

FAQ - Recovery Reimbursements

Q. I am a Fund. The following fact pattern applies to my question regarding a recovery comprised of a portion of both pre and post liquidation loss payments.

Receiver paid claim losses of \$30,000 prior to liquidation date. Since liquidation, the guaranty fund (“Fund”) paid additional claim losses of \$70,000. The claim is subject to a subrogation recovery, where the third party is responsible for reimbursing 40% of the total paid losses. The Fund pursued recovery and receives a recovery check for \$40,000 (40% of the total paid loss including pre and post liquidation).

How should I record the recovery transaction and subsequent payment to the Receiver for its share of the recovered amount?

A. **Outlined below is the recommended method for recording this recovery. If your Fund is unable to utilize this method, it should contact the UDS Help Desk for further assistance.**

Recommended Pre-Liquidation Recovery Method

Background – Fund deposits the \$40,000 check into its claims account. A \$40,000 recovery transaction (the full recovery) is posted to the related claim in the claim system. Using a new UDS code created to record a payment to a Receiver representing the pre liquidation portion of the recovery, a \$12,000 “excess recovery” transaction is posted to the related claim in the claim system. This excess recovery transaction generates a check issued through the claim system payable to the Receiver.

UDS C Record Entries:

Loss Recovery

<u>Transaction Code</u>	<u>Recovery Code</u>	<u>Transaction Amount</u>
Prior to Liquidation		+ 30,000.00
310		+ 70,000.00
530	2	- 40,000.00
530	Y	+ 12,000.00

DCC Recovery – Assume the same fact pattern as above except the payments and recoveries relate to DCC Expenses.

<u>Transaction Code</u>	<u>Expense Code</u>	<u>Recovery Code</u>	<u>Transaction Amount</u>
Prior to Liquidation			+ 30,000.00
410	04		+ 70,000.00
540	04	7	- 40,000.00
540	04	T	+ 12,000.00

AO Recovery - Assume the same fact pattern as above except the payments and recoveries relate to AO Expenses.

<u>Transaction Code</u>	<u>Recovery Code</u>	<u>Transaction Amount</u>
Prior to Liquidation		+ 30,000.00
450		+ 70,000.00
550	7	- 40,000.00
550	T	+ 12,000.00

New UDS Requirements for Recovery Reimbursements:

This method utilizes nine new UDS **Recovery** codes for recording “Excess Recovery” reimbursements to a Receiver, an insured or another party, depending on the circumstances surrounding the specific claim. In addition to pre-liquidation recoveries, these transaction codes should be used for recovery reimbursements related to subrogation, large deductible, net worth, second injury or other types of recoveries in which the recovered amounts exceed the Fund’s expenditures related to a claim. There are codes for excess recoveries of each recovery type.

Recovery Codes

These codes break down the recovery into various categories.

CODE	DESCRIPTION
0	None
1	Multiple
2	Salvage
3	Subrogation
4	Deductible
5	Second Injury
6	Net Worth
7	Other
8	Unknown
9	Receiver Large deductible
R	Excess Recovery - Receiver Large deductible Recovery
S	Excess Recovery - Unknown Recovery
T	Excess Recovery - Other Recovery
U	Excess Recovery - Net Worth Recovery
V	Excess Recovery - Second Injury Recovery
W	Excess Recovery - Deductible Recovery
X	Excess Recovery - Subrogation Recovery
Y	Excess Recovery - Salvage Recovery
Z	Excess Recovery - Multiple Recovery

New Fund System Requirements:

Since the excess recovery transaction signifies the issuance of a check payable to the Receiver, Funds may need to program this feature into their claim systems.