

## **Creating and Maximizing Assessment/Audit Benefits**

Assessments/Audits are a fact of life for claims professionals. They are conducted by reinsurers, insurance regulators, home office staff and perhaps by an external firm retained by senior management. In the vast majority of audits, the results are expected with only a few occasional surprises.

It may seem like it is impossible to gain points but highly probably to lose points? Is it risk without benefits? Not if one knows how to minimize the risk while creating and maximizing the benefits.

During the audit process, there are opportunities to learn more about your company's operations as they compare to insurance industry standard practice. How effective and efficient are they compared to other insurance companies? Through this informal gathering of industry benchmark data, valuable information can be gained. By asking probing questions and actively listening, claim professionals can increase their knowledge and awareness. This directly benefits them and their company.

### **Five Ways to Maximize Audit Benefits:**

#### **1. Identify the Audit Focus**

Generally, the audit focuses on the total operation, as an overview of processes, procedures and products. Before the audit begins, identify specific areas requiring more information or performance feedback. Ask the auditors to pay specific attention to these areas or issues. They will provide a different perspective to review, evaluate and deliver feedback. It can also be a learning and knowledge sharing opportunity incorporated into the normal audit process. For example:

- A new line of business has recently been introduced. Ask the auditors to

review the processes and procedures implemented for the new line. Is it working as planned? Can the auditors identify any gaps and offer reasons for the gaps? Are there any unintended consequences?

- Seek verification for new processes, a new philosophy, or new structure, business process outsourcing, reorganization, etc. that have been recently implemented. Are the results what were expected? If not, why not and what are possible solutions?
- Evaluate teamwork quality and cohesiveness. What is the relationship between home office to branch offices regarding communications, approval requirements; turn around time frames, resources, knowledge management and sharing?

#### **2. Set Daily Goals and Expectations**

During the audit period arrive early and leave late. This allows time to communicate with the audit team. At the beginning of the day, discuss the auditors' schedule. What will they be reviewing? Do they need additional information, background briefing or a more detailed understanding? Which members of the staff should be made available and when? Determine the appropriateness of each staff member and spend the time to brief them. This allows for open lines of communication with greater understanding on both sides.

At the end of the day, review with the audit team their activities and findings. Are there areas that need further clarification or more review? What are their questions, suggestions, recommendations? This is a prime opportunity to discuss with the auditors their experiences with industry best practices,

benchmarking, process streamlining, successes, and failures, based upon their experiences.

### **3. Ask the Questions to Connect the Numbers**

Ask specific questions that will give an outsider's perspective on your work product. Are there steps in the process that are redundant? What would be the effect of eliminating them? What are some of the trends within the industry? The more questions asked, the greater the level of understanding, knowledge transfer and information shared. With an increased base of knowledge, an improved quality work product supports the business strategy. Listen with an open mind and be prepared to hear feedback that may be unexpected and possibly unpleasant.

Often final results are numbers driven. While it helps to know the percentage of files reviewed where contact was made within the required time frame, it is more beneficial to know the quality of the contact. How did the contact move the file towards resolution? Was additional information needed which could have been obtained at the first contact? In this way, the numbers become more useful. In discussions with the auditors, try to determine what factors are driving the numbers. Are there specific relationships between the various factors? Do these enhance or hinder the operational results and quality? This is the information which is vital to implementing the business strategy.

When the factors driving the numbers are understood, then connect and compare the numbers being driven by similar or the same factors. Are the numbers at levels that one would consistently expect? Are any of the numbers in conflict with expectations? For example, initial contact statistics could be exceptional but the average time from file open to close could be less than desirable.

### **4. Align Procedures, Processes, Intentions**

Audits provide an opportunity to obtain objective feedback on the operation. This can be the time to verify "that what you are doing is what you say you are doing". Are procedures being followed? This is particularly helpful with new procedures or work flows which have

been recently implemented. Ask the auditors to review not only the results of the implemented new procedure but the procedure itself. Has the procedure been implemented as planned? If not, what are the reasons? What are possible solutions?

In this era of regulation such as Sarbanes Oxley, it is important that the established processes and procedures be followed by all throughout the workflow. Don't let the lack of negative feedback in the form of bad faith lawsuits, judgments and customer complaints, lead you to a false sense that all is going well.

### **5. Do an Operations Overview**

Often assessments are centered on specific files, lines of business, etc. and as such are evaluated as individual components. Pull all those components together and analyze the operation as a whole. The auditors can advise if the total results being obtained are the results expected. Are there any trade offs within the results? In obtaining one set of results are others hindered or compromised? How do the results compare with the industry? The auditors can also advise the operation's efficiency and effectiveness. If there are bottlenecks, identify opportunities to streamline processes. Based on their perspective, they may have ideas for better, more cost effective processes and procedures.

### **Create the Benefits**

Audits, Reviews, Assessments provide the opportunity to enhance one's knowledge base concerning the effectiveness and efficiency of the operation's policies, procedures, and processes. Through discussions with the auditors, new insights and understandings can be gained about current successful industry patterns and practices. An audit's benefit is in maximizing the operation's effectiveness and efficiency while minimizing risk.

K.Robi offers customized Best Practices, Compliance, Due Diligence, Process and Functional assessments for insurance companies and associated operations. Please contact Kathleen J. Robison, CPCU at [krobi@tds.net](mailto:krobi@tds.net) or [www.krobiconsult.com](http://www.krobiconsult.com) or 423-884-3226.