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Ensuring Efficient and Secure Payment Processing: How Direct General Insurance Dramatically Improved its Receivables Processing

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Vice President/Treasurer

Direct General Insurance

Jennifer Carlyle, CTP

Vice President/TM Sales Mgr.

Fifth Third Bank

Today's Agenda

- Overview of Direct General Insurance
- Defining the Challenges – Traditional Collection Processes
- Building the Best Process - One Step at a Time
- Where we are Today
- Lessons Learned & Tips to Share

Your Presenters

Jobie Williams
VP/Treasurer
Direct General Insurance

- Responsibilities include managing external relationships with banking partners and investment advisors, debt compliance, cash management and premium collections
- More than 12 years of insurance experience with 10 years of treasury experience
- Served in Manager, Assistant Treasurer, Treasurer and VP – Treasurer roles
- CTP, MBA - Vanderbilt University

Jennifer Carlyle
VP/TM Sales Mgr.
Fifth Third Bank

- Responsible for managing the payment, receipts and treasury needs of the Fifth Third affiliate in Tennessee
- Manages all aspects of sales which provides product and technology consulting, solutions and training for data that integrates into clients' ERP systems
- CTP, Georgia Tech

Overview of Direct General Insurance

- Privately held auto insurance company
- Headquartered in Nashville TN, with Claims Centers in Dallas, Tampa and Baton Rouge
- Serves the non-standard market in 12 states, primarily in the southern US
- Direct distribution model with approximately 400 store locations, web and phone channels

