

Claims Insight

The logo for SX3, consisting of a stylized 'S' followed by 'X3' in a bold, sans-serif font, all contained within a teal triangle pointing to the right.

Auditing a claims Third Party Administrator (TPA) – external audit can resolve a stalemate situation by uncovering facts that in-house audits may miss.

They say remove the plank from your own eyes before criticising the speck in someone else's. With experience, one understands that since those planks are self-constructed, sometimes one needs external help to identify and remove them.

For example, a motor fleet insurer client outsources their claims handling to a TPA and their own internal audit says all is well. But a broker was raising concerns over the performance of the TPA. Several rounds of discussions between insurer and broker did not solve the issue, so the agreed solution was to call SX3 to arrange an independent audit.

Find the right audit points

Preparation is key to a successful audit, so SX3 reviewed the key procedures and performance data on the TPA. 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 performance 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.

In order to avoid later arguments over subjectivity, every audit question was designed to ensure the performance measurements that were produced would be objective and could be easily analysed for trends. The question set and planned reporting tables were then agreed with stakeholders before the fieldwork started.

Audit in the right way, keeping people on board

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

The answer isn't always liked, but it is the answer

The audit revealed one major failing, and four others that were cause for concern. The TPA's slow handling was resulting in leakage. One crucial metric was badly measured by the TPA, which is partly why the performance issue had been missed by the insurer.

The problem with the insurer's TPA was addressed thereby restoring good relations between the broker and the sadder but wiser insurer. It takes courage to start a process where the answer may be uncomfortable, but in the end, no-one had to walk the plank.

A hard won result? Not when you use right team - SX3 took just 2 weeks from preparation to reporting.