

Case Study -- Fundamental Change Individual Life Insurance

This is a large Midwestern life insurance company with annual revenues in excess of \$1 billion and assets of more than \$7 billion. They are organized into Strategic Business Units (SBU's) with each having its own sales force, underwriting, administration, claims, financial, marketing and actuarial areas. The company was successful. It had a good reputation in the industry, customers were traditionally satisfied, employee turnover was stable and their return on investments was excellent.

The company realized the need for continued improvement, however. The first SBU to take a big step forward was their Individual Life Division. It decided to phase out its career sales force, replacing it with personal producing general agents and a broker distribution system. It had also reevaluated its strategic plan, identifying the need for renewed marketing vigor, improved customer focus and reduced expenses.

Shortly after switching to PPGA's and Brokers, they began to experience problems between their sales force and the administrative employees. The new entrepreneurial sales force expected faster and better service. The SBU employees, accustomed to working with a captive sales force, had difficulty understanding why the sales people were now so unreasonable. Problems were also growing with policyholders, because resources were being transferred from servicing their needs to work on the growing problems with the sales force.

It was at this point that we were asked to assist the Individual Division. They needed to:

- Dramatically improve service and quality to their sales force, while maintaining excellent service levels to their policyholders.
- Decrease the amount of time required to develop new products from 180 days to 90 days.
- Reduce expenses, without hurting quality, to make products more competitive.
- Make the SBU a better place to work.

The following specific projects were undertaken:

- Formed teams of key managers and technical staff to evaluate and redesign the major work processes. Teams met two or three times each week for 12 weeks.
- Senior management met for five weeks to develop a new methodology for product development.

The result of this effort was dramatic and surpassed expectations. For example . . .

- In the Underwriting and Service areas linear functional departments were replaced with multifunctional teams serving specific customers.
- Quality and service problems with the sales force disappeared within three months
- Policy issue time was improved by 30%
- Time spent answering service requests was reduced by 60%, with a 40% reduction in the resources needed to provide the service.
- Overall annual expenses for the division were reduced by 40%.
- Interactive staffing models were created for each unit to help management and employees understand how many people were needed to do work on an ongoing basis.

After four years, these advantages were not only maintained, they increased. This was partly because a team based, Gainsharing incentive compensation plan was introduced to drive a continuous improvement culture. Employees viewed themselves as owners of their new teams and accountable for their results. As owners they shared in the additional improvements they made.

What happened during these four years? Actual expense dollars stayed level while the company grew by 40%. At the same time, compensation per employee increased by 50%. The division had fewer, higher qualified, better paid people.