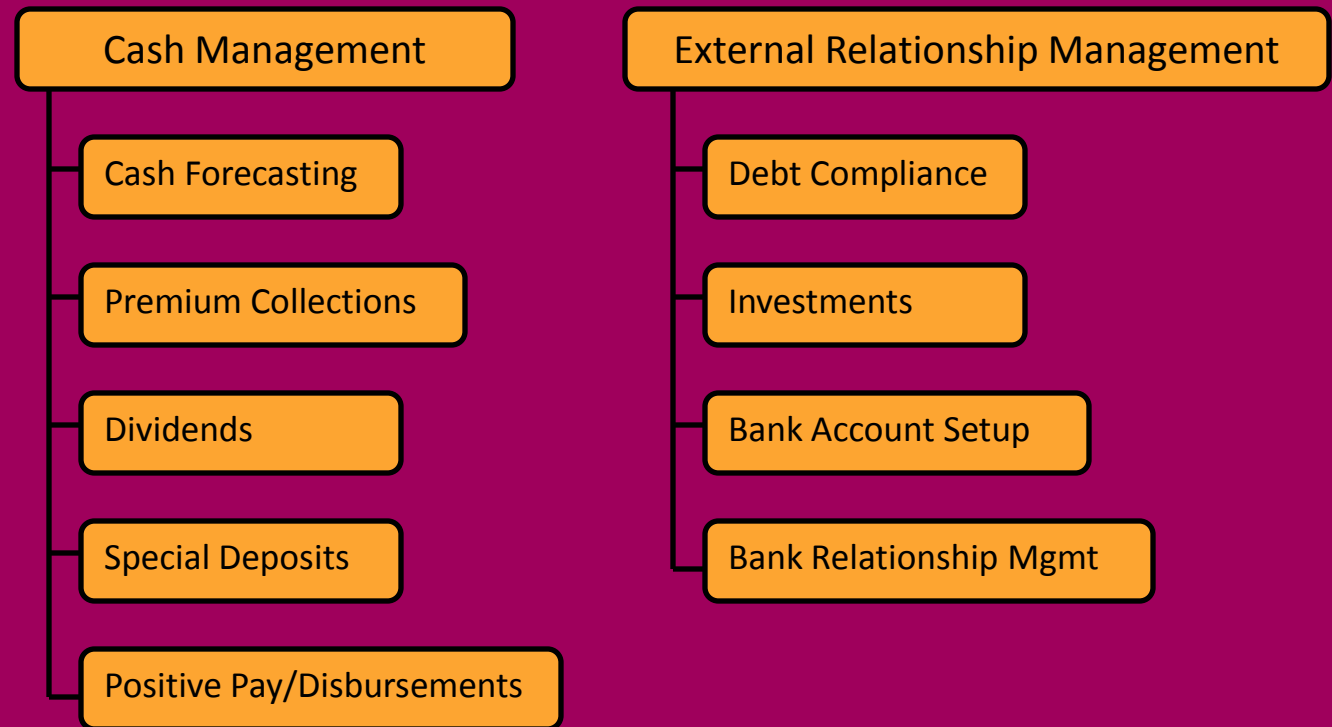
About Fifth Third Bank

- 153 year old financial services company
- \$110 billion in assets
- Headquartered in Cincinnati, OH
- Operates 16 affiliates with 1,310 full service banking centers
- Leads industry:
 - 1st in Remote Cash Capture
 - 2nd Largest in-house Lockbox Processor
 - 3rd Largest Merchant Processor
 - 5th Largest Remote Deposit Capture Bank
 - 5th Largest Control Disbursement Bank

Direct General Treasury Department Snapshot

Treasury Staff:

- 8 Employees
- 3 Premium Collections
- 1 Cash Manager
- 1 IT/Database
- 1 Manager
- 1 Asst. Treasurer
- 1 Treasurer



How We Collected Cash



Direct's Traditional Structure

Sales/Collection Channel



Store (65%)



Web (20%)



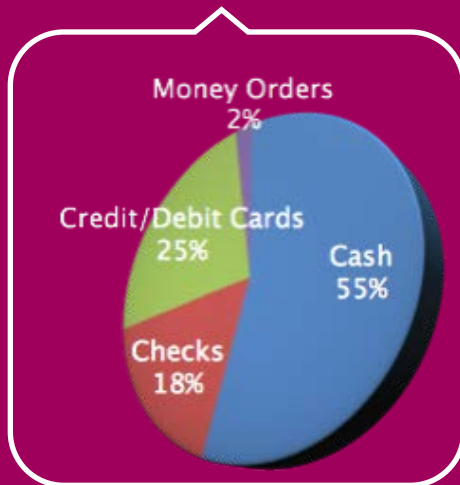
Phone (15%)

