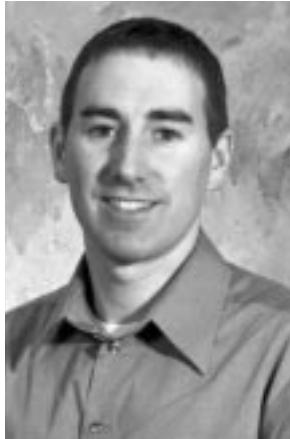


Chance Reunions

by Jonathan W. Hensinger, CPCU, ARM, AIS



■ **Jonathan W. Hensinger, CPCU, ARM, AIS**, works for State Farm Insurance in Concordville, Pennsylvania. His current responsibilities include creating a continuous improvement program for all of Fire Underwriting for State Farm's Northeast Zone. Hensinger is a member of the Total Quality Section Committee, and is currently serving as the president-elect of the CPCU Society's Philadelphia Chapter. He has worked for State Farm for 13 years and has experience in underwriting and claims. You may contact him at Jon.Hensinger.c3io@StateFarm.com.

Nine days before I was scheduled to leave for Los Angeles to attend the CPCU Society's Annual Meeting and Seminars, I received a very unexpected e-mail. "Is this the Jon Hensinger from West Deptford?" I was being contacted by a high school classmate that I had not heard from in 17 years. It turns out that this classmate of mine is now an event planner in L.A. Because of her job, she regularly receives information on conventions that are coming to town. (It is important to note here that she routinely discards this information without ever looking at it.) For some unexplainable reason, she saw "CPCU" and was curious. She started looking through the information on the convention, and eventually came across a list of people who were registered to attend. That is how she discovered my name and contact info. Yes, I was the Jon Hensinger from West Deptford.

Over the next few days we traded e-mails and got reacquainted. My friend quickly volunteered to show me the sights in L.A. Now, this whole story is about to get even stranger. I was bringing with me to L.A. my best friend, who also graduated in my high school class. So we were about to have a most unexpected and unlikely three-person high school class reunion.

My trip to Los Angeles was outstanding in every way. The CPCU Society events were fun and educational. And I met lots of interesting people. The highlight of the trip, however, clearly turned out to be my chance reunion with my high school classmate.

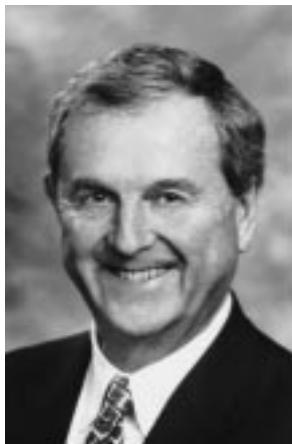
In the 17 years since I last saw her, my classmate has achieved things I never dreamt possible. She has become one of Los Angeles' premier caterers, providing food for events like the Emmy and Grammy Award Ceremonies. Maybe you

have heard of them? Wow. This past spring, the TV show *Access Hollywood* featured her in a segment for the work she did catering the Grammy Awards. A camera crew followed her around behind the scenes as she led the effort to feed the thousands of guests at the award ceremony. It just so happens that this year's Grammy Awards were held on her 35th birthday. Apparently, the producers of *Access Hollywood* are pretty thoughtful people, as they concluded her 90-second segment by arranging for pop-star Usher to sing happy birthday to her on national TV. Wow. As you might imagine, I used the word "wow" very frequently during my visit with her.

