

Insurance Claims Audit

Legal Services Division
Risk Management Section

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CELEBRATE

Background

- ❑ The Risk Management section is responsible for managing the City's Insurance Program, which includes:
 - Identifying and evaluating risks
 - Assessing the most efficient way to safeguard the City against financial loss
 - Administration and settlement of all insurance claims filed against the City.

- ❑ From January 1, 2022 to October 31, 2023, the number of insurance claims opened and closed was 382 and 1,021, respectively.

- ❑ Claim categories include:
 - Auto – Corporate Fleet
 - Auto – Heavy Fleet
 - Auto – Transit
 - CGL – Municipal
 - Environmental Liability
 - Errors & Omissions
 - Property
 - Others



Audit Objectives

The purpose of the audit was to ensure that:

- a) Relevant policies and procedures are established, communicated to affected user groups, and followed consistently;
- b) Roles and responsibilities are clearly defined, communicated, and understood, including the management of insurance claim reserves;
- c) Insurance claim cases are tracked, monitored, and retained effectively and in accordance with industry standards and the City's Records Retention Schedule, By-law 0097-2017;
- d) Payments are properly processed, approved, and adequately insured in the event of a claim; and
- e) Insurance claim documents are securely stored, and access is granted only to appropriate individuals.

Audit Scope

In Scope:

- Insurance Claims Management Framework as it relates to governance, roles and responsibilities, policies and procedures and management oversight.
- Internal controls and processes for administration, management, and settlement of the City's claims, such as claim intake, claim processing and documentation, and claim payment.

The audit period focused on insurance claims cases that were closed from January 1, 2022, to October 31, 2023.

Out of Scope:

This audit did not review the following.

- The insurance provided through employee benefits, which is managed by the Human Resources Department and outsourced to third parties.
- Insurance related to Workplace Safety and Insurance Board (WSIB) which the Ontario Government administers.
- Negotiation & litigation processes, including evaluating the appropriateness of legal advice and decision-making content.
- Assessment of staff competency and performance.

Summary of Observations

Working well

- Management oversight in certain areas, including obtaining adequate documentation and evidence to support the claim, and
- Adhering to industry standards when responding to a claim.

8 observations /

9 recommendations

Management agrees with the recommendations

Main Observations

- Claims Management System Enhancement
- Insurance Claims Processing
- Actuarial Assessment timely completion

Claims Management System Enhancement

Observations	Recommendation	Management Comments
<ul style="list-style-type: none">• Three sequential gaps in the numbering of insurance claims• The system does not interface with the City's financial records• Limited storage capacity for individual files less than 1 GB• Records have been retained longer than required• Access to the system	<ul style="list-style-type: none">• To assess the essential system requirements• To ensure the newly acquired system addresses the system limitations noted in this audit, as appropriate	<ul style="list-style-type: none">• Risk Management is in the process of procuring a new Risk Management Information System (RMIS), that allows for claims management as well as other overall risk management modules• This upgrade is scheduled to start in July/August 2024 with expected implementation in 2026• To be completed by August 2026

Insurance Claims Processing

Observations

- Standard operating procedures (SOPs) have been drafted, but not updated or finalized
- Lack of periodic reconciliations between payments recorded in the claims management system and the general ledger account
- Lack of alignment of the Retention Schedule By-law 0097-2017 with current industry practices
- Lack of regular review of access logs for insurance-related information

Recommendation

- To update the existing SOPs to reflect the current practices and procedures, then finalize, approve, and communicate them
- To perform quarterly reconciliations
- To assess the adequacy of the retention period for the insurance claim records and update the Records Retention Schedule By-law, as needed
- To perform periodic user access review, including roles and permissions, for system and SharePoint folders

Management Comments

- We are currently in the process of creating and updating the SOPs
- A reconciliation process will be created and performed on a quarterly basis
- The retention requirement will be assessed and updated
- the access logs will be assessed on a regular basis
- To be completed in 2024

Actuarial Assessment timely completion

Observations

- The last actuarial assessment was conducted in 2019, and the next actuarial assessment is scheduled for March 2024, which is one year later than expected