Collection Method

Cash, Check,
Credit/Debit Cards,
Money Orders

Credit/Debit Cards

Credit/Debit Cards, ACH



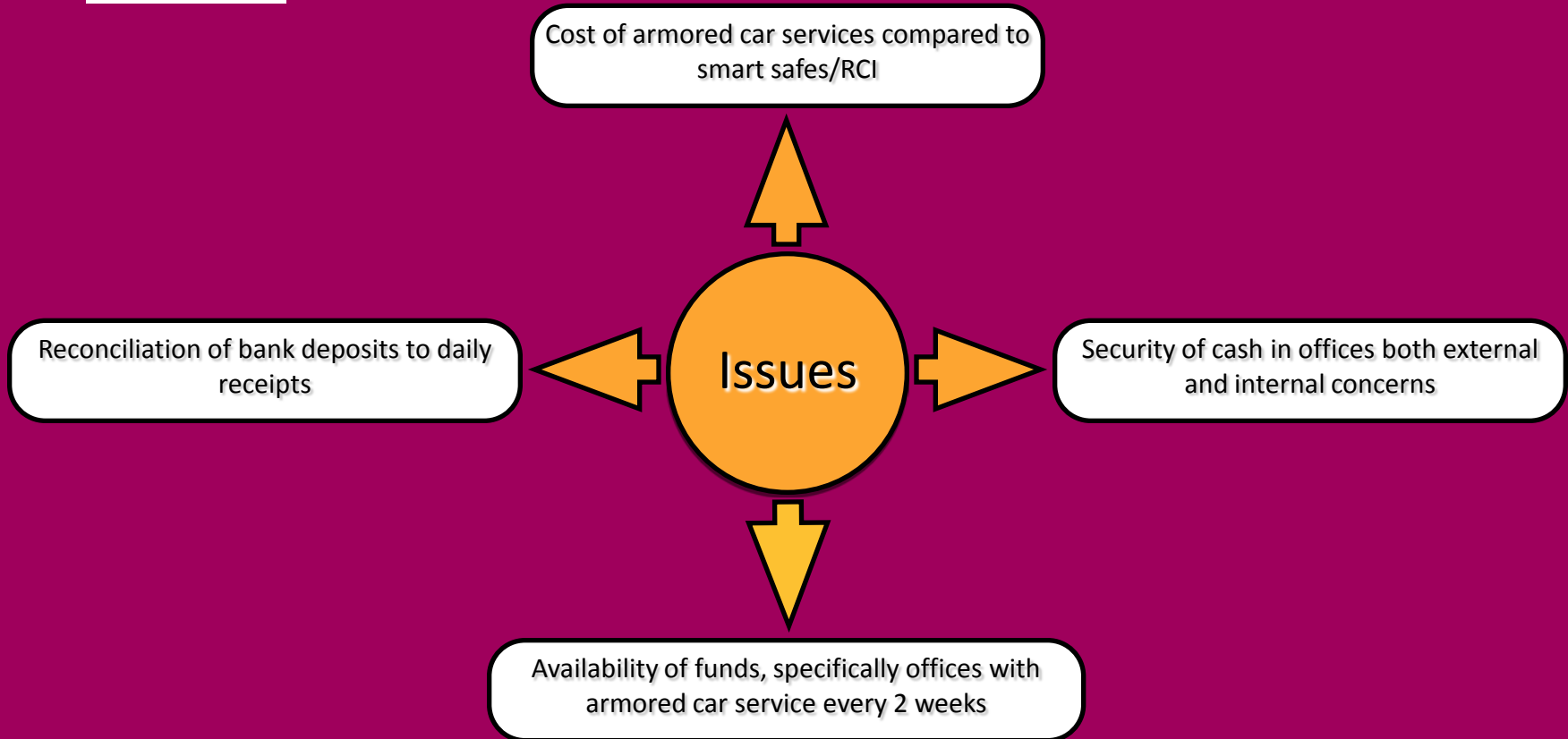
- Store Channel is the traditional collection channel for Direct
 - Bank account at local bank
 - One deposit per day
 - Armored car service where necessary
 - Treasury managed bank relationships
 - Treasury reconciles receipts to bank deposits

Puzzling Over Collections Dilemma



Challenges with Traditional Structure/Process

- 20% of store locations utilized armored car services



Encountering Road Blocks



Identifying Obstacles to be Addressed

Treasury

How best to handle collections:

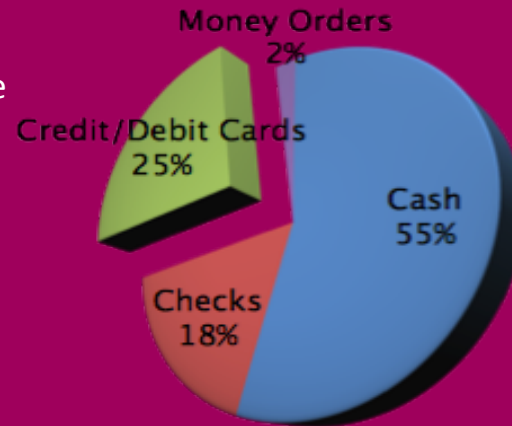
- Timeliness of deposits
- Security of cash
- Vendor selection

Company

How best to handle store procedures:

- Sales Force - process changes
- Facilities - safe implementation
- IT - equipment set-up

What is the best way to handle the 75% of store collections that are currently delayed?

