



Case Study – Auditing Claims Leakage

Auditing claims leakage – the value of using independent experts.

Whilst in-house auditing remains the most cost effective way to deliver a routine audit plan, additional value will often be added by obtaining a second opinion from an independent source.

Situation:

A motor claims handling TPA had recently implemented a new claims system. The implementation had been problematic, impacting the performance of the claims operation and leading to leakage. The TPA was considering an action against the claims system supplier and sought independent quantification of the claims spend leakage.

Action:

The SX3 team were all seasoned professionals who had worked within and led claims operations. They understood the challenges of implementing a new claims system and the costs at stake.

The team initially sought to understand in detail the impact of shifting from the legacy system to the new system in terms of functionality, timeline, and operating model. SX3 also sought to understand the claims handling practices, and to what extent they had changed as part of the system change.

Samples of claims were taken for claims settled pre implementation of the system, during the implementation of the system and post implementation to compare and contrast the handling in those periods and help identify the additional issues arising from the system implementation.

Based upon the research and claims sample, we were able to establish within an audit trail the benchmarks and cause codes that would accurately distinguish the extent of leakage caused directly from the system implementation issues from leakage caused through unrelated issues.



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Outcome:

The client's initial perception was that the majority of leakage was arising as a result of problems arising from the system implementation. The result of the SX3 review was that, whilst some examples of leakage could be directly attributed to the system implementation, the vast majority of leakage actually arose through inefficient processes that existed prior to the system implementation and continued to be practiced after the system implementation.

Had the client proceeded with their action against the claims system supplier without seeking SX3's independent and expert advice, they could have exposed themselves to costly, unsuccessful litigation and potentially brand damaging headlines.

Related Reading:

[Leakage Audit Guidelines and FAQs](#) - Adrian Gilbert

<https://sx3.co.uk/audit/> - SX3 Web Page on Audit Services

SX3 Case Studies - are published to help prospective clients understand how value opportunities for the use of our services may be found and to give an insight as to how SX3 works with clients. All projects are unique and have more detail than can be expressed here.