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Managing General Agents' Association

Best practice guidelines for the procurement, management and monitoring of external claims service providers.

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1. About the authors

Applicco Limited is an Audit and Consultancy business based in the City of London. Formed in 2012 our focus is upon supporting the Lloyd's and London market with a particular emphasis on working with Managing General Agents. As a result of this we were granted Supplier Member status by the MGAA in October 2014.

Our business comprises two distinct operations:

Applied Audit Services where we undertake operational, technical and compliance audits of underwriting and claims operations including coverholders and TPAs.

Applied Consultancy Services which provides a general consultancy service in relation to procurement, technical claims operations, compliance and business development.

Based upon our knowledge of and expertise in this sector of the market we were requested by the MGAA to create a brief guideline document to outline the Association's approach to the way in which members may wish to engage with and manage external claims handling operations.

Thanks are due to the following people who have provided valuable assistance in the creation of this guidance document:

Scott Colyer, Director, Evolution Underwriting

Scott is a one of the founder members of Evolution Underwriting Ltd and works actively within their operation division which includes claims handling. He has over 20 years' experience in Commercial Underwriting and looks after all aspects of Evolution's technical underwriting, claims and binder performance management. He has previously worked for RSA, AXA, Fusion and Independent Insurance.

Andrew Eade, Claims and Administration Manager, Kay International

Andrew has over 30 years' experience handling multi classes of claims within the London Market. He has seen claims from intermediaries and underwriters perspective, having worked for both big and small operations including Jardines, Colonia-Baltica, SCOR, R.E. Brown Synd. 702 and Markel. This has included international and UK claims on a direct and reinsurance basis. With the administration of such claims being in-house and outsourced under various line-slip and binder arrangements. Andrew administers the international account and claims for MGAA member Kay International, and is actively involved in the Association's claims forum.

Foreword from Peter Staddon - Managing Director of the MGAA

It is clear that many MGAs are looking to take greater control of their claims services provided to their "customers", namely their capacity providers and brokers. This control has become more important especially when taking into consideration the FCA thematic review on SME claims.



Pulling together a small working group consisting of member representatives and the Applicco team, we have put this best practice guide together. This is aimed at MGAs seeking to establish their own claims systems and, as such, we hope this document can provide useful information and reference in this regard. As with any guidance, it should be used in conjunction with a company's own policies and procedures and we would encourage members to consider their own specific needs.

Whilst the guide references the Lloyd's claims system, members should be aware that this to recognise the platform as an example of good claims practice in operation, and so serves as a good basis to start from.

The MGAA is grateful to all parties involved and for the enormous amount of work they have committed in putting this document together.



2. Introduction

Lloyd's Minimum Standards (MS2 Claims Management)

Principal 6 - Use of Third Parties

"Managing Agents shall employ disciplined procurement and pro-active management procedures in the selection and use of third parties"

This brief document is intended to outline the Association's views on what constitutes best practice in relation to the identification, procurement, management and auditing of external claims service providers. It is not intended to be viewed as a set of rules but rather to provide a guide for the MGAA membership.

The document is written with specific reference to Lloyd's principals. Whilst we realise that not all MGAA members are Lloyd's based it is considered that the principals generally constitute good business practice and are likely to satisfy regulatory authorities. For that reason, plus the need to provide a consistent approach to the issue for both Lloyd's and non-Lloyd's related businesses, we have referred to the Lloyd's principals throughout.

MGAA member companies come in various shapes and sizes and the portfolios they write can vary greatly in terms of the types and values of the risks written, their geographical spread and the complexities of the claims arising. MGAs may also have very different approaches to the way in which they engage and manage their service providers and the way in which they handle their claims portfolios.

This guide is therefore written with these points in mind but also taking into account the fact there are some basic areas of common ground and risk encompassing all MGAs and the policies that they underwrite.

Firstly is the likelihood that the vast majority of companies within the MGAA will outsource some, if not all, of their claims investigation and handling functions to external service providers. In such circumstances the MGAs claims team will largely take on the role of overseeing and managing their claims portfolio and also directly handling the larger, more complex losses.