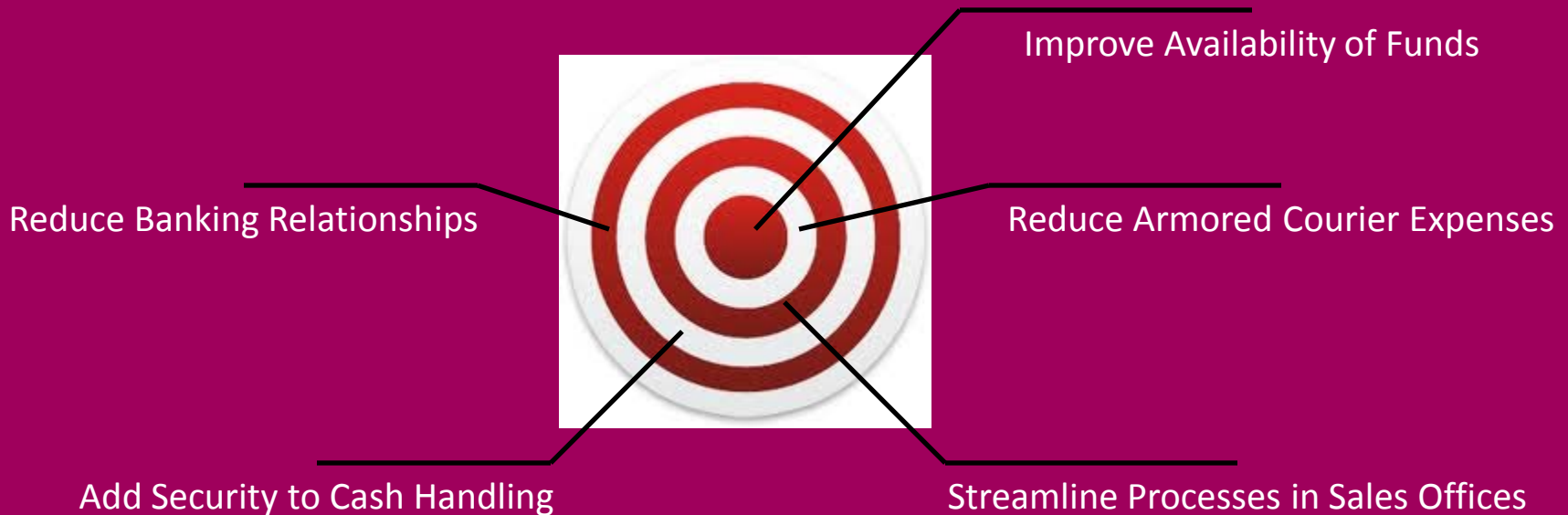


Setting Our Sights on the Target



Project Goals

Based on obstacles inherent in our traditional structure, we identified goals necessary for the project



