

## Chairman's Corner—Coming Soon: An Improved TQ Thanks to Process Improvement

by Jonathan W. Hensinger, CPCU, ARM, AIS



**■ Jonathan W. Hensinger, CPCU, ARM, AIS**, is an assistant vice president, Technical Training in the Global Learning and Development Department of ACE-INA in Philadelphia, PA. His professional background includes claims, commercial underwriting, process improvement, organizational development, and training. He has worked in the insurance industry for 15 years. Hensinger is the chairman of the Total Quality Section Committee and the president of the CPCU Society's Philadelphia Chapter. You can share your thoughts, feedback, and ideas with him at [JHensingerCPCU@comcast.net](mailto:JHensingerCPCU@comcast.net).

**M**y favorite Gandhi quote is, "You must be the change you wish to see in the world." So as a CPCU Society section committed to developing and delivering educational content on continuous improvement, we have to practice what we preach. We must be the change we wish to see in the world.

As we search for ways to improve the value of TQ Section membership, it is clear that one way we can accomplish

this is by developing more meaningful newsletter content. By meaningful, I mean articles on quality improvement that are relevant to the insurance industry that our members cannot find anywhere else. But how exactly can we do that? To help solve this problem, we applied some of the lessons that we ourselves try to teach. We turned to proven process improvement methodology.

The first step in the six-step process improvement model is to "define the problem in terms of the process." (For a full discussion of the six-step model, I recommend reading Chapter 6 of the AIS 25 textbook, *Delivering Insurance Services*.) Applying this step, our problem statement becomes: How can we improve the process of developing original newsletter content?

Step two of the six-step process improvement model is to "identify and document the current process." In attempting to apply this step, we realized something significant: we did not have an established process for developing newsletter content. Very interesting. So, after working through just two steps of this model, we knew what we had to do next. Our section committee then sat down together and created a formal, written process for developing newsletter content. Some of the features of this new process include shared responsibility among all committee members for developing articles, full committee participation in the selection of article topics, and a defined schedule of responsibility for which articles will be due for each newsletter throughout the year.

The beauty of process improvement is that everything we do is a process. And once we can embrace that concept, process improvement methodology

becomes a powerful tool for solving our business problems. How well will this particular process improvement work for us? We will measure our success by the size of our newsletters, the variety of authors and topics that we are able to feature in future publications, and feedback from our members. In six months, we plan to administer an electronic membership survey to help us determine what you think of our newsletter. Because ultimately, it is our customers who will judge the effectiveness of this process improvement.

I hope you enjoy this edition of our newsletter. And thank you for being a TQ Section member.

Interested in contributing an article for the TQ Section newsletter? Contact our newsletter editors **Sandra L. Jones, CPCU, CLU**, ([sandy.jones.ccoj@statefarm.com](mailto:sandy.jones.ccoj@statefarm.com)) or **Kent W. Schaum, CPCU**, ([kkschaum@comcast.net](mailto:kkschaum@comcast.net)). We welcome the opportunity to learn from your quality improvement experiences. ■

### What's In This Issue

Chairman's Corner.....	1
Quality the Headline Theme for RIMS 2006 Conference .....	2
Survey Says .....	3
Profile in Success: The Addis Group.....	4
Customer Centered Products: A Book Review .....	5
Taking the Mystery Out of Quality .....	6
Welcome to the TQ Section Committee.....	10

# Quality the Headline Theme for RIMS 2006 Conference

by James R. Jones, CPCU, ARM, AIS, AIC



**■ James R. Jones, CPCU, ARM, AIS, AIC**, is director of the Katie School of Insurance and Financial Services, Illinois State University, responsible for ensuring that students have a world-class educational experience that prepares them for careers in the industry. Previously, Jones was director of claims education and director of Center for Performance Improvement and Innovation at the AICPCU/IIA in Malvern, PA. Jones has edited and written books on various areas of claims, and published articles in the *CPCU Journal*, *National Underwriter*, *Claims magazine*, *Claims Quarterly*, and *Total Quality Quarterly* newsletter. Jones holds a B.A. in finance and accounting from the University of Missouri-Columbia and an M.B.A. from St. Louis University.

**T**he acrimony from last year's conference in Philadelphia, where risk managers had grilled brokers and insurers about ethics scandals, still lingered this year in Hawaii as risk managers continued to ask the question, "Where's the value?" Risk managers pointed to continued problems in quality, client-centricity, and the need for improvement in insurance placement.