While my friend and I literally started out in the same place (West Deptford High, Class of 1987), my friend has accomplished things I never dared to dream possible. That's not to say I haven't had successes of my own. Mine have just taken different forms. Inspiration can sometimes come from the most unusual places. This chance reunion officially qualifies as one of those unusual places. I return home from L.A. feeling very inspired—inspired to learn, inspired to grow, and inspired to challenge the limits of what I believe to be possible. Because as my friend has shown me, there is truly nothing we cannot do. ■

Tom Peters “Hates” Quality—but “Loves” Its Principles and Practices

by John G. Pryor, CPCU, ARM, AAI, AIS



■ **John G. Pryor, CPCU, ARM, AAI, AIS**, is a principal and founder of KIA Insurance Associates, Inc. in Bakersfield, California. Currently he serves on both the CPCU Society's Board of Governors and on the AICPCU/IIA Board of Trustees. Pryor is past president of the California “Big I” and founding chairman of the CPCU Society's Total Quality Section.

Tom Peters was the keynote speaker for the CPCU Society's 2004 Annual Meeting and Seminars in Los Angeles. His selection—as well as his message (in general)—were both highly commendable.

In his most recent (2003) book, *Re-imagine—Business Excellence in a Disruptive Age*, Peters appears to be highly critical—even denigrating—of the quality disciplines advocated by W. Edwards Deming and Joseph Juran. This is not to mention the overall principles taught in the Insurance Institute of America course in quality and continuous improvement, AIS 25—Delivering Insurance Services.

Executive Overview

1. The purpose of this “white paper” on Tom Peters' comments on quality, Kaizen (continuous improvement), and other elements of Deming's 14 points is to illustrate clearly that Peters—wittingly or unwittingly—actually supports and reinforces these same principles of quality in other (less vitriolic) statements in his most recent book.
2. Whatever it's called, TQM or Six Sigma, Peters says we need more dramatic breakthroughs—not incrementalism or mediocre improvement. Yet continuous improvement is what Toyota and other Japanese organizations used to out-compete U.S. automakers—and Peters praises Japanese performance—highly!
3. We need to play a whole new game, Peters says. We need to “re-imagine”—what Deming calls “transformation” in his Point #2. Both are in agreement.
4. “Zero Defects” doesn't work. Deming agrees.
5. Insurance claims that require only 17 minutes of actual work yet have a cycle time of 23 days to finalize are outrageous. Deming would agree. That's a strong vote by Peters for continuous improvement—his protestations to the contrary notwithstanding.
6. Meeting customer expectations isn't sufficient. It must be an “experience” that exceeds expectations. Deming's points concur.
7. Peters says communication and work must be cross-functional—not confined in “stovepipes.” Deming's Point #9 agrees completely.
8. Peters wants to “cut the crap” and simplify. So do Deming, Juran, and Crosby.

9. Peters isn't a fan of benchmarking. Neither is Deming.

10. Peters is high on prototypes. So is Deming. That's what PDSA (Plan, Do, Study, Act) is all about.

11. Peters wants innovation. So does Deming in his very first point (Point #1).

Expanded Summary

Here is an expanded summary of Peters' major points as they relate to—and actually support . . . even reinforce—the principles of quality advocated by Deming and others in the quality movement.

Let's begin with Peters' point on page 25 entitled, “Losing Bet II: The Quality Thing.” Peters comments:

Call it TQM. Call it Six Sigma. Call it (as the Japanese mostly did) . . . Kaizen . . . that is, “continuous improvement.” Or just call it tinkering . . . Those lessons represented the last scene of the Old Economy . . . Now we need something dramatically different from “getting better”—from even getting a whole lot better . . . Now we need to train ourselves to play an entirely New Game . . . a game called Re-imagine.

This is highly consistent with Deming's Point #2: Adopt the new philosophy. Deming wrote in 1996 that “We are in a new economic age. Western management must awaken to the challenge, must learn their responsibilities, and take on leadership for change. Transformation is required.

On page 44, Peters lists the leaders who have brought about big transformations (34 in total) with **no** mention of Deming or Juran. Yet he commends the Japanese on page 304 (see below) who were out-competing the United States with counsel from Deming and Juran.

Peters and Deming differ, if at all, only in the degree of change. Peters' ideal is breakthrough improvement—taking continuous improvement to higher and higher levels. He accuses Deming practitioners of incrementalism—as though major innovation should be expected from each and every effort.