Developing the Path to Success

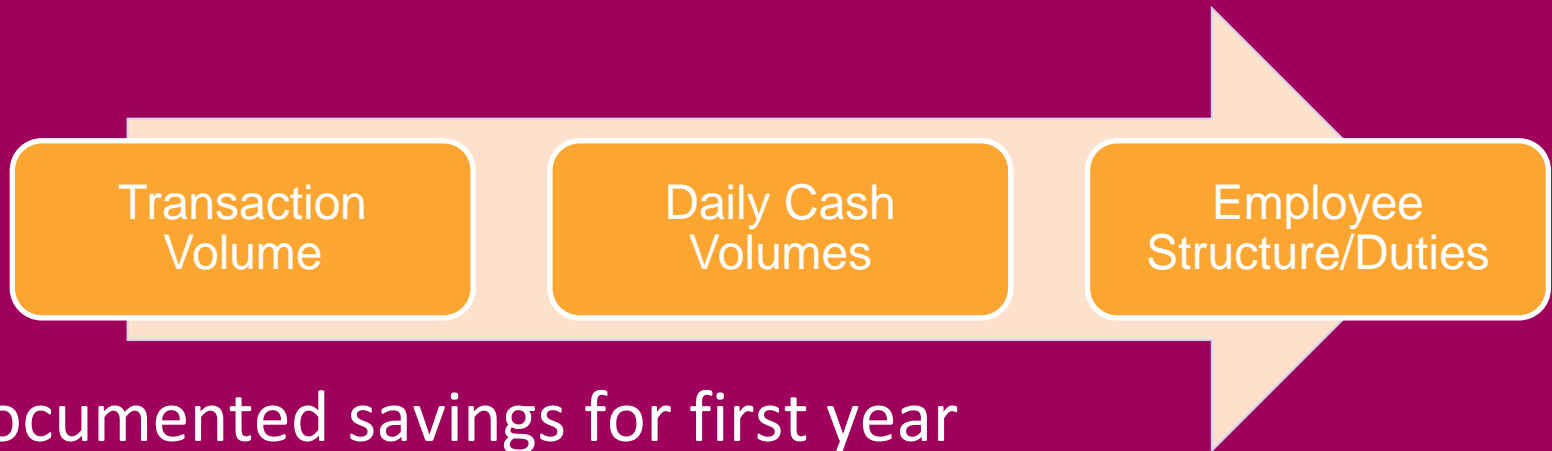


Building the Best Process – One Step at a Time

Step 1: Research Vendors/Banks	Step 2: Gain Internal Approvals	Step 3: Develop Project Plan	Step 4: Define Success	Step 5: Test/Pilot
Assistant Treasurer performed research and oversaw vendor presentations	Finance, Sales, Facilities and IT all had to be approached with project and sign-off on the idea before going forward	With department approvals in-hand, we had to develop a full plan of action and determine which offices would be impacted	Developed cost and process measurements to use to determine if project is successful or failure	Implement in select offices and measure against success factors
Fifth Third was one of five vendors that responded to Direct's request	Direct received a document that included a site evaluation and a full project ROI	We assisted Direct with their action plan by looking at volumes for several of their sites to choose the best scenario for piloting	Using the ROI that was performed prior to getting internal approvals, Direct was able to develop very specific guidelines for determining the success or failure of the pilot	After completion of the pilot, Direct was able to make a decision based on the specific guidelines for this project