Secondly, all MGAA members are governed by basic principals in relation to the way in which they conduct their business to ensure that they meet the requirements of the regulatory authorities, their shareholders and the Directors of the company. Whether they are Lloyd's based MGAs (where the requirements are set down within the Lloyd's Claims Management Principles and Minimum Standards) or outside Lloyd's, the principals are fundamentally the same and this document seeks to ensure that they are fully recognised, addressed and complied with.



We have approached this guidance document with the view that External Claims Service Providers (hereafter identified as the Provider) can encompass TPAs, Adjusters, Solicitors or other experts used in the investigation, handling and settlement of claims. This also extends to the Coverholders' claims team who, for the purposes of this guidance document, should be considered as being external service providers.

Underlying principals

- Responsibility for the selection of the external service provider rests with the company which appointed them and which entered into the contract for services;
- There should be transparency around the selection process so that proper procedures can be seen to have been followed;
- The selection process should be properly documented to ensure that the requirements of the regulatory authorities etc. are fully met;
- The terms and conditions under which the external service provider is engaged should be fully documented;
- The scope and extent of the external service providers authority should be established and fully documented;
- There should be detailed procedures in place for the management and control of service providers;
- Reporting guidelines should be agreed between the parties in relation to financial reporting, claims funds, large loss and exception reporting;
- Detailed procedures should be in place for the regular auditing of service providers;
- Contract renewal processes should incorporate regular feedback from the MGA claims team, a review of Management Information detailing portfolio development and audit reporting.

Risks

There are clear and obvious risk associated with a lack of control processes in relation to the engagement with service providers which can be summarised as follows:

- **Financial:** Including potentially inadequate reserve provision, overpayment of claims, excessive experts fees;
- **Business cost:** Not only can inadequate reserves etc. have a direct effect upon underwriting profitability and capacity, evidence shows that action taken to correct a "failing" claims portfolio can be time consuming and expensive;
- **Reputational:** Any failings in relation to treating customers fairly and speed and effectiveness of claims handling may have a direct impact upon the MGAs reputational risk with its core insured base;
- **Regulatory including Conduct Risk:** The ability to satisfy the regulator is key. The processes which have been outlined within this document are aimed at ensuring that MGAs can demonstrate to regulators that they have in place proper and proportionate procedures to engage and control claims service providers.



3. The role of the External Claims Service Provider

Lloyd's Minimum Standards - Definition of external experts

"External Expert: any external organisation or person retained by the insurer (or on the insurer's behalf) to provide services in relation to the assessment, settlement, or other resolution of claim(s)".

For many MGAs a significant proportion of their claims handling functions will be outsourced to external claims service providers (identified hereafter as Providers) such as Coverholders, TPAs, adjusters or solicitors and consequently these external experts will be responsible for the protection of many hundreds of thousands - often millions - of pounds of your premium income.

Whilst it may be overstating the case to say that the external service provider can make or break an account there is no doubt that their actions can have a substantial impact upon the profitability or otherwise of an underwriting portfolio.

The role of the Provider can be varied according to the requirements of the instructing MGA but some key points to consider are:

- The Provider may be viewed as an extension of the MGA team with a clear mandate to protect the interests of the MGA and its supporting underwriters at all times;
- They must represent the instructing MGA to the insured/policyholder in a competent and professional manner;
- There should be a clear "line of sight" between the MGA and the insured/policyholder. The MGA has responsibility to ensure that Insurance contracts and associated claims handling are timely, accurate and fair;
- The Provider must satisfy the MGA about their ability to meet the terms of the service contract and to provide continuity and longevity of service where required;
- The Provider must have the required expertise to investigate, handle and negotiate claims professionally and effectively;
- They must have the ability to correctly allocate reserves and to review/update such reserves in a timely manner;
- They should have the capacity to provide detailed claims data as required by the instructing MGA;
- Where authorised to do so they should be able to safely handle claims funds and provide detailed financial reports.

Consequently the selection and management of the correct Provider with the requisite skills, experience, geographical spread where required and security is a vital component in ensuring that claim portfolios are handled effectively and professionally.



3.1 What do you need from your Provider?

This can only be addressed by the individual MGA as the requirements of your claims portfolio is likely to be very different from other MGAs in terms of the types, values, complexities and geographical spread of the risks that you have written.

