



## Case Study – Audit – Due Diligence

### Delivering a Rapid Response to Due Diligence Needs

“The best-laid schemes of mice and men, go oft awry” Robert Burns, the Scottish Bard, reminds us (English version). Absolutely true, of course, even for well-run Claims management functions. It isn’t simple lack of planning, or even faulty planning. Sometimes, stuff just happens.

At SX3 we seek to be our client’s response to unplanned eventualities.

### Acquisition Opportunity Requires Responsive Resources

For example, Insurer ‘A’ was in talks to acquire insurer ‘B’. In turn, Insurer A approached a major reinsurer to provide terms for adverse loss cover for the run off claims that insurer A would be inheriting. There were very tight deadlines within the acquisition timetable to perform due diligence on the claims in scope. There were a number of challenging elements to this due diligence process:

- The claims within scope had reserves of between £250,000 and £15m.
- The claims related to a wide range of liability classes, and across UK and Ireland
- Many had PPOs attached.
- The review had to be carried out entirely remotely due to pandemic restrictions despite some of the claims being paper based.
- The review had to be completed within 5 weeks from initial approach.

The reinsurer’s claims function did not have the available manpower to complete such a review within such a short timeframe, so approached SX3 for support with the process.

### Urgent and Complex Challenges Require Flexible Solutions

SX3 were able to create an experienced 4 man review team at short notice. Recognising that this team would still not be enough to cover all claims in scope, SX3 suggested a joint venture approach with the reinsurer to complete the due diligence work. The reinsurer agreed and provided a number of man days to contribute to the SX3 audit programme.

SX3 led the work using one of their pre prepared review processes, adhered to by both the SX3 and reinsurer team members.

Daily debrief calls were arranged with the claims teams of Insurer B so all findings could be sense checked on the day, ensuring there was no lag in completing the work. The review team also liaised with the actuaries both at Insurer B and the reinsurer, to ensure data and results could be understood and projections accurately determined.



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The results for all the classes were pulled together within days of the review work being completed, using a report template created by SX3 and content completed by way of collaboration between SX3 and the reinsurer.

### Outcome

The whole process was completed within 5 weeks from initial contact to SX3 without sacrificing quality of output for speed. The final version of the review report contained:

- Detailed insight into the reserving practices of Insurer B
- Quantification of the adequacy of outstanding reserves
- Analysis of the PPO approach

This enabled the reinsurer's underwriters to prepare an informed quotation and the acquisition process to continue as scheduled.

So SX3 becomes the planned response to planned and unplanned events alike.

**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.