Building the Best Process – ROI

- Performed In-house Time and Motion Study

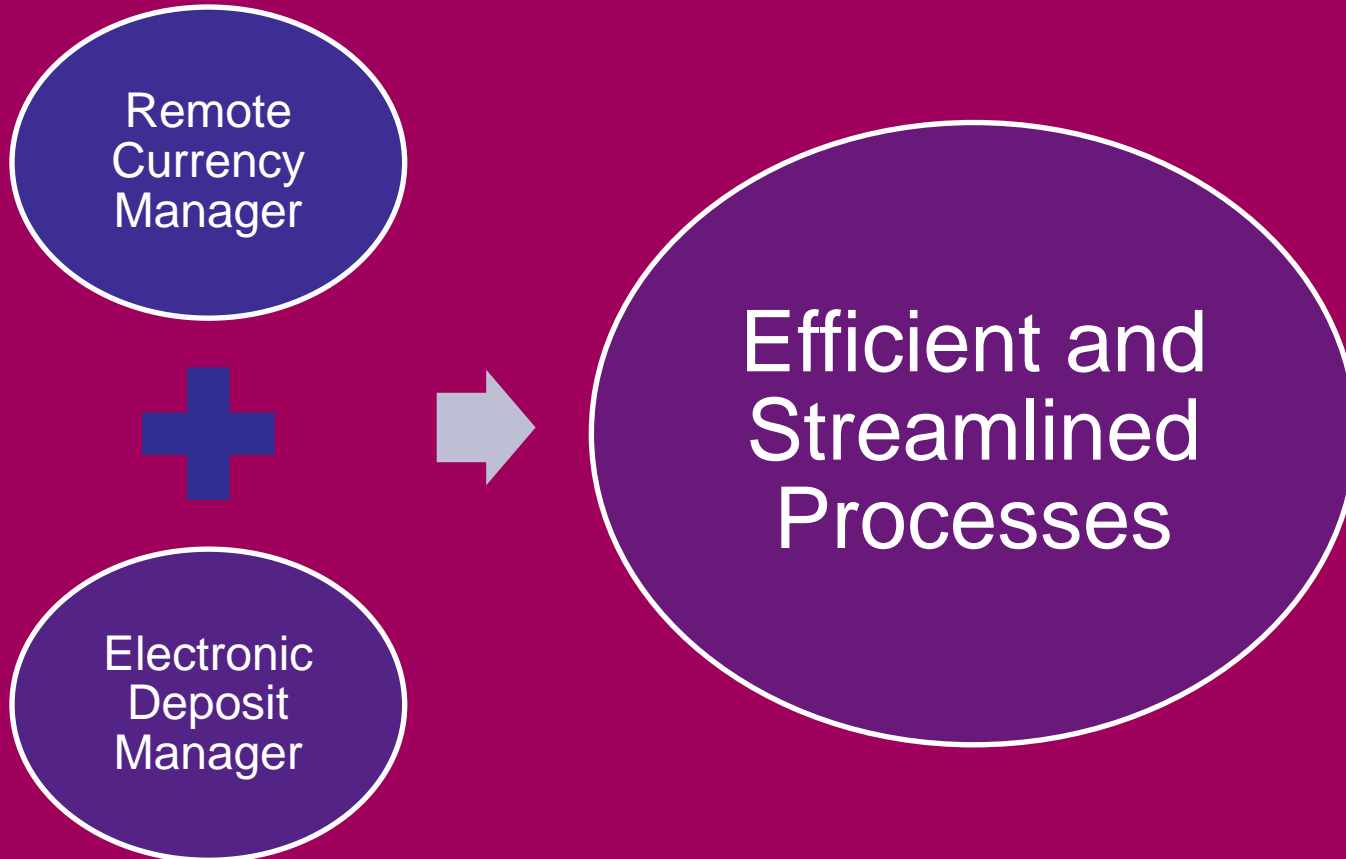


- Documented savings for first year
- Documented savings for ongoing years
- Presented feedback on revising store processes and procedures

Building the Best Process – Our Solution

- Direct General worked with banking partner to streamline receivables
- Went from manual branch banking to an automated, centralized structure

New Solutions for Direct General



Getting a Good Start is Crucial



Getting Started: Building the Best Process

- Identified the key stakeholders & project leaders to execute the solution

Direct

- Treasury/Finance
- IT
- Loss & prevention
- Legal
- Senior Management Sponsor
- Sales Team/Operations
- Facilities

Fifth Third

- Treasury Management Officer
- Treasury Implementation Support
- Product Manager
- RCM Team
- Legal

