



Case Study – Auditing Claims Leakage

Auditing claims leakage - auditing a claims TPA - resolving a stalemate situation.

An independent auditor has no bias and will report facts as found. This can be a powerful tool when entrenched in a dispute.

Situation:

A motor fleet insurer outsources their claims handling to a Third Party Administrator (TPA).

A broker had been raising concerns with the insurer over the performance of the TPA. The insurer's own audits of the TPA revealed no major concerns, but the broker was still raising concerns. The relationship with the broker was a significant one, so the insurer and broker agreed the solution would be to arrange an independent audit of the TPA.

Action:

To prepare for the audit, SX3 reviewed the key procedures and performance data on the TPA in question. We also sought to understand the history of the issue in dispute between the insurer and the broker, reviewing meeting notes, and taking first-hand accounts from stakeholders.

Once the issues in dispute were clear, SX3 developed a 32 point audit trail, analysing 11 different aspects of claims handling from indemnity and SLA compliance to quantum handling and reserving. Every audit question was designed to ensure objective performance measurements were produced, to avoid any arguments later over subjectivity. The question set and planned reporting tables were then agreed with stakeholders before the fieldwork started.

Open and closed claims were selected at random across a range of claim types and loss circumstances, to ensure a wide but fair sample. These claims were audited on site at the TPA, with regular communication with the handlers to ensure no action or data was mis understood.



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Outcome:

The audit revealed one major failing, and four others that were cause for concern. The TPA handling was resulting in leakage through slow handling. One crucial metric was not being measured correctly by the TPA, which is partly why the performance issue had been missed by the insurer.

Given the need to avoid the matter escalating any further, SX3 performed the entire project – from preparation through to reporting – within 2 weeks.

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.