



Conducting a Vendor Performance Audit

ORIMS Professional Development Day

Wednesday, March 29, 2006

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Traditional Broker Management

- Request for Proposals
 - Broker “beauty” contest
 - Insurance quotations
- Multiple broker structures
- Stewardship reviews
- Insurance Program audits



Vendor Performance Management

- Oversight of broker activities should parallel those of other vendor/outsourcing activities within the organization
- Regular review of performance
- Contractual arrangements including service levels
- Third party audit reviews of processes and practices

Overview of the Audit

- Existing insurance and risk management programs
- Audit of the operating process and stewardship
- More detailed than program design, policy form and pricing by including:
 - operating protocols
 - market relations and practices
 - internal processes of both the internal risk management department and their outside providers.

Why not an RFP?

- Can be helpful in terms of evaluating capabilities and potential new approaches to the risk management program in place
- Does not address process, protocol or market relation and practice concerns
- Extremely disruptive to the internal risk management staff, as well as the current providers to the SLF programs
- Not uncommon to absorb the resources of the risk management staff for 4-6 months
- Increase in service problems with current providers can be expected as resources are re-allocated to respond to the RFP
- Insurer relationship management



Insurance and Risk Financing Review

- All insurance and risk financing programs
- Uninsured exposures (where insurance is available)
- Key insurers relationships including the amount of risk being ceded to reinsurers
- Benchmark program with peer companies including structure, limits and deductibles
- Review of current program structures within each major line of coverage



Operating Processes

- Loss exposure identification and assessment
- Contract review process
- Insurance market submission preparation, review and presentation
- Loss exposure identification, assessment, course of treatment, on-going review
- Insurance binder and policy quality control
- Policy billing, taxes and fees
- Certificate issuance
- Cost allocation methodology
- Loss control reporting
- Loss and/or major incident reporting



IT Technology Support

- Data consolidation and manipulation
- Program monitoring
- Allocation
- Transactional quality control
- Review and assess internal processes to increase personnel efficiency and accuracy
- Broker system review and documentation of
 - Account management systems utilized
 - Time and expense reporting
 - Client cost allocation
 - Insurance company in-house systems
 - Internal accounting systems, such as agency billing



Insurance Program Management

- Structured interview of insurer representatives
- Review of insurer file documentation
- Review of broker market documentation
- Review of utilization of other broker offices

Other reviews

- Claim review and loss reserve monitoring
- Broker files:
 - Physical files only
 - Confirm compliance with quality control and documentation requirements
 - Confirm establishment of annual service/project schedule
 - Catalogue contents, by line of coverage
- Stewardship Reporting
 - Compliance with established in-house broker protocols
 - Review of SLF internal audit requirements for verification of compliance to those requirements



Project Deliverables - Report

- Executive Summary
- Review findings within category
- Benchmarking report including source documentation and worksheets
- All technical worksheets including policy wording examples and financial models
- All interview documentation
- Three year financials on key insurance companies participating in the programs

Project Deliverables – Other

- Working sessions to review findings, respond to questions and discuss recommendations
- Quarterly status report against plan
- Review of current service contract:
 - Comments regarding performance to contract specifications
 - Recommendations for improvement to the contract
- Format for self-audit guidelines
- Recommendation for timing and scope of future formal external audits