

Case study

Information Systems Audit

Compliance solutions

Enhancing compliance at RACQ Insurance

The BDO Kendalls team enhanced the efficiency and effectiveness of the Quality Assurance Claims process through the innovative use of statistical sampling techniques.

RACQ Insurance approached BDO Kendalls with a view to enhancing its Quality Assurance (QA) processes for insurance claims and to utilise our expertise in statistical sampling to achieve a risk based approach required by the regulator. Our in-depth understanding of RACQ Insurance business and the commercial environment in which they operate provided us with unique and valuable insight that enabled our specialists to tailor solutions to meet their business requirements.

Highlights

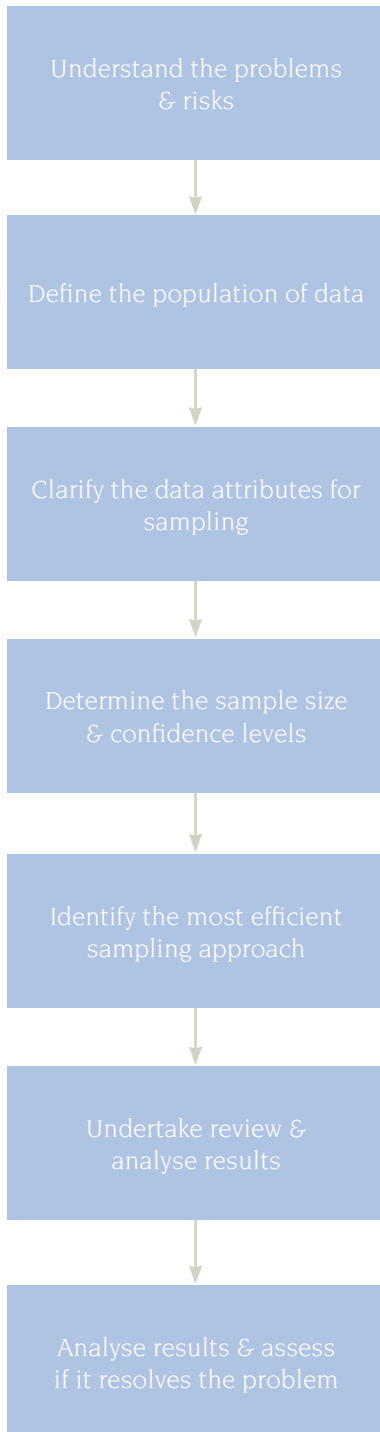
The Australian Prudential Regulation Authority (APRA) required RACQ Insurance to refine its Quality Assurance processes for reviewing insurance claims. The aim was to ensure that there was the right balance between effort, risk and results. The second stage of the assignment was to investigate the need to invest further resources into staff training for those involved in the claims assessment business process. We used IDEA, a data analysis and statistical software sampling tool, and MUS (Monetary Unit Sampling) to solve the problem.

The challenge area

Quality Assurance Process

There was a risk of the QA team over investing time and effort in reviewing claims that were not representative of the risk and value to RACQ Insurance. We set about the task of providing RACQ Insurance with a structured, risk based approach to QA by identifying key business processes, assessing the business risk of each process in conjunction with RACQ Insurance, (in terms of quantity and dollar amount impacted by the process, risk of non compliance with regulatory requirements, loss of reputation etc) and developed a statistical random sampling approach to ensure that the QA results can be interpreted from a level of confidence in the number of errors or deviations in the sample extracted. The sample sizes could be reduced in some instances which provided the time to focus on improvements with the process and forming an opinion on the potential for errors to occur. Previously the sampling results stood alone and were not extrapolated to the total population of data to allow for statistical sampling risks. As RACQ Insurance also placed some reliance on the results of the QA process

The 7 steps to success



as a component of a processing teams performance it was important to demonstrate that the QA sampling process is defensible (demonstrating that no one is being “targeted” unfairly) and the results are placed in the context of all the items processed.

Monetary Unit Statistical Sampling

The second challenge was to assess the potential errors in claims processed and whether retraining was required. The first step was to identify the population of claims that we needed to assess. From then we extracted a sample of claims related transactions and an independent team of experts at RACQ Insurance recalculated the claims in the sample to ascertain if they were correctly assessed. The results of these recalculations were compared to the original claim calculations and the difference was then able to be compared on a statistical basis. In this case the sample results were used to form an opinion on the dollar value of under or over calculated claims within the population of claims. It was then possible to quantify a decision on whether to invest additional staff and training resources to the claims process and contribute to the cost benefit analysis.

How we helped

The BDO Kendalls team were able to assist the RACQ Insurance team by reducing the risk of non-compliance, demonstrating that a proactive approach is being made to claims sampling, reducing the risk of staff dissatisfaction with the sampling programme and enhancing productivity through the Quality Assurance process. We also formed an opinion on the accuracy of claims processed and if additional training or resources were required.

Client thoughts

The BDO Kendalls team enhanced our deliverables by shifting our focus from subjective reviews to an objective and measurable understanding of the claims processing risks. This not only improved the productivity of our quality assurance staff but also provided confidence in the Quality Assurance process for management.

For the future

The initial pilot program has now been completed and following the full project review, RACQ Insurance will now look at enhancing the program and applying the methodology across other elements of the business.

For further information on risk advisory solutions for your business, please phone us on the number below, or visit our website.

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