Some common issues to consider when considering which service provider to appoint are:

- **Price**
When dealing with complex and/or relatively low volume claims accounts price is unlikely to be top of your agenda. It is often a key factor, however, when the account comprises high volume, low value claims and where the risks are themselves highly price sensitive. Motor and household claims are likely to fall into these categories.
- **Value**
For many claims portfolios a key issue to consider is not whether the Provider is the cheapest but whether they are able to provide the best value in terms of their expertise, service standards, locations, data provision and value added services such as assistance with training/education and technical briefings/updates. This is likely to be applicable to more complex claims where the Providers fee may have a less significant bearing upon the profitability of the account.
- **Technical excellence**
Technical competence should be a standard prerequisite for any claims portfolio. The degree to which your claims will require a highly technical (and correspondingly priced) claims handling team is however a matter for consideration. Except for highly specialist and complex accounts an appropriate approach may be to engage with a service provider who can supply staff at various skill levels including the most technically proficient to handle complex high value cases.
- **Geographical spread**
For accounts involving single or limited numbers of jurisdictions the choice of service provider is generally fairly wide. Matters become more complicated where claims arise in a number of different countries. Some service providers will offer multi class multi territory handling under a single corporate banner. Others will offer associations or alliances with local claims handling organisations. Both approaches have strengths and weaknesses which need to be explored.

An alternative is to engage with separate service providers in different territories although this is likely to add greatly to the administrative and management burden upon the MGA claims team.

- **Data provision/Management Information**
Given the need for accurate, up to date and trustworthy data this is likely to be a key requirement for all MGAs for most claims portfolios. We recommend that the ability of the Provider to meet your requirements should form part of the pre contract assessment and



where necessary an important component of any Due Diligence exercise. This will extend to a review of the following:

- The type and viability of the providers claims system;
- The providers ability to provide instant and accurate updates;
- The provision of viewable claims records including claims documentation.

It should also be included within the contract terms and the SLA/KPIs attached to the contract.

- **Security of the Service provider business**

It will be important for you to receive assurances on the financial security of the chosen provider and confirmation that they are not engaged in any merger/take over discussions which may have a material or detrimental effect upon the provision of service on your account.

The Lloyd's Minimum Standards requires that Managing Agents should have in place processes and controls to ensure that Providers comply with key minimum standards as below. The rationale being that where the Provider acts for the MGA under a delegated authority they will be subject to the same requirements as the MGA themselves to act in accordance with the Minimum Standards.

- **Resource planning:** Having the appropriate resources and skills in each class of business. This includes succession planning and training;
- **Resource Management:** Having appropriate management controls of resources including authority levels;
- **Claims Processes:** Including the documentation of procedures;
- **File Reviews:** Undertaking regular file reviews - ideally quarterly;
- **Claims Reserving:** Having in place a documented reserving rationale;
- **Appointment of external experts:** Having a documented procedure for the selection of experts;
- **Management of experts:** Having a documented procedure for the management of experts.



4. Selection Criteria

Lloyd's Code of Practice—Claims Handling

"If the Managing Agent decides to contract any claims handling services to a Coverholder or TPA, the Managing Agent is responsible for determining that the authorised party is competent to perform its responsibilities and that the terms of the claims handling contract are consistent with the contract of delegation".

The selection criteria to be used when choosing the Provider on your account will depend on a number of factors relevant to the account and the way in which you wish to administer your claims portfolio. We have sought to identify further into this section some of the issues which may be relevant to your thinking.

Whilst not all MGAA members will be governed by Lloyd's regulation it is worthwhile considering the requirements as defined within the Lloyd's Code of Practice - Delegated Underwriting. In particular Part 8 claims handling which imposes a requirement that the Provider should be assessed against the minimum suitability criteria contained within the intermediaries' bylaw (paragraphs 17 and 36A):

*"36A. In respect of contracts of insurance entered into under a binding authority, a managing agent shall not delegate its authority to determine claims arising under a contract of insurance entered into on behalf of the members of a syndicate managed by that managing agent to any person other than to –
(h) a third party administrator where the managing agent is satisfied that the third party administrator is suitable having regard to such criteria that the Franchise Board may from time to time prescribe."*