Ellen Vinck, president of RIMS (Risk and Insurance Management Society), and vice president of risk management and benefits for BAE Systems Ship

Repair, presented part of a new study, which paralleled the Quality Scorecard research conducted eight years earlier by RIMS, the Quality Congress, and the Katie School of Insurance at Illinois State University. Unfortunately, the 2006 study showed little improvement in two areas in which the earlier study had also indicated problems—insurance policy receipt and accuracy. Of the 634 risk managers surveyed, only 5 percent said that they received a policy within 30 days of binding, with more than half of the respondents reporting that they received their policies between 46 and 120 days after binding. Perhaps even more disturbing was the fact that 60 percent of risk managers reported that they did not have a renewal quote before the policy expired! The percentage of errors on the policies was another issue that was still a problem. Vinck referred to the study as, "A failing report card."

Insurance executives from brokers and insurance companies were invited to give their perspective. Gregory Case, president and CEO of Aon, said that his firm is now measuring results and plans to cut in half the time it takes to get policies to insureds. But he admitted that "talk is cheap and we really have to deliver." Martin Sullivan, president and CEO of AIG, suggested that perhaps some paperwork could be eliminated on renewals of existing policies. Brian Dowd, chairman of ACE INA, said his company is taking the issue very seriously and tracks every policy that is not out within 30 days.

The RIMS's own response was the release of its Quality Improvement Process (QIP) Wizard. The QIP Wizard is an online tool to help risk managers and their business partners communicate and measure their performance expectations. The RIMS QIP Wizard utilizes technology that enables the risk manager and business partner to select from 29 guidelines to define each party's role in the relationship, and create a customized, mutually satisfactory service agreement. The Wizard also provides a

convenient way to track the quality of performance on the agreement and give ratings that can be used to initiate further improvement. The QIP Wizard is designed to assist partners in setting and managing their expectations, for anything from customer service expertise to key activity timelines, and more.

The QIP Wizard can be found at [www.rims.org](http://www.rims.org) and can be initiated by any RIMS member. Any business partner can, and should, respond to the quality improvement proposals submitted to them by the RIMS member. The QIP Wizard facilitates quality guidelines for all types of partnerships, including those between risk managers and insurance brokers, underwriters, claims service providers, and safety and loss control providers.

It will be interesting to follow the extent to which risk managers will utilize this tool. To prepare for responding to a Quality Improvement Process proposal submitted by a RIMS member using the QIP Wizard industry brokers, underwriters, claims services, and loss control service providers should become familiar with the tool. Information about the tool and instructions on it can be found at [www.rims.org](http://www.rims.org) and clicking on Products/Quality Improvement Process.

Whether or not the QIP Wizard will initiate a renewed interest in quality is uncertain. What is certain is that insureds (especially commercial insureds) are not satisfied with the quality of the service and products received, and are demanding that brokers and insurers make immediate changes to address quality issues and again prove the value they provide in the relationship. For getting up to speed quickly on the concepts, terminology, and common tools used in quality, the AIS 25 course is an excellent source. Information on the AIS program can be found at <http://www.aicpcu.org/flyers/ais.htm>. ■

# Survey Says . . .

by Kerry L. McGrath, CPCU, CPIW

**Kerry L. McGrath, CPCU, CPIW**, has been in the insurance industry for 28 years. Her experience includes both personal and commercial lines underwriting, and she has held the position of director of commercial lines underwriting. Her current position is branch marketing director.

**S**urveys—we all receive them via e-mail, snail mail, and even by phone. The question that we all ask is “Does my input really matter?” Yes! Continuous improvement consists of three fundamental elements—customer focus, process improvement, and total involvement. To utilize these fundamental elements in our quest for continuous improvement within the Total Quality Section, we looked to our members for assistance. The Total Quality Section conducted a survey of TQ members in April. We would like to share the results of the survey in a synopsis format highlighting some of the key responses contained within the survey.

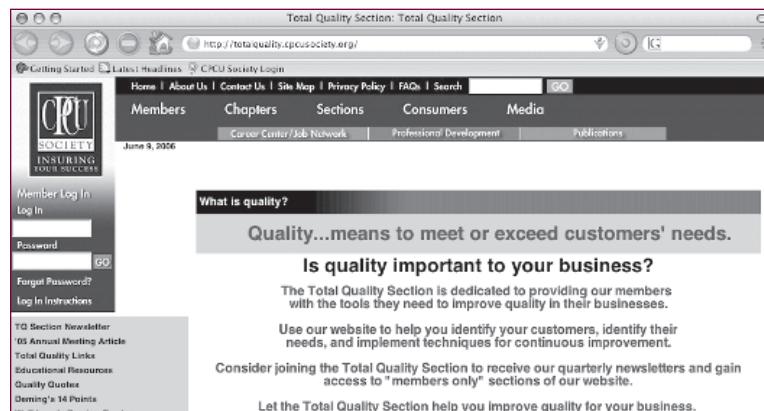
In our survey, 80 percent of respondents rated the value of the TQ Section newsletter as either good or excellent! We asked for suggestions in making the TQ newsletter more useful to you and received the following suggestions:

