

rmp

## Auditing your claims handlers



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Many local, police and fire authorities carry large self insured deductibles and in the majority of cases, they employ a third party to handle their claims. This may be the insurer, a third party administrator or a loss adjuster. Considering that these third parties are spending your money, it is not unreasonable that from time to time you will want to audit these claims handling arrangements.

## Reasons to audit

The key reasons why you might like to audit your claims handlers are:

- to protect the self insurance fund
- protection of the public authority's image
- data accuracy if the data from the claims handlers is being used for reporting, to calculate the level of funding required etc.

## Preparation for audit

The first decision you will need to make is – who is going to undertake the audit? Some claims handlers take issue with competitors being asked to audit them so you will need to ensure that if you are appointing someone to do this for you, that this is approved by the claims handler.

If you are auditing yourselves you should try to ensure that someone with a knowledge of claims is involved. You should consider the following:

- Check your contract as there is likely to be a requirement that a degree of notice is required.
- Request a full listing of files. It is best to try and be specific. If you are looking to audit a particular aspect of the claims handling – i.e. an audit of how a claims handler repudiates, you could ask for cases over the last year that have settled at nil cost.
- Request/highlight the cases required for audit and send to the claims handler with sufficient time for them to gather the files and information that you require.
- Ensure that you are aware of the requirements of the claims handlers' contract which will state certain response times etc.
- Speak to your main point of contact at the claims handler to discuss your requirements, i.e. the length of the audit, the number of people who will be doing the audit, access to computer systems etc.
- Ensure that your main point of contact is available on the day of the audit to deal with any queries and take any feedback.

Following the introduction of GDPR, you should ensure that the entire process complies with both the legislation and any contract you have with your claims handler.

## Audit day

Check to ensure that all files you asked for are present and if there are any missing, request these early in the day to enable them to be tracked down.

- Review the files and make notes, highlighting both good areas and areas of concern or queries.
- Try to leave the files in the same condition that you found them as often files are ordered in a specific way.
- If copies of documents are required from files, flag this up during the feedback session.
- If possible, check the data on the files against the computer records to ensure accuracy of reserves etc.
- Check response times against any service level agreement that is in place.
- Check the technical content of files.

## Feedback

It is important that feedback from any audit is provided as soon as possible after the audit. You should make sure that you highlight both the good points and any areas of concern that you have.

Raise any queries you have and ensure that these are properly dealt with.

If there are any actions required following the audit, ensure that these are documented in a report, letter or e-mail after the audit, and make sure that everyone involved knows who is responsible for the action, and the timescales for completion. This should be followed up as necessary.

## Report

Most audits are carried out to show that the claims handler is complying with standards and that the self insurance fund is protected. As such a formal report is usually required after the audit has taken place.

It is common practice to produce a draft report which is sent to the claims handler for comment and input. You should put a timescale on the return of the report following which you should produce the final report (incorporating any changes agreed with the claims handler) and provide a copy of this to them.

Set a date for the next audit if necessary.

## Further information

For access to further RMP Resources you may find helpful in reducing your organisation's cost of risk, please access the RMP Resources or RMP Articles pages on our website. To join the debate follow us on our LinkedIn page.

## Get in touch

For more information, please contact your RMP consultant or account director.

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