That's not realistic, of course.

Not every effort can conceivably trigger major innovation and significant breakthrough. Both Deming and Peters concur that continuous improvement is critical—and neither would object to a major breakthrough in this process. Peters does a good job helping us “raise our sights” in the Kaizen process.

Peters opens Chapter 6 (page 85) with his repeated chapter heading “Rant” by saying, “We are not prepared . . .” as follows:

We believe that offering an excellent product or an excellent service is enough. Instead, we must understand [it] is but the “price of entry” . . . The systematic application of . . . a campaign to improve quality and customer satisfaction [is] devastating every kind of commodity producer.

In Chapter 5 (page 77), Peters says under the heading of “Black Hole:”

Go to Borders. Go to Barnes & Noble. Wander the business section. Twenty or 30 books on TQM. Another dozen on “installing self-managing work teams” . . . But no one single, solitary book on creating a . . . way cool Accounting Department . . . a Supercalifragilisticaldocious HR Dept. Why? Why? **Why?**

He concludes his intermittent comments on quality on page 307 in Chapter 24, as mentioned above, with a ringing endorsement of Deming's counsel to the Japanese—again without mentioning Deming (or Juran) by name:

As the 1960s yielded to the 1970s, Japanese industry began to embarrass its U.S. counterparts. First in shipbuilding. Then in steel.

Then in automobile manufacturing. Then in semiconductors . . . When awakened, Americans learn quickly. This time around, . . . we learned that the right way to manage was . . . the Japanese way. In 1980, if you didn't “get” that—well, you didn't get anything.

No matter what these efforts may be called, the adoption of this new philosophy is essential—even if it's called “re-imagine.” ■

TQ Quotes

“Efficiency is doing things right. Effectiveness is doing all the right things.”

—Bill Reddin

“Work expands so as to fill the time available for its completion (and) the thing to be done swells in importance and complexity in a direct ratio with the time to be spent.”

—Northcote Parkinson

“There is nothing so useless as doing efficiently that which should not be done at all.”

—Peter F. Drucker

Learning Outside the Box

by Martin J. Frappolli, CPCU, AIS

■ **Martin J. Frappolli, CPCU, AIS**, is the director of the Associate in Insurance Services program at the AICPCU in Malvern, PA.

Most insurance professionals know about the value of earning the Chartered Property Casualty Underwriter (CPCU) designation. Persons achieving the CPCU designation are recognized for the rigorous education, experience, and ethics required. Both the individual and the insurance community are enriched by such focused effort to promote professionalism and ethical conduct in the industry.

Less well-known, perhaps, are the “outside-the-box” doors that open for persons earning the CPCU designation, and the other insurance education programs available from The American Institutes.

Headquartered in Malvern, Pennsylvania, The American Institutes include the American Institute for Chartered Property Casualty Underwriters (AICPCU) and the Insurance Institute of America (IIA). As the name suggests, the AICPCU administers the CPCU program. The IIA administers many other educational programs and professional designations, such as the Associate in Claims (AIC) Program, the Program in General Insurance (INS), the Associate in Information Technology (AIT) Program, and the Associate in Insurance Services (AIS) Program.

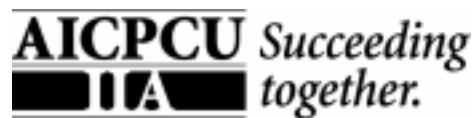
Do you feel that you might be more effective in your job with a greater understanding of information technology? The transition from the era of mainframe-dominated, centrally controlled data processing to the era of empowered users, PCs, and worldwide networks created a technology “knowledge gap” for many insurance professionals. Managers can no longer delegate all information processing decisions to the technical staff. Understanding the IT environment is key to success in business.