- More case studies; publish more content; more articles on Deming's 14 points, Six Sigma tools, and most of all, how to change corporate cultures to accommodate these disciplines and tools
- Quality versus quantity—team up with some other sections to have TQ articles that center on their areas. Claim workloads, CAT adjusting, underwriting automation, etc.
- The newsletter is great at explaining quality principles—can it do more to teach quality processes? Can it show/teach how to apply the quality principles it teaches readers?
- Simply continue to exude your boundless enthusiasm

- More how-to topics with fewer soft topics
- Incorporate more IT articles and how these tools/processes are being used to improve quality
- I like the articles with practical ideas that you can put into action immediately
- Notify via e-mail when the new issue is available
- Compare industry “Best Practices” on quality processes. Some great input

We also asked for your input on the TQ Section web site, and 67 percent responded that the web site was either useful, very useful, or extremely useful. We will continue to improve the availability of information to you on the web site based on your input, and we received the following suggestions:

- Add a message board or blog to keep members more connected
- Publicize relentlessly how to find it; focus on the “customer,” the section member and deliver information of value to that customer
- Could a “Quality Tools” page be added to so section members can download diagrams, etc., for modification so members can apply quality principles more frequently
- Frequent updates/fresh material; Provide links to other sections and access to their online newsletters as sections need to come together and allow access to all newsletters online as a resource (needed added value for the \$30 section membership)
- Haven't had the opportunity to review until now—I wasn't aware there was a web site.



The screenshot shows the CPCU Society website's Total Quality Section. The main navigation bar includes links for Home, About Us, Contact Us, Site Map, Privacy Policy, FAQs, and Search. Below the navigation, there are links for Members, Chapters, Sections, Consumers, and Media. A sub-navigation bar for the Total Quality Section includes links for Career Center/Job Network, Professional Development, and Publications. The date June 9, 2006, is visible. The main content area features a banner with the text "What is quality? Quality...means to meet or exceed customers' needs. Is quality important to your business? The Total Quality Section is dedicated to providing our members with the tools they need to improve quality in their businesses. Use our website to help you identify your customers, identify their needs, and implement techniques for continuous improvement. Consider joining the Total Quality Section to receive our quarterly newsletters and gain access to 'members only' sections of our website. Let the Total Quality Section help you improve quality for your business." A sidebar on the left contains links for TQ Section Newsletter, 05 Annual Meeting Article, Total Quality Links, Educational Resources, Quality Quotes, and Deming's 14 Points.

We requested comments or suggestions for the TQ Section and received the following:

- Future topics on the “how to” of project management would be helpful; The newsletters need more “meat.”
- Perhaps you could have columns for each of the various jobs in the insurance industry such as adjuster, underwriter, loss control, agent, etc.
- You could have TQ members submit their best practices. You could also ask members to submit how they handle or view a particular situation. This could even be done online, that way we wouldn't have to wait until the newsletter is published. A blog or message board would be another way to connect TQ members and have regular discussions; give section members what they can use within their own departments, branches, corporations
- Liaison with the other sections—do joint venturing on issues—determine how you can influence positively senior insurance management—think about TPAs, MGAs, RRGs, etc.
- Thank you for taking your time to provide this service
- I look forward to using more often now that I know it is available
- I would read more information but the Society sends out too much stuff so it just becomes a burden and not of value when information comes out too often.

*Continued on page 4*

## Survey Says ...

Continued from page 3

Information was gathered from members regarding their involvement with Total Quality within the insurance industry. The responses included a range of responsibilities varying from executive vice president, VP operations, underwriting, policy review, IT, agents, brokers, marketing, claims, compliance, training and billing, confirming that the TQ Section serves many disciplines within the insurance industry.

We also asked if any of our Total Quality members would be willing to be featured in one of our TQ newsletters, and we will be contacting those individuals for future articles. Thank you for your response and willingness to be featured in the TQ newsletter!

