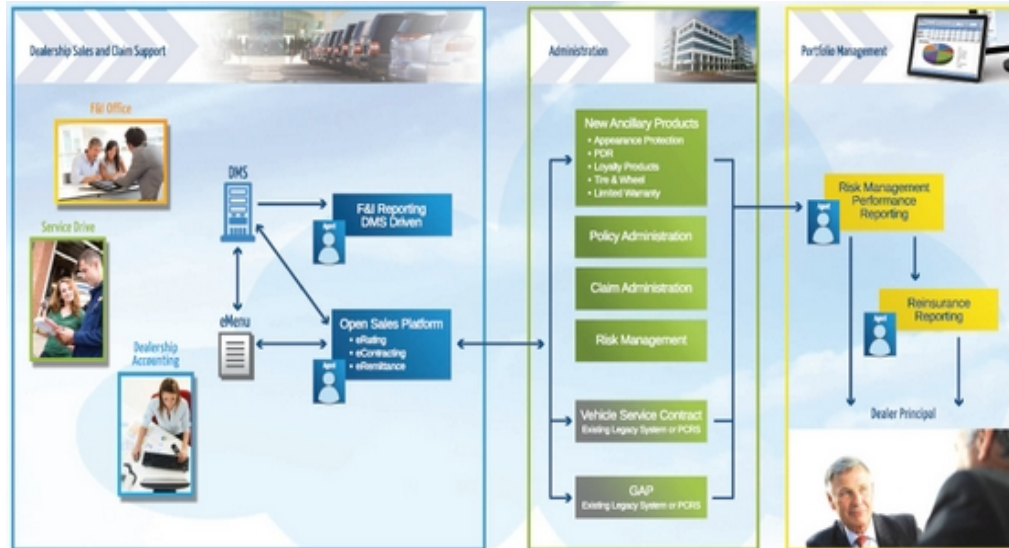
"In 2010, when I met and talked with people about where did they see growth, one person was telling me Brazil. Another person was telling me Europe. And another person was telling me China." Bottom line: All of the Requests for Proposals he's seen this year have required platform support for international growth.

"Even though the initial focus for system deployment will be the United States," he added, "they don't want to acquire a major system that can't support them in new markets."

For instance, to make the platform useful in Canada, it has to be able to compute sales tax on the premium remittance to the administrator. The platform must sometimes invoke different tax rates for different products. And it has to be able to do so at both the provincial level and at the federal level.

Now that Nissan Global Reinsurance has also agreed to implement the solution, the vision behind Nagelvoort's emphasis on international compatibility has become much clearer. Typically, such a company is going to implement the system in multiple countries with multiple distributors. So having one technology platform for those multiple countries allows a global company to achieve consistency.

PCMI's Policy Claim and Reporting Solutions

(http://www.pcmicorp.com/productspcrs-administration-systempcrs-agency-management-system/pcrs-administration-system/)

There are numerous modules included that allow for further customization. Some customers want to attach photos of broken products to the claims records. Others just want a faster administration system that can deal with higher volumes and multiple dealer management systems. And others want extensive reporting capabilities that can process feeds from other systems and produce charts that can be read on an iPad.

"The one system has multiple modules," Nagelvoort said, "so one customer sees it for one thing and another sees it for another. The more we can extend the point-of-sale system to support the sale of these ancillary products, the more sales we get, and the happier users we get. And we're doing it not just for the sale, but also for the servicing."

Connecting to Dealer Management Systems

PCMI also signed an international agreement with ADP Dealer Services (http://www.pcmicorp.com/agreement-with-adp/) to link the latter's dealer management system to PCRS. That way, the dealer can remain in their familiar ADP work environment, but can still take advantage of new and advanced functionality built into PCRS. For instance, they can price a service contract that's bundled with GAP and tire coverage, and print a customized set of documents for the F&I manager to show to the customer.

Nagelvoort said PCMI is the first ADP Third Party Access Program provider certified for Aftermarket Product Sales in the service department. PCRS is also able to link with other dealer management systems through its use of XML (the Extensible Markup Language), which allows data to be passed in machine-readable form between different software applications.

"We're out there to expose the platform, and you can pick which pieces of the platform you want to implement," Nagelvoort said. "And that's why I call it a 'Solution.' For different companies, it's a different answer set."

Like   Share   0

Warranty Cost Reduction: Billions of dollars have been saved in the past decade as American manufacturers find ways to reduce their warranty expenses. Now we're naming names and showing the decline in charts that measure warranty expenses as a percentage of product sales.August 8, 2013 (http://www.warrantyweek.com/archive/ww20130808.html) **Warranty Innovations Conference:** Next week, the fourth annual edition of the Extended Warranty & Service Contract Innovations conference moves out of Chicago, site of the first three events, and into Nashville. Here are some of the expected highlights.September 12, 2013 (http://www.warrantyweek.com/archive/ww20130912.html)