IIA staff developed the Associate in Information Technology program to help

people bridge the gap between insurance professionals and IT professionals. Although the program was designed with non-technicians in mind, it has served both communities. While it covers the technical areas that business people need to understand, it also presents IT professionals with an in-depth understanding of insurance automation issues.

While the AIT program is open to all insurance professionals, there is a neat tie-in for CPCUs. The CPCU Society has 14 special interest sections reflecting the diversity of specialty areas within the insurance profession, and one of them is the Information Technology Section. This is not a “geeks-only” group, but one that provides an insider’s view of the growing influence of information technology on all fields of interest in the insurance industry. Obtain the AIT designation (see www.aicpcu.org/flyers/ait.htm for details), join the IT Section of the CPCU Society (see <http://infotech.cpcusociety.org> for details), or both. You can become more effective at work, at home, and wherever technology touches your life.

Technology is a central theme to most businesses; another fundamental is quality. The increase in competition, both local and global, has kept the pressure on organizations to make continuous improvements in their operations. The American Institutes have responded to this need by crafting a program that emphasizes total quality and continuous improvement in the insurance industry—the Associate in Insurance Services (AIS) Program. According to the AICPCU/IIA web site, the emphasis in this program is to “enhance your customer focus. Your clients and colleagues expect quality, and service quality has never been more important than it is right now. Enhanced customer focus will help you to attract and keep clients. No matter what your area of specialty is, you and your organization can benefit from a basic understanding of continuous improvement principles.”



EDUCATION • RESEARCH • ETHICS

You can earn a Certificate of Completion for passing the AIS 25 exam. Or you may choose to earn the AIS designation by completing one of several other IIA or CPCU programs, in addition to the AIS 25 exam. Details can be found at <http://www.aicpcu.org/flyers/ais.htm>. While the AIS certificate or designation is available to all insurance professionals, once again there is a neat tie-in for CPCUs via the special interest sections. The Total Quality Section, according to the Section Chairman **Valerie Ullman Katz, CPCU, AIS**, emphasizes a greater awareness of the need to achieve and increase the quality of our service, processes, and procedures to internal and external customers. Katz adds that the TQ Section “focuses on individual, departmental, company, and industry improvement from our intake of a customer service call, issuing policies, handling a claim, request for reinsurance reimbursement, and our reputation with the consumer.” Learn more about the TQ section at <http://totalquality.cpcusociety.org>.

You know your own job requirements, and if you are a CPCU, you know a lot more about the property and casualty insurance industry. Don’t miss these further opportunities to learn outside the box; be on top of the information technology and continuous improvement issues that affect your business every day. Visit the [aicpcu.org](http://www.aicpcu.org) links shown above, or contact me, AICPCU/IIA Director of Curriculum Marty Frappolli, CPCU, AIS, by e-mail at frappolli@cpcuiia.org to learn more about the AIT and the AIS programs. If you are a CPCU, visit the cpcusociety.org links shown above to find out more about the IT and TQ special interest sections. Both are filled with dedicated and helpful professionals who will very much welcome your interest. ■

Project Management—It's Not Just for Project Managers Anymore!

by Judith M. Knight, CPCU, AIS, API, CPM



■ Judith M. Knight, CPCU, AIS, API, CPM, works for MetLife Auto & Home® in Dayton, Ohio, where she is a project manager currently assigned to work on sales and service platforms. On a national level, Knight is a member of the CPCU Society's Total Quality Section Committee, and she also serves as vice president of the CPCU Society's Dayton-Miami Valley Chapter.

Your boss just assigned you the job of overseeing a fund-raising campaign in your office for a local charity. You know that this request is an opportunity to demonstrate your capabilities, and that the resulting pledges will mean a lot to the community. There's a lot riding on your ability to pull this off successfully. So, where do you begin?

Handling a project can be a daunting task, whether you're looking to build an office, establish a new account, or coordinate a fund-raising activity. However, it doesn't have to be overwhelming. Like so many other responsibilities, if you approach your assignment as a quality process, you have a greater chance to meet, or even exceed, expectations.