Many advocates of continuous improvement describe it as a journey without a fixed destination, and toward that end, the TQ Section Committee will continue to seek your input on how we can better serve you—our customers. In follow up, our goal will be to request your input by way of formal surveys at least once or twice each year. However, we would ask that if you have any suggestions or feedback to provide the TQ Section Committee at any time, that you send it along to us so that we can continue our continuous improvement through the three steps—customer focus, process improvement, and total involvement!

We will continue to strive to exceed our customers' expectations by providing quality information within the TQ newsletters and useful information/tools on our web site. Thank you for your suggestions. Remember that the Total Quality Section Committee serves as an excellent resource for your TQ needs. You can find your committee members listed at [www.cpcusociety.org](http://www.cpcusociety.org) under the Sections tab. Please e-mail anyone on the committee with your suggestions at any time. ■

# Profile in Success: The Addis Group

## One Agency's Commitment to Continuous Improvement Leads to Results

by Jonathan W. Hensinger, CPCU, ARM, AIS

**H**ow do you spell success? R-E-S-U-L-T-S. One Philadelphia-area agency is attracting attention and generating impressive business results with the help of a strong commitment to continuous improvement.

On April 7, 2006, the CPCU Society's Philadelphia Chapter presented its 24th annual Franklin Award to Scott Addis, CPCU, principal of The Addis Group, of King of Prussia, PA. The Philadelphia Chapter presents this award each year for outstanding contributions to the local insurance industry. Here is a small sampling of the Addis Group's impressive accomplishments:

- **2004**—The Addis Group—Main Line Chamber of Commerce “Business of the Year” award
- **2003**—The Addis Group—*National Underwriter* magazine’s Agency of the Year
- **1994, 1995, and 1996**—Philadelphia 100—The Addis Group was recognized as one of the fastest-growing, privately held companies in the Philadelphia area for three consecutive years.

What students of continuous improvement will find most compelling about The Addis Group is that it is highly committed to customer orientation, process improvement, and employee involvement.

Here are the “Guiding Principles” for the Addis Group, which are reprinted here with permission. You can judge for yourself just how important customer orientation, process improvement, and employee involvement are to The Addis Group.

### Guiding Principles for The Addis Group

- Deliver significant value so our clients view our relationship as an investment—not a cost.



■ **Martin J. Frappolli, CPCU, Philadelphia Chapter past president (at right), presented the Franklin Award to Scott Addis, CPCU.**

- Be known as “client driven.” Always put the client first and design our business around their risk management needs.
- Take genuine joy in the success of our clients.
- If we provide better quality, service, and delivery, our business will expand beyond our expectations.
- Character and integrity are the cornerstones of business trust. They shine through—particularly in tough times.
- Business excellence begins with how high we set our standards.
- Be innovative and differentiate. Bet on our vision of the future. Imitate only as a last resort.
- Stay close to our clients. Listen closely. Cater to their needs.
- Surround ourselves with people who care—a lot. Seek people with ambition, intelligence, and motivation.
- Build a team with the absolute infinite capacity to improve everything.
- Our goals are our clients’ dreams with deadlines!

We congratulate Scott Addis and the Addis Group for their many accomplishments, and for demonstrating how a commitment to continuous improvement can help all of us spell “success.” ■

# **Customer Centered Products: A Book Review**

## **Creating Successful Products through Smart Requirements Management**

**by Ivy F. Hooks and Kristin A. Farry**

by Judith M. Knight, CPCU, AIS, API



**Judith M. Knight,**  
**CPCU, AIS, API,**  
manages the Quality Services Department at MetLife Auto & Home, and is a past president of the CPCU Society's Dayton-Miami Valley Chapter. She currently serves as chapter vice president and is a member of the Society's Total Quality Section Committee.

**Q**uality is everyone's job, and quality applies to all processes. It is not limited to a product or a production environment, but should also be a part of the process of defining new products or system applications for the future. The quality of any future product or application is a direct reflection of the quality of the requirements developed and documented before it is even designed.

In *Customer Centered Products*, Ivy Hooks and Kristin Farry provide a roadmap for writing effective requirements. They point out some of the common pitfalls that writers may encounter, many of which are rooted in American culture. Americans are often impatient, (we want it now), willing to accept mistakes (we are most loyal to the supplier that quickly fixed an error), have an urge to improvise (there is a thrill to resolving the crisis), and have a bias toward making assumptions rather than checking for the facts. If these tendencies are permitted to control our requirements, the flaws will reveal themselves much later, perhaps in development, user acceptance testing, or even by the unhappy end user. The impact of the mistake then could be hundreds of times greater than the cost of writing the requirements correctly in the first place.

