

DOCUMENT RESUME

03137 - [A2213338]

[Survey of the Postal Service's Practices and Procedures for Resolving Insurance Claims on Lost or Damaged Parcels].

GGD-77-84; B-114874. August 8, 1977. 6 pp.

Report to Benjamin F. Bailar, Postmaster General, Postal Service; by Victor L. Lowe, Director, General Government Div.

Contact: General Government Div.

Budget Function: General Government: Other General Government (806).

Congressional Relevance: House Committee on Post Office and Civil Service.

Results of a survey conducted at the St. Louis Postal Data Center and other postal locations in the Central Region revealed opportunities for improving the efficiency and effectiveness of the Postal Service's practices and procedures for resolving insurance claims on lost or damaged parcels. Findings/Conclusions: The survey results indicated that: insurance claims are not paid in a timely manner due to a cumbersome followup system; unnecessary claims are filed because customers are allowed to file loss claims 15 days after mailing, even though delivery and retention standards allow for a 31-day turnaround period for parcel delivery; and the St. Louis Data Center is not providing all the information it could to control the claims process. The Chicago Post Office had erroneously denied insurance claims on parcels mailed from self-service postal units. The efficiency and effectiveness of the insurance program could be improved by: speeding up claims processing time by ensuring that postal employees always obtain signed delivery receipts and conduct more timely searches for these receipts when on file; revising the minimum filing times for loss and duplicate claims to reflect more realistically the time required for parcel delivery and claims processing; and determining the feasibility of assigning an identifying number to each claimant and recording this data in the computer data base to use in identifying sources of multiple claims and investigating potential fraud cases. (SC)



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

AUG 1 1977

03127

GENERAL GOVERNMENT
DIVISION

B-114874

The Honorable Benjamin F. Bailar
Postmaster General
United States Postal Service

Dear Mr. Bailar:

We have completed a survey of the Postal Service's practices and procedures for resolving insurance claims on lost or damaged parcels. The objective of our survey was to examine the insurance claim processing system to decide whether an in-depth review should be made. The survey work was done at the St. Louis Postal Data Center and other postal locations in the Central Region.

During our survey we found that (1) insurance claims are not paid in a timely manner due to a cumbersome follow-up system, (2) unnecessary claims are filed because customers are allowed to file loss claims 15 days after mailing even though delivery and retention standards allow for a 31-day turnaround period for parcel delivery, and (3) the St. Louis ADP center is not providing all the information it could to control the claims process. We also found that the Chicago Post Office had erroneously denied insurance claims on parcels mailed at self-service postal units.

These matters are discussed in greater detail in the following sections. We are not pursuing them further since for the most part they were addressed in an Inspection Service audit report covering insurance indemnity claims in the Service's Western Region (Number 523-166-6-0002-AD) issued in December 1976. We are bringing our observations to your attention so that you may consider them when you take corrective actions on findings contained in the Inspection Service's report.

BACKGROUND

The Postal Service insures third- and fourth-class mail against loss or damage. The customer can purchase insurance coverage of up to \$200 for fees ranging from \$.40 to \$1.20.

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If an insured parcel does not arrive in 15 days or arrives damaged, the customer can file a claim at a local post office.

In fiscal year 1976, the Service insured about 90 million parcels and collected approximately \$30 million in insurance fees. During a similar period, the Service paid 520,000 claims for loss and damage amounting to about \$21 million.

CLAIMS PAYMENTS DELAYED
BECAUSE OF A CUMBERSOME
VERIFICATION SYSTEM

The Service requires an excessive period of time to process and pay claims for lost or damaged parcels. The Inspection Service, in its report, noted that an average of 60 days is required to process and pay claims and that a major competitor of the Service reportedly settles damage claims within two weeks.

The excessive time required to pay a claim appears to be due to a slow and unreliable delivery verification system. Instructions require the post office where a claim is filed to:

- contact delivery post offices to confirm non-delivery by checking for signed delivery receipts; and
- contact addressees and request that they certify on the claim form whether or not they received the parcel.

Delays arise because delivery post offices often take a long time to search for receipts or fail to obtain them from customers. Furthermore, the addressee frequently fails to return the claim form or returns it late.

The Inspection Service estimated that 24 percent of all parcels delivered do not have the required signed receipt on file and that about 31,000 claims are cancelled annually because addressees fail to return the form.

The public relations aspects of lengthy delays in processing claims, in addition to the loss or damage suffered by the customer, is good reason to speed up the claims process.

CLAIMS CAN BE FILED BEFORE
PARCELS ARE EXPECTED TO BE
DELIVERED

Postal Service instructions permit customers to file loss claims 15 days after mailing a parcel even though postal standards for delivering, retaining, and returning parcels allow for a period up to 31 days. (The 31 days consist of a maximum of 8 days from date of mailing to first delivery attempt, a maximum of 15 days for retention, and 8 days to return the parcel if it is not claimed by the addressee.) These instructions also permit customers to file follow-up claims 30 days after the original claim. As a result, customers may

--file loss claims for parcels which may still be in transit, or

--submit a second claim even though the parcel may still be in transit and their initial claim is still being processed, considering the average processing time is 60 days.