Before taking action, you should spend time developing a plan for the project. Define detailed goals. What are the interim and final deliverables? In the case of the fundraiser, the first step would be to clarify what is expected of you: is your goal to simply gather funds for the charity? Are there other objectives, such as educating associates, or making certain that everyone participating has fun during the campaign? When planning, be sure to determine all of the specific qualities that you will use to measure your success when the project is finished.

■ **If you approach the task as a quality process, you have a greater chance to meet, or even exceed, expectations.**

Once you have focused on your goal, you can begin to plan how you will achieve it. Breaking your major deliverables into detailed tasks and subtasks, selecting a team, and securing all of the necessary approvals will put you on the road to success. However, don't forget to assess the risks you might encounter along the way that could impact cost, the schedule, or quality. If something is about to go wrong, you will need to react quickly with a contingency plan, in order to minimize any potential damage.

This is the point where you will actually begin to initiate your project plan. Quality communications are the key to success during this stage. You must produce clear, concise, and timely messages to ensure that your team

members understand the objectives and his or her role. Polish your delegating skills by providing direction, but let your team carry out their assignments, in order to encourage skill-building. Make certain that you clearly establish a timeline for status reports and target dates, that everyone understands these deadlines, and that you reinforce the need to fulfill these commitments throughout the project.

The time you spent in the initial planning stage will help you to implement your project smoothly and will greatly enhance your chances for a quality outcome. However, once you meet your objectives and the project has been concluded, don't forget to review the entire experience. Where did things go well? What parts of the process could have been improved? These "lessons learned" could make a big difference in your next assignment, but only if you acknowledge them.

Finally, always remember to celebrate the project's success with the entire team. Let everyone know how much you appreciate his or her contributions. Make sure each individual knows what he or she personally accomplished and the value of that accomplishment. These acknowledgements will bring a sense of closure to the project, and also will set the stage for building a dedicated, enthusiastic team for your next assignment.

For comprehensive information on project management, you can visit the Project Management Institute (PMI) web site at <http://www.pmi.org>. Bring total quality to everything you do. ■

TQ Quotes

"If you don't know where you're going, you may end up somewhere else."

—Yogi Berra

Measuring Process Improvement Savings in Dollars

by Jonathan W. Hensinger, CPCU, ARM, AIS

Editor's Note: This is the second in a series of articles about one person's efforts to shift peoples' thinking and introduce continuous improvement to a mature organization. Jon Hensinger is currently leading a continuous improvement initiative for State Farm's Fire Underwriting Division for the Northeast Zone.

During the month of September, State Farm's Fire Underwriting Division for the Northeast Zone launched a zone-wide continuous improvement program. This program brings to the organization a combination of employee training, new organizational measurements, and a complex communications schedule designed to keep the program (and its results) in front of employees for the next 12 months. The ultimate objective of the program is to establish a culture of continuous improvement within our organization.

Our initial employee training class was very well received. One of the highlights of the class involved a "flaming wallet" magic trick performed by the instructor to make a point about time being money, and none of us having money to burn. We also used the magic trick to help introduce a new employee tool designed to encourage the same type of thinking called the "Process Improvement Savings Calculator." This calculator is available to all of our employees on an internal intranet. The calculator illustrates how saving small amounts of time each day through process improvement can quickly add up to significant dollar savings for the organization. After all, time is money. Here is what the calculator looks like:

The Process Improvement Savings Calculator

Time is money. Are you spending your time efficiently?

TQ Quotes

"Ultimately, culture change lives or dies by dollar signs. It's a language everyone understands."