Suitability Criteria

- a) The Provider is a competent, proficient and capable organisation
- b) It has suitable resources for the determination of claims
- c) It has suitable internal procedures and processes for the administration and agreement of claims
- d) It has suitable systems and procedures to report to the Managing General Agent
- e) It is able on a timely basis to properly assess and review claim estimates
- f) It has suitable arrangements for identifying, resolving or managing conflicts of interest



- g) It has suitable and effective risk management (including business continuity and succession plans), internal control and internal audit processes
- h) It has directors, officers and relevant staff of suitable competence, reputation and character
- i) It has adequate professional indemnity insurance
- j) It has adequate capital and financial resources
- k) It has suitable procedures in place to ensure that insurance monies are properly safeguarded
- l) It maintains appropriate levels of data security and complies with any applicable data protection legislation
- m) It possesses any necessary licences, approvals or authorisations.

This imposes a very clear responsibility upon the Managing General Agent to ensure that the Provider chosen to handle the portfolio of claims is appropriate and fulfils the suitability criteria.

As such we consider it to be a requirement that Providers should be approved and formally “signed off” to the MGA panel by a senior member of the claims team.

Within section 5 we have suggested some of the methods which may be used to select the Provider and the ways in which you can ensure that the chosen service provider fulfils the suitability criteria.



5. Selection methodology

Lloyd's Code of Practice - Part 8 Claims

“Pre-placement – Managing Agents should have procedures in place documenting the decision making process undertaken for establishing the delegation of claims authority.”

The various members of the MGAA will have different approaches to the way in which they identify and select the most appropriate Provider, dependant on a number of factors such as size of the claims portfolio, the type and complexity of the associated claims and the geographical spread of the claims.

It is for the individual members to decide how they wish to approach this issue utilising methodology which may include:

- Recommendation;
- Previous experience of the Provider;
- Meetings/“beauty parades”;
- Formal tenders;
- Due Diligence audits;
- Questionnaires;
- Use of outsourcing procurement experts.

Assuming that a defined selection methodology is used there is no right or wrong approach to the procurement of external service providers subject to some basic procedures and protocols as below being met.

- The methods used to select the external service provider should be clearly identified and documented;
- There should be documentation to show the requirements that are in place for the selection and use of Providers e.g. Value for money, technical excellence, previous knowledge etc.;
- Such documentation should identify the reasons why a particular Provider is selected above others;
- The documentation should establish that the Provider meets the suitability criteria as defined within section 4 of this document.



5.1 Due Diligence

Lloyd's Minimum Standard MS11 Conduct Risk: 16.1 Due Diligence

"A Managing Agents Product Controls must include appropriate and effective use of due diligence in respect of proposed TPAs (Providers) prior to their appointment in order to seek to ensure that they will pay due regard to the interests of Lloyd's Customers and treat them fairly at all times especially with regards to products with a high Product Risk"

Again it is worth reiterating that whilst not all MGAA members are Lloyd's organisations, it is considered that the Lloyd's Minimum Standards constitutes good and sound business practice and should be considered for adoption even by non-Lloyd's businesses.

Due diligence is clearly not relevant for all claims portfolios and in many instances it may not be cost effective to go down this route. However, when dealing with a large portfolio of claims where a small number of Providers, and especially where a sole Provider is appointed, consideration should be given to a detailed due diligence review of the selected company/companies, to undertake a pre contract assessment of issues such as:

- Management resources;
- Staffing levels and technical proficiency applicable to the claims portfolio;
- Geographical spread;
- Internal claims processes and systems;
- Data security;
- Management Information and bordereaux provision;
- Fund holding provisions and associated reporting;
- Adequacy of E&O cover;
- Compliance processes and procedures.

It may be possible for such an exercise to be carried out by the MGA's own claims and compliance teams although, if resources are not available in house, external service providers may be utilised instead.

Whilst there will be a cost - either directly where external resources are used or indirectly where internal resources are reallocated to the task - these costs are likely to be fairly modest when compared to the value of the outsourced contract and minimal when compared to the value at risk.



The benefits to be gained by such an exercise are that the contracting MGA will be able to test the processes and procedures in place at the chosen Provider prior to any claims being handled under the contract. It will quickly identify any possible shortcomings in the Provider's service provision and allow corrective measures to be put in place before the account "goes live". In our experience it is also invaluable in ensuring that the provider fully understands what is required from them and to correct any misunderstandings at an early stage.

