

Leveraging Operations for Success

By: Steve Kennedy
Principal & COO, Insurance Insight Group



Putting this white paper to work for your company.

Getting your organization firing on all cylinders can be a challenge for even the very best organizations. You can have a great product, great compensation and great marketing; but without great service your profits will sink.

This white paper hones in on the keys to energizing and empowering your operations staff to create a well oiled machine that leads to a cost effective and efficient operation.

Put these changes into practice and you can realize some big advantages, including:

- **Reduced processing times for new business**
- **Improved quality control measures**
- **Increased employee productivity**
- **Happier agents, policyholders and employees**

The processes involved aren't easy, but implementing these strategies can help your company reap rich rewards.

To receive samples of the tools mentioned in this document, please email steve.kennedy@iigsolutions.com or call 801.290.3310.

Read on for more details...

Steve provides details on these proven strategies for enhancing your operational processes:

- 1. Increasing the motivation and involvement of your staff**
- 2. Understanding and managing your inventory**
- 3. Communicating key operational enhancements so the perception matches the reality**

Inside, you'll learn how improving service while also managing costs can help you complete the agent value proposition and move your organization to a whole new level.



In today's challenging environment, carriers and marketing organizations are constantly seeking ways to improve their agent value proposition. To be successful, companies must offer agents a consumer friendly product portfolio with competitive compensation that is processed in a timely and accurate manner. Failure to address all three components will generally result in lower than desired sales results.

Within the insurance industry, solving the operational equation can be the toughest part of the agent value proposition. While carriers and marketing organizations all want to provide quality service to their agents and policyholders, the theory is that the investment required can be better utilized by improving the competitiveness of their products or increasing agent compensation. As a result, operations generally remain stagnant with a process that is neither efficient nor cost effective.

A few years ago, I assumed responsibility for a multi-site administrative operation that annually processed \$500 million of new business in a manner that can best be described as slow and inefficient. Within three years, volume had increased 700% to near \$4 billion in annual life and annuity insurance sales. Rather than collapse from this growth, our operations were able to achieve significant improvements in processing times, quality and unit costs even as the volumes increased. In less than 12 months:

- New Business average processing times were reduced by over 40%
- Quality control measures improved by 28%
- Employee productivity increased by 40% while employee satisfaction measures doubled

Better yet, this was all accomplished without requiring a significant capital investment in our operations. We were able to improve service without sacrificing our product portfolio or agent compensation. By successfully fulfilling the agent value proposition, we had moved our organization to a whole new level of success.

We were able to achieve this through a focus on planning, people, processes and performance measures which were supported by an initiative that is generally ignored by every insurance operation...COMMUNICATION.

Let's go through a few of these initiatives and see how they improved results.

It Still Comes Down to People

"Our people are our greatest asset." It is a common management mantra that everyone is required to learn, but often forgotten. No matter the degree to which a process is automated, you need a motivated staff to trigger the process and often serve as the face of your organization with the agent field force.

Knowing that it takes time to implement process automation, we knew our best shot at improving results quickly was to increase the motivation and



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involvement of the staff. We were able to significantly improve productivity through the implementation of:

- An incentive bonus program based on productivity and quality
- Quarterly performance reviews
- Employee satisfaction surveys
- Employee recognition awards
- Employee social events

We also drove home a sense of urgency by ensuring the staff understood that agents provide for their families through the commissions generated on the policies that we issued and that, if a policy was not issued this week, it would be an additional week before the agent would be paid. Since the majority of the staff could relate to this, they understood the impact of not getting paid on a regular basis and carried this over to their assignments.

From these initiatives, a core group of leaders quickly started to develop within the staff which we then promoted and deployed throughout the organization to spread our focus on customer service.

In order to expand our resource pool, our focus then shifted to staff development. By establishing a small, full-time training department that focused solely on operations, we were able to accelerate the orientation process and productivity of new employees while providing the existing staff the opportunity to expand their skill set. These initiatives provided us with greater flexibility regarding inventory management and processing.

Understanding & Managing Your Inventory

An insurance new business operation is like any other manufacturing facility in that raw materials (applications) are received and go through multiple stages of processing until the final product (policies) is produced and delivered. Like any manufacturer, it is critical that you know the inventory levels at each decision point along the policy issue process. Without this information, you are flying blind and cannot effectively manage agent expectations.

We implemented a work flow system that allowed us to capture the inventory levels, and their aging, for each major step of the new business process including:

- Applications to be entered
- Cases ready for final underwriting review
- Policies to be issued
- Post-issue requirements

By having this information, which was updated on a real-time basis, we could easily understand where processing delays were occurring and take the necessary steps to address them. Even more importantly, we used this information to manage agent expectations and perceptions.

For example, our commission cycle ended each Friday evening and our staff now understood that a paid agent is a happy agent. Therefore, the focus



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was to ensure that the policy issue inventory was zero by the close of business that day and that all post-issue requirements had been applied to maximize agent commission payments.

Additionally, through our cross-training efforts we were then able to shift the entire new business staff over to application input so that every application received for that week would be in the system and appear in the agent web site for the weekend. By taking this step, we significantly reduced our phone calls from agents on Monday morning asking whether their application had been received last week.

Perception is Reality

If your service improves and no one knows it, has it really improved? That was the issue we faced six months into our performance improvement process. Processing times had started to dramatically decrease, but agent surveys on operations indicated no increase in satisfaction.

We decided to partner with our sales and marketing departments to develop a full agent communication campaign that focused on operations including:

- Publishing key performance measures compared to prior periods on a monthly basis
- Communicating the implementation of recent process improvement initiatives and previewing upcoming improvements
- Participating at all major marketing meetings to communicate directly with the key producers
- Bringing in the key marketing agencies to tour the facility, meet the people and understand the process
- Establishing operational points of contacts to help the key marketing agencies resolve critical issues
- Developing quarterly performance reports for each of the major marketing agencies that focused on results specific to them and indicate areas where they could help improve the policy issue process

By taking these steps, all of the key producers began to understand that improvements had and were continuing to occur. As a result, their perception of service slowly began to move toward the reality indicated by the key performance measures.

There were many more initiatives regarding process improvement that had the combined effect of improving performance and reducing unit costs. In each situation, our thought process was focused on developing the best way to solve an issue, rather than always relying on the normal methods.

By improving service while also managing costs, you can complete the agent value proposition and move your organization to a whole new level of success.

To find out more about our operations process improvement solutions, please e-mail steve.kennedy@iigsolutions.com or call us at 801.290.3310.



About the Author

Steve Kennedy, Principal & COO, Insurance Insight Group

Mr. Kennedy's expertise includes all aspects of operational and financial management functions performed by insurance companies. He has helped carriers with operational improvement reviews, operational outsourcing including negotiation, transition and management, operational audits, budget development and business and financial planning.

Steve was a long-time Vice President of Operations for a major insurance carrier where he guided an operation from processing \$500 million in annual sales to over \$100 million in life sales and \$3 billion annuity sales on an annual basis over a four year period. Prior to that, Steve served as Treasurer and head of Financial Reporting & Management for several major insurance carriers focused in the individual and group life and disability markets.

Steve has also developed working relationships with many of the key outsourcing organizations within the insurance industry which has benefited Insurance Insight Group's clients.



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www.insuranceinsightgroup.com

contact@iigsolutions.com

877.321.6246

Insurance Insight Group

P.O. Box 980511

Park City, UT 84098

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