

The Itinerant Auditor

- Random thoughts from the world of insurance auditing



Wrapping it up: the final word

An underwriting audit consists of four main elements:

- The preparation work done ahead of time to obtain up-to-date documentation including review of bordereaux and the final file selection;
- The actual on site visit to a Coverholder's office to conduct the interviews and file reviews;
- The wrap-up session held with the Coverholder at the end of the visit;
- Writing up the final audit report and transmitting to London.

In the limited time available on site sometimes the importance of an effective wrap-up session may be overshadowed by the need to complete the underwriting and claims file reviews within the time allotted for a site visit. We'd like to highlight the objectives of the wrap-up session and why it is such an important element of the audit process.

First and foremost, the key objective of the wrap-up session is to outline the preliminary audit findings and recommendations to the Coverholder. The session need not be formal nor overly long. Its purpose is to give initial feedback - to outline where underwriting, claims handling and administration of the contract authority are being handled well and where improvements might need to be made. The Coverholder should be encouraged to invite whomever he or she wishes to attend the wrap-up session, but where serious deficiencies have been found it may be appropriate to restrict attendance or have a separate meeting.



Secondly, the wrap-up session provides quick two-way communication, giving the Coverholder the chance to clarify any details which the auditor might have found unclear or difficult to decipher. Thirdly, the wrap-up session is an opportunity for an independent observer (the auditor) to provide the Coverholder with ways to continuously improve the handling of the contract - a learning experience rather than an inquisition. Many Coverholders value this kind of opportunity, although it may be one that has not historically been associated with a visit from an auditor. Where severe inadequacies might exist and need to be addressed right away, the auditor can impart a sense of urgency to the Coverholder in advance of the written audit report so that corrections may be made, or at the very least started.

Finally, it is important for the auditor to advise the Coverholder before leaving that the audit report may contain additional commentary and/or recommendations not necessarily covered during the wrap-up. Once the auditor compiles the file reviews and audit notes, it may well be that there are additional items which need to be addressed, and these will also be included in the final report.

As an integral part of the audit process, a proper wrap-up will be of value to the Coverholder, Underwriters and even the Lloyd's broker. The wrap-up is a practical way to benefit the audit process, acting as an effective communication tool which ideally contributes positively to the final report.

Elaine Collier, A.M. Associates

Ontario Ruling: Insurer Must Pay Regardless of Fraud

It appears that any old scrap of paper is valid insurance in Ontario. As reported by Timothy Appleby of the Globe and Mail on July 4, 2009, "business partners Vladimir Danilov and Georgiy Gnidenko were driving through Vaughan in Mr. Gnidenko's Plymouth, with Mr. Danilov at the wheel, when it collided with another vehicle at an intersection. Both men sustained soft-tissue injuries, and Mr. Danilov submitted a claim for statutory accident benefits to Unifund Assurance Co., a reputable, Newfoundland-based division of The Johnson Corp., a Canadian holding company controlled by the Royal & SunAlliance Insurance Group of Britain. Unifund, however, knew nothing of Mr. Gnidenko or his car. The phony pink slip bearing its name had been fraudulently issued by a small office in North Toronto. Unifund therefore balked at paying what now, with interest, possibly amounts to several thousand dollars.

In a ruling last month, however, FSCO [Financial Services Commission of Ontario] arbitrator Robert Bujold ruled that it should pay, because there was no evidence Mr. Danilov was aware of the fraud. "

Although there are rules in place in Ontario's no-fault insurance regime to deal with situations where insurance coverage is in doubt, those rules require that a named insurer must pay the disputed claim and then seek to recoup the cost from the insurer of the second vehicle within 90 days. In this instance, the Insurer, believing that it was not required to pay the claim at all, failed to observe the 90 day deadline.

The company's lawyer, Daniel Strigberger, argued that "it defeats the whole concept of the insurance contract by imposing on an insurer the obligation to pay accident benefits when it never issued the policy against which the claim is being made. Unifund is completely a victim of fraud. And now, unless the case gets overturned, it's going to be stuck with paying out."

Is Contract Certainty important? Apparently not in Canada!

[Click here for the full article](#)

Travelling to Vancouver in early 2010?

Remember that the 2010 Winter Olympics are being held at Whistler/Blackcomb and in and around Vancouver from the 12th to the 28th February 2010. Hotel rooms will be scarce, and premium prices should be expected. If you must be in Vancouver in February, you might want to consider making reservations now!

A.M. Associates provides underwriting, operational and claims audit services to the Lloyd's market and to the domestic Canadian insurance industry. Our auditors have extensive Company underwriting, claims and management experience and have audited many lines of business in English and French across Canada.

For further information on our services please contact Allison Murray

email: amurray@amassociates.ca telephone: (416) 266-1517

www.amassociates.ca