Receiving Cash Faster



Remote Currency Manager



Day 1

Merchant processes
Daily work until EOD



Day 2

After business day
safe transmits deposit
totals to CLP



Day 3

Deposit activity may
be viewed from banks
Information Reporting



Day 3/4

Physical cash pickup
from safe at
merchants location by
CLP



Day 4/5

Physical cash is
verified by CLP and
placed into bank
inventory



Throughout the day
cashiers make
deposits cash &
Checks into safe



CLP transmits,
business day results
to bank



BAI file provided to
merchant for
reconciliation



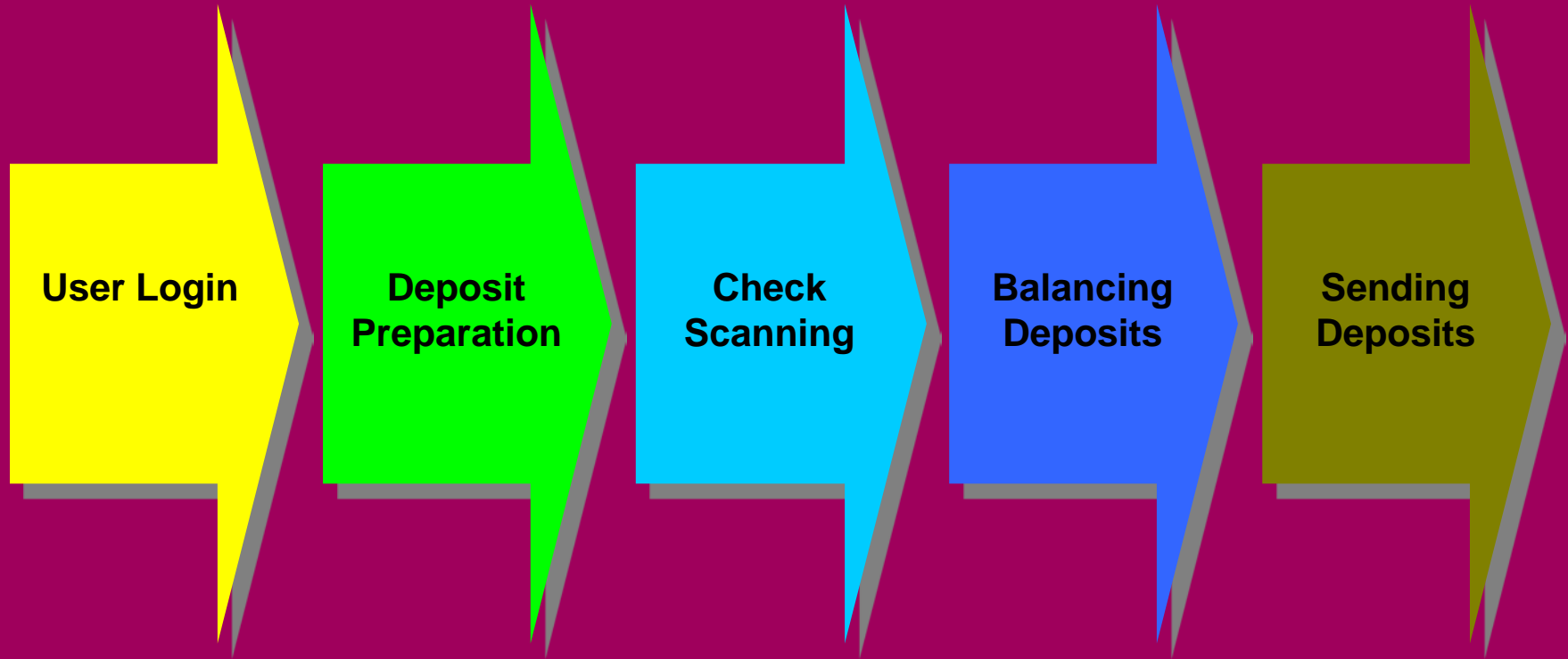
Bank post provisional
credit to company's
account

CLP – Cash Logistics Provider

Last Piece of the Puzzle: Processing Checks Faster



Electronic Deposit Manager – EDM



It's easy

How EDM and RCM met Direct's Goals

- Cash security
- Agent security
- Agent accountability
- Armored car costs
- Treasury operations enhancement

Benefits Gained

Expedited access to funds



- Improved working capital
- Same day deposit
- Reduced the number of time deposit needed to be handled

Saved time for tasks associated with processing in store sales or payments



- Reduced Fees for Mileage to Bank
- Delivered streamlined automated information flows
- Eliminated holdovers
- Provided scalability for peak volumes
- Leveraged the latest technology and software

Simplified handling & improved reconciliation



- Scanning technology improved tracking and control for checks
- Tighter controls inherent with cash
- Less exposure to shortages, missing deposits, theft

An Evolution of Change



Where We Are Today

- RCM and EDM implemented in 80+ locations
- Establishes strong foundation for future receivable solutions with our banking partner
- Provides an evolution of ongoing change

Where We Are Going

- Future Considerations
 - Enhanced the customer experience at each store
 - Standardized processes at all locations
 - Prepared Direct to evaluate future collection enhancements

Lessons Learned & Tips to Share

- Establish senior level project champion
- Get IT's involvement established early
- If price is close on finalists, go with the provider you have the highest service comfort level with
- Communicate expectations of the project to the offices/stores
- Create internal training documents and training team

Lessons Learned & Tips to Share

- Develop follow-up procedures – phase in usage for your Treasury department and IT
- Develop relationships with all providers – bank, armored car services, hardware/software providers
- Understand that there will be items you didn't account for

Questions and Comments Welcomed

- Thank you for your participation today!

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We'll do right by you.

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