5.2 Questionnaires

A straightforward method to obtain basic information about the proposed Provider is the use of a simple Questionnaire form.

Except in the most straightforward of accounts it is unlikely that the Questionnaire alone will be sufficient to satisfy yourselves about the suitability of the Provider nor do we consider that it will be enough to meet the requirements of any regulator that members should have in place documented selection and procurement procedures. It is likely therefore that the Questionnaire will be the starting point for a more detailed selection methodology.



6. Contract Documentation

Intermediaries byelaw paragraph 36H and requirements paragraph 17(b)(c).

“Managing Agents (must) have clear, comprehensive and suitable written agreements delegating claims handling authority to Coverholders and TPAs, The claims agreement can be incorporated in the terms of a binding authority (for a Coverholder) or in a separate claims agreement (for a TPA).”

It is a key requirement that each MGA and External Claims Service Provider should have in place an up-to-date, signed and dated contract document incorporating agreed service levels in relation to the provision of claims related services.

The style and content of the contract document will be a matter for individual consideration but we would anticipate that the following points should be included as a minimum requirement:

- **The Contract period.** To include a date on which the contract will be due for review/renewal
- **The Scope.** The contract document should define the services which will be supplied by the Provider including the types of claims which fall under the contract.
- **Authority limits.** The contract document should outline the extent to which the Provider is authorised to act on behalf of the MGA without prior referral.
- **Geographical limits.**
- **Key contacts within the Providers team.** The contract document should include an identified account Manager and, where appropriate, dedicated claims handlers.
- **Sub-delegation and use of other experts.** The contract document should document the procedures to be adopted should the Provider wish to sub delegate a task or utilise external experts.
- **Notification provision.** The contract document should define the points at which notification of a claim should be made to the MGA. Additionally this should indicate which cases may subsequently fall outside of the delegated authority and will therefore require immediate notification to the MGA. This may also include claims where a report is required to the MGA board, matters where there may be a high degree of publicity and cases which will require notification to reinsurers.
- **Reporting.** The contract document should define how, when and with what frequency the Provider is required to report to you on an individual case basis.
- **Reserving philosophies and procedures.** As defined by the instructing party



- **Data provision and Management Information.** The contract document should define the extent, format, content and frequency of claims data provision and also cover any requirements for Management Information which will allow you to monitor adherence to service level requirements and Key Performance Indicators. The ownership of claims data should also be made clear within the contract
- **Data protection arrangements**
- **Service Levels and Key Performance Indicators.** The contract document should outline what is expected from the Provider, which will form the basis upon which they will be measured on a regular basis (via MI reporting) and during audit.
- **Fund holding arrangements.** The contract document should the extent of the fundholding and the terms under which funds should be managed and protected, and define your requirements for financial reconciliation reporting.
- **Audits.** The contract document should outline your audit requirements and the frequency at which audits will be undertaken.
- **Complaints handling arrangements.**
- **Business continuity arrangements.**
- **Fees and expenses.**
- **E & O cover.**
- **Jurisdiction.**
- **Contract termination procedures including account run off arrangements.**



Greater detail is provided within the Intermediaries Bylaw Para 36(h) 17 (b) - contents of contractual agreements as outlined below:

Contents of Contractual Agreements

1. An agreement number by which the agreement can be identified;
2. The name and address of each party to the agreement including the syndicate or syndicates on whose behalf each Managing [General] Agent is delegating authority to determine claims arising under contract of insurance;
3. The functions, duties and responsibilities of the Provider that are relevant to its authority to determine claims. This shall include –
 - 3.1. The level of the Provider's authority to determine claims (including the circumstances in which a claim shall be referred to the Managing [General] Agent);
 - 3.2. Details of the Provider's responsibility to investigate claims and where appropriate appoint external experts (including the circumstances in which the decision to appoint an external expert shall be referred to the Managing [General] Agent) and take steps to ensure claims are defended as appropriate and to seek to make any recoveries;
 - 3.3. Details of the Provider's responsibility to assess and review claim estimates;
 - 3.4. Details of any applicable service levels or standards (including service standards for dealing with complaints and enquiries) where those service levels or standards shall be consistent with any applicable Lloyd's minimum standards;
4. Details of the manner by which any insurance monies are to be held, maintained and properly safeguarded;
5. Provisions requiring the Provider or any of its directors or staff to achieve any relevant professional competence standards;
6. Provisions requiring the Provider to maintain records and document in such manner and for such period as the Managing [General] Agent may require or as may be required by any applicable legal or regulatory provision;
7. Provisions regarding the maintenance and security of confidential information;
8. Provisions requiring the Provider to report to the Managing [General] Agent in respect of paid claims, outstanding claims and expenses in such form and at such intervals as the Managing [General] Agent may determine (taking into account any minimum standards the Franchise Board may from time to time make);