In the book, Dr. Robert Spirad, vice president of Xerox Corporation, is quoted as having said: "The biggest mistakes in any large system design are usually made on the first day" ("Systems Architecture," speech at University of Southern California, November 21, 1988). The initial key to good requirements is a clear and thorough scope statement based on the need your project is trying to fill. Once that is established, the authors recommend the following steps, and have devoted a chapter to each:

- **Develop operational concepts.** These are use cases or operations plans that define all aspects of a product or system's life cycle from beginning, through maintenance, and to its end.
- **Identify interfaces.** Examine and document how this product or system will connect with other products or systems for installation, maintenance, or use.
- **Write requirements.** This is the first draft. Each requirement must fill a need and be verifiable, attainable, and clear. There are many pitfalls to avoid in this step.

- **Capture the rationale.** State why each requirement is needed.
- **Level requirements.** The high-level system requirements may have a lower-level system design. Each design may have segments, and each segment may have subsystems. The requirements should be allocated to the proper level and traceable back to the high-level system requirements and scope statement.
- **Assess verification.** Can the product or system be tested or inspected to verify that it meets each specific requirement? Make sure that your requirements are written so they can be clearly verified.
- **Format requirements.** Organize your requirements in a standardized format to make it easier for others to use your requirements document. The authors offer suggestions to make this tool most effective.
- **Baseline requirements.** This is a critical point in any project. Proceed with caution!

In addition to the valuable advice for writing quality requirements, the book is laced with tales of the authors' experiences, many of which are from NASA and other government projects. They also provide a "Sanity Check" list with each step to verify your progress. Even if you pick up only a few of the suggestions from this book, you will find improved quality in your projects. You may even find they become "faster, better, cheaper!" ■

# Taking the Mystery Out of Quality

by Marvin P. Evans

**Editor's note:** This article is reprinted with permission of *Marriott Alumni Magazine*. It was originally published in 1995, but quality continues to be a mystery, and the concepts and ideas are still relevant today.

**Marvin P. Evans**, an alumnus of the Marriott School of Management, is continuous improvement manager for the Kemper National Insurance Companies.

Many organizations have launched large-scale efforts to improve quality. But too many of these initiatives have fizzled from a lack of customer focus, improper measurement (or no measurement at all), little emphasis on results accountability, failure to make continuous improvement, and failure to provide adequate recognition when it is deserved. Managers and others who have implemented quality initiatives are mystified that the results aren't better. In reality, there is no mystery at all—it all boils down to executing a few important steps.

Successfully implementing a quality initiative starts with realizing that quality is more than accuracy. For example, if you were to ask a group of people to describe the highest-quality watch, you would hear a variety of descriptions, such as multiple functions, good price, accuracy, durability, attractiveness, and comfort. Accuracy is obviously an important consideration, but other elements of quality can also have a significant bearing on which watches consumers buy.

Quality, more broadly defined, is a continuous improvement process that helps individual employees, work teams, departments, and every other element of an organization to achieve better short- and long-term results. Within this broader context, quality is accomplished by:

- continually identifying customer expectations
- giving employees the latitude to exceed customer expectations

- holding employees accountable for doing things right the first time
- measuring results and initiating short-term actions to continuously improve results
- providing recognition when key objectives and goals are achieved

Each of these steps is important and cannot be omitted. Otherwise, quality will suffer in some way.

## Continually Identifying Customer Expectations

The first step to quality is to find out what customers need and want. To determine customers' expectations, you have to ask. Further, since customer expectations can change rapidly, you have to ask often. Far too frequently, organizations assume they know what their customers want. As a result, they run the risk of missing the bull's-eye. If the completion has more accurately pinpointed customer expectations and responded to them, market share can be lost and can take years to recoup.

Ideally, organizations should tailor their products and services to the needs of each customer. For example, in the independent agency insurance business, some agents prefer to negotiate renewal policies well before the policy effective date, while others prefer to negotiate until the effective date. These two modes of operation represent philosophical differences, each with its own set of pros and cons. A perceptive insurance company will tailor its efforts to exceed the expectations of both types of agents.

As expectations are consistently exceeded, customers come to expect higher levels of performance. These higher levels of performance then lead to higher expectations, requiring even greater efforts to continue to exceed customers' needs and wants. As the bar gets higher and higher, organizations that can continually exceed customer expectations will stay well ahead of their competition.

Methods to determine customers' needs and wants include face-to-face interviews, mail questionnaires, focus groups, and