The Service's policy on filing claims is costly since it invites claims on parcels which may eventually be delivered. In its report, the Inspection Service estimated that about 25 percent or 124,000 of the total claims are being filed in less than 30 days.

The Inspection Service estimates that from \$0.5 million to \$2 million in processing costs could be saved annually by increasing the filing time to 30 days. The Inspection Service also estimated that 27 percent of all loss claims filed are duplicates, and processing duplicate claims cost about \$2.2 million annually.

Furthermore, erroneous payments can occur when claims are processed before sufficient time has elapsed for delivery. The Postal Service receives about \$526,000 annually in voluntary refunds from customers whose parcels are delivered after their claims are paid. It is not possible to determine the amount of erroneous payments kept by customers.

We believe the minimum filing time should be consistent with the maximum period of time allowed for parcel deliveries to reduce processing costs and to minimize erroneous payments.

COMPUTER UTILIZATION
COULD BE IMPROVED

The Service's St. Louis Postal Data Center (PDC) currently maintains a master computer record of paid insurance claims. This file, which is based on information obtained from the claim form, is created during the claim payment process and is used as the data base for generating reports on the number and type of paid claims. We believe that data generated at the PDC could be better utilized if changes were made in the data entered and stored in the paid claim file.

Several requests have been made by the Inspection Service to the PDC for printouts of partial and complete loss indemnity claim payments for firms in a particular area. Information of this type could be used to identify claimants who may be filing multiple or fraudulent claims, as well as sources of or reasons for damage.

The PDC determined that the necessary data was not available on the indemnity claim paid history file to generate such printouts because:

- The data base does not contain a numerical identifier and address for individuals or firms. Such an identifier is necessary if the computer is to recognize a name as being a duplicate. For example, under the present method if a middle initial is added or dropped, or if the spelling of the name varies by one letter, the computer will not recognize it as a duplicate claim.
- The file does not distinguish between mailer, addressee, or claimant. The only name on the pay history file is the person receiving the check which may or may not be one of the above.
- The file does not contain the address of the mailer, addressee, claimant, or payee. The only information concerning addresses of the parties involved is the three digit ZIP zone of the mailer and addressee.
- There are no records maintained on damages and losses unless they are paid.

PDC officials advised us that all of the data on the form is not included in the computer file because Service Headquarters users have not requested the information. We discussed

the technical limitations, if any, on entering social security numbers or employer identification numbers to the computer data file. Such an identifier system would be less prone to error and would make it easier to identify claimants filing multiple claims. Officials at the PDC stated that there is no technical problem with adding the data.

We believe that the computer system could be better utilized if changes were made in information entered into the computer data files that would be more useful to potential users in controlling the claims handling and payment process.

CLAIMS ON INSURANCE PURCHASED AT
SELF-SERVICE POSTAL UNITS NOT ACCEPTED

The Postal Service operates self-service postal units for customers who cannot get to a post office during regular office hours. Among other services, these units offer minimum postal insurance (coverage of \$15 or less). Customers receive an insured sticker for their parcel and a receipt after depositing the proper fee in a vending machine. According to postal regulations, this receipt is acceptable as proof of mailing for purposes of filing a claim.

We found that some Chicago postal officials were denying claims on lost parcels which customers insured at self-service postal units. These officials required customers to provide a stamped receipt evidencing proof of mailing. Since postal employees are not stationed at self-service units, customers could not obtain stamped receipts. Postal records did not disclose how many claims were denied because of this practice.

Central Region officials advised us that this situation was clearly improper and that immediate action would be taken to discontinue the policy.

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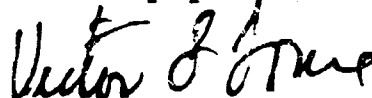
We believe that opportunities exist for improving the efficiency and effectiveness of the insurance program by:

- speeding up claims processing time by ensuring that postal employees always obtain signed delivery receipts, and conduct more timely searches for these receipts when on file;
- revising the minimum filing times for loss and duplicate claims to more realistically reflect the time required for parcel delivery and claims processing; and
- determining the feasibility of assigning an identifying number to each claimant and recording this data in the computer data base to use in identifying sources of multiple claims and investigating potential fraud cases.

In view of the scope of the recommendations included in the Inspection Service's report, we will not do any further work or make any recommendations at this time. However, we would appreciate being advised of any actions resulting from the matters discussed in this report as well as other recommendations made by the Inspection Service.

Copies of this report are being sent to the Chairman, House Committee on Post Office and Civil Service; Chairman, Subcommittee on Nuclear Proliferation, Science Planning and Federal Services, Senate Committee on Governmental Affairs; and to the Chairmen of the appropriate Subcommittees of the House and Senate Committees on Appropriations.

Sincerely yours,



Victor L. Lowe
Director