Recommendation

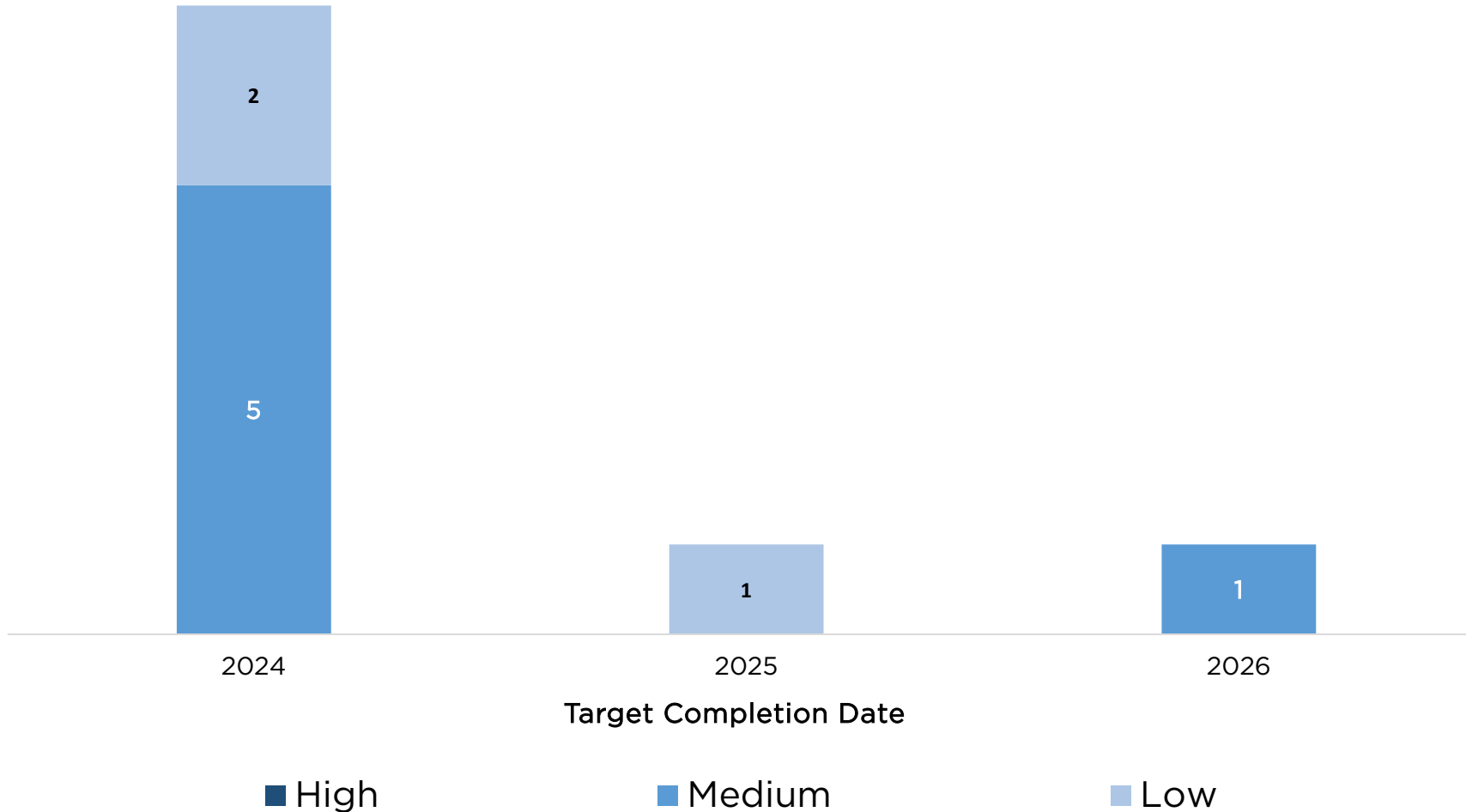
- That the next actuarial assessment be conducted at the earliest opportunity, and future assessment needs be included in the section's work plan

Management Comments

- Risk Management is currently in the process of having our actuarial review performed, and this should be completed no later than April 30, 2024
- Our next actuarial review is planned to be conducted in 2027 for the year ending 2026
- To be completed by April 2024

Summary of Recommendations

Recommendations By Priority and Target Completion Date



Thank you