—from High-Velocity Culture Change by Price Pritchett & Ron Pound

Calculate Your Process Improvement Savings:

Minutes saved per day

0

Number of people impacted

0

Job level affected
(und, serv, or mgmt)

und

Hours saved per year = 0.00

Annual process improvement savings = \$0

The calculator is simply a Microsoft Excel spreadsheet. We loaded the spreadsheet with some basic math functions that multiply daily time savings by the number of work days per year. To determine a value for the time being saved, we developed an hourly wage rate for three job classes based on the mid-point of the salary range for those job classes. A drop-down menu on the calculator gives you the option of selecting the job level affected: management, underwriting, or service. To calculate the value of your process improvement, simply enter the time saved per day in minutes, the number of people impacted, and then select the job level affected. The calculator then figures out the rest.

We created this calculator to accomplish three things:

1. Help people appreciate the value of their time.
2. Give people ammunition in getting process improvement ideas implemented.
3. Keep score—we will use this calculator to record the value of all of our process improvement savings.

It has been fun watching people experiment with the calculator. Want to know the value of saving one minute per day for one person? How about the value of saving one minute a day for 150 people? The calculator puts those answers within easy reach. And perhaps most importantly, it forces everyone who experiments with it to think a little differently about how they spend their time.

I am happy to report that our continuous improvement program scored its first process improvement success within hours of one of our training classes. One of our employees recognized that a report she was handling was scrap (a work output that is not used by anyone). The employee talked with her supervisor and succeeded in eliminating the report and consequently the manual handling that went along with it. What was the value of that single process improvement? Using this calculator, the value of the time savings amounted to \$1,149 per year. Not a bad start. Thinking differently can be a very good thing indeed. ■

The Honeymoon Should Never Be Over

by Shep Hyken, CSP

Editor's Note: This article originally appeared in *The Shepard Letter*, an e-newsletter, and is reprinted here with permission.

■ **Shep Hyken, CSP**, works with companies who want to build loyal relationships with their customers and employees, and is the author of *Moments of Magic* and *The Loyal Customer*.

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We have been doing business with a printer on a somewhat regular basis for several years. I remember the first day its sales rep called on us. The rep brought us samples, followed up throughout the process, and personally delivered our order. This type of service continued for the next several times we placed orders.

Then one day the sales rep couldn't come out and asked us to come to his office. We thought nothing of it, went and visited his facility, and placed our order. Then, the order was delivered and there was an extra charge for courier service.

This was the first time we had been charged for delivery.

Usually our sales rep personally delivered the finished product.

We were frustrated. I've told the printer not to expect us to come in and not to charge us for the delivery—at least as a line item on the final invoice. I've asked the printer to quote a price that includes everything related to the project. If we wanted a price breakdown, we would ask for it.

We had come to expect a certain level of service, and the printer set the expectation based on the first several times we worked together. Then something changed. So, what happened?

A simple answer might be in an old cliché. The honeymoon is over.

The printer did what it could to get our business. The expectation it created was not anything unusual. As a matter of fact, we thought this was the norm. Another printer we do business with for other types of projects has a sales rep that brings samples, delivers, just stops by to say hello—and more.

Our relationship is now in jeopardy. It is a shame. The printer employs nice people. Its prices, while not always the lowest, have been competitive. It has been able to do some of the special projects that our other printer couldn't or didn't want to do.

The printer originally provided us a level of service that we had been used to, and therefore expected—but asking for what it used to do for us now seems like an inconvenience.

Lesson: Business is kind of like dating. The first time you do business with someone is like a date. You hope he or she wants to go out—or do business with you—again. You finally, as some say, close the deal. To me, that is like getting married and going on the honeymoon. This is really the start of the long-term relationship. Get that? This is important! The close is really the start. So, don't fall down after the honeymoon. In business the honeymoon should never be over! ■

Congratulations to the Total Quality Section

for being recognized with the
Gold Level Circle of Excellence Recognition Award!



■ Jonathan W. Hensinger, CPCU, ARM, AIS, (third from left) accepts the Circle of Excellence Gold Award at the Annual Meeting and Seminars in Los Angeles on behalf of the Total Quality Section.

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