9. Provisions requiring the Provider to produce to the Managing [General] Agent or to any auditor or agent appointed by the Managing [General] Agent any information, documents, books, records and other materials which, in the opinion of the Managing [General] Agent relate or purport to relate to the operation of the agreement and to co-operate with the Managing [General] Agent, auditor or agent;
10. Provisions requiring the Provider to produce to any relevant regulatory body any information, documents, books, records and other materials which in the opinion of the relevant regulatory body relate or purport to relate to the operation of the agreement;
11. Provisions requiring the Provider to notify the Managing [General] Agent of any:
 - 11.1. complaint or actual, pending or potential litigation;
 - 11.2. circumstance or development that may materially impact upon its ability to perform its functions under the claims agreement effectively and in compliance with applicable laws and regulations;
12. Provisions for cancellation and termination;
13. Provisions relating to the ongoing obligations of the Provider in the event that the agreement expires or is terminated or cancelled for any reason;
14. Provisions prohibiting the Provider from subcontracting or assigning any of its rights, powers, functions or obligations under the agreement without the prior consent of the Managing [General] Agent;
15. The jurisdiction and governing law that relates to the operation of the agreement.



7. Monitoring and management of the Claims Service Provider

Code of Practice Delegated Underwriting - Part 8 Claims

“Monitoring Performance of the Contracts – Managing Agents should have appropriate and sufficient processes, key performance indicators and controls in place to evaluate and report on the performance of the contracts where their delegated claims authority has been assigned to a third party and monitor such third party’s performance through service levels, where appropriate.”

There is a clear duty upon the MGA to ensure that their claims portfolio is handled correctly, accurately and fairly. It is also, of course, good and sound business practice to do so.

The methods to be used to evaluate, monitor, manage and guide the Provider are varied and, as mentioned throughout this document, may depend upon the complexities of the claims portfolio.

As a standard however we consider that some of the following methods for monitoring and managing performance should be considered:

- **Service Level Agreement:** This should be incorporated into the contract document to explain to the Provider what exactly is expected of them. Their adherence to the SLA can be monitored by regular MI reporting and validated during annual audits;
- **Key Performance Indicators:** As above these should be defined within the contract and assessed by periodic reporting and validated at audit;
- **Detailed Bordereaux reports:** Including movement reporting, trend analysis etc.;
- **Financial reports:** Detailed reconciliation reporting to support and verify bordereaux reports;
- **Large loss/ exception cases reports:** As these are likely to fall outside the terms of any Delegated Authority regular detailed reporting to the MGA claims team should be considered;
- **Review meetings:** Regular review meetings with the Provider are an effective way to identify and quickly address any misunderstandings, shortcomings or errors which may arise;
- **Audit:** See section 8 below.

Minimum Standard MS 2: CLM 6.1

“Managing Agents shall regularly monitor the service provided by the third party (Provider) and if required standards are not met restrict or terminate the delegation.”



8. Audit of the Claims Service Provider

Auditing – *“Managing Agents should have an audit framework in place to ensure sufficient oversight of entities with delegated claims authority. Such a framework should include maintenance of a contemporary audit schedule covering any third party with any open claims still remaining, controls over appointment of auditors, audit scopes and effective processes for follow up of recommendations and escalation and resolution of any matters of materiality.”*

Audit of claims service providers is an increasingly accepted method to ensure that the MGA is able to fulfil its requirements in relation to monitoring and control.

