

Case Study -- Fundamental Redesign Commercial Property Insurance Company

This is a large, highly specialized property insurance company that was formed over 100 years ago. Its role is to provide a market for insuring what is called “highly protected risk” property. These are usually very large buildings or complexes with state-of-the-art fire, explosion and other protection systems.

The company had 1,200 employees, most of them engineers. Their clients include major manufacturing and other companies with U.S. and international facilities. In addition to property protection, business and profit continuation is also provided.

The insurance and reinsurance arrangements are among the most complex in the industry. Typical contracts involve multiple companies in addition to our client, in multiple layers, with complex reinsurance arrangements.

When we started talking to them their financial results were in a negative spiral. Loss ratios were out of control. Prior to asking for our assistance, they lost over \$100 million dollars. Future projections were even worse. Their survival was at stake.

While catastrophic losses played a role in their situation, their real problem was much more fundamental. They needed to redesign or reinvent the way they did business. They needed to quickly return to profitability and, at the same time, recover market share. They needed to change the culture of the company. The big question was whether or not they would have enough time to make these fundamental changes.

A two pronged approach was designed for them. Senior management would primarily focus on the immediate changes needed to ensure short term survivability. At the same time, The McDonald Consulting Group would lead them through a process to make the fundamental changes needed for long term success.

We decided to focus on their three core business processes -- Underwriting Decision-Making, Claims

cause they determine the success or failure of the company. We formed a Design Team for each. With our guidance, the teams defined, developed and implemented a fundamentally new and much more effective way of performing these core processes.

Among the changes made were the:

- Design of a new, standard underwriting decision-making process.
- Creation of a formal account management process that focused on long term relationships with clients.
- Formation of new Multifunctional Teams, made up of natural work groups, to serve and be accountable for specific clients.
- Development of success measures to ensure team accountability, overall profitability and long term customer satisfaction.
- Reorganization of Loss Prevention to become an integral part of underwriting decision-making, account management and ongoing customer service.
- Introduction of a Gainsharing incentive compensation plan that became the glue that held the new structure and processes together by focusing everyone on the result they attained.

The culture within the company shifted to one where accountability, measured by results attained, created the need for continuous improvement. Teams of employees became the “owners of their results.” Cost centers were replaced by profit centers as this new entrepreneurial environment swept through the company.

The results were phenomenal. Since the introduction of these changes, almost two years ago, the company has not had an unprofitable quarter. Growth is back on track and employee morale has soared. Future profit and growth projections for the company are all positive. Employees are making more money.