Traditionally audit has largely been seen as a tool to check the technical claims handling skills of the Provider’s team. The scrutiny upon MGAs by regulatory authorities has however increased considerably with greater emphasis on issues such as Conduct Risk. There is, therefore, a greater requirement for a more extensive audit programme which will demonstrate the degree to which the Provider, and therefore the MGA, has proper control and conduct of the claims portfolio and is able to show that claims are handled fairly and timely. Issues around Solvency II have also increased the need to demonstrate technical excellence including accurate reserving and financial reporting.

It is also worth noting that regulators do not differentiate between open/live portfolios and lapsed/closed ones if the latter also has open claims files attached. Such portfolios should also be included within a monitoring regime and if appropriate audits undertaken.

A standard audit may therefore include:

- An analysis of the Providers management and team skills and expertise;
- A detailed operational and process review;
- A review of documentation;
- A detailed systems review including data accuracy and MI provision;
- A review of financial procedures, fund holding arrangements and fund reporting;
- An assessment of the Providers compliance procedures especially in relation to matters such as Conflict, Complaints, TCF, Anti Bribery and Sanctions;
- An assessment against Minimum standards requirements;
- Validation of the Providers adherence to the MGA’s Service Level Agreement and Key Performance Indicators;
- Technical claims reviews including claims leakage reporting;
- Gap analysis assessments to consider where there is a shortfall between the requirements of the MGA as defined within the contract and the service delivered by the Provider;
- Recommendations including areas where improvements may be required.



Minimum Standard MS 2: CLM 6.1 recommends that audits should be undertaken every 12 months or at other appropriate intervals and that the MGA should document the reasons why they do not consider it appropriate to undertake such yearly audits.

MS11 Conduct Risk: 16.2 Audit

“A Managing Agent must establish and keep under review a programme for the audit of TPAs (Providers) with regard to Conduct Risk. This programme should be reviewed at least annually and must seek to ensure that TPAs are subject to appropriate audit having careful regard to Conduct Management Information relating to their performance especially with regards to Products with a high Products Risk.”



9. Central Records

It is recommended that a central database be maintained of all Providers who are appointed to be on the MGA panel. By consolidating this data into a centrally held record and linking it to the key documents relating to the appointment, monitoring and audit of the panel Providers the MGA claims team will be able to demonstrate sufficient management of their claims portfolio to meet most regulatory requirements.

We consider that the following information and data should be centrally recorded and held as a minimum:

Provider Information

- Provider name
- Provider main contact details
- Location –County/Country/Post code
- Business type
- Expertise
- Contract start date
- Contract end date
- Contract renewal date
- Approval at MGA
- Up to date fee schedule

Standard Documents

- Questionnaire
- Due Diligence reviews
- Procurement documentation including meeting records, presentations etc.
- Procurement approval/sign off documents
- Contract/Service agreement
- E & O Certificate

Compliance Documents

- Anti-Bribery/Money Laundering Policy
- Complaints Policy
- Conflict Policy
- BCP
- DPA policy

Monitoring/Audit

- Monitoring feedback reports
- Audit schedule
- Audit reports



10. Contract review/renewal

Having gone through a complete cycle of engagement with the Claims Service Provider including the following:

- Pre engagement review
- Engagement of the Provider on to the MGA panel
- Completion of contract documents
- Management and monitoring
- Audit

The final piece item to consider is the regular review and possibly renewal of the Providers contract for services. It is assumed that the contracts in place with Providers will have a formal start and end date rather than being open ended, rolling contracts.

It is recommended that a formal and documented procedure is put in place where a senior member of the MGA claims team will have responsibility for reviewing the progress of the account and the services provided in the previous year. This should include referral to:

- Regular Management Information reports showing adherence to the SLA/KPIs
- A review of claims data to show the progress of the account
- Any ad hoc feedback reports from members of the MGA claims team
- Any complaints made against the Provider
- Minutes of review meetings
- Audit reports

Based upon this information a documented decision should be made whether to retain the services of the Provider or whether to seek alternatives.

If the Provider is to be retained the contract document should be reissued, again confirming the start and end date, showing any material changes to service requirements and detailing any agreed changes to the fee structure.

This then will allow the management, monitoring and audit cycle to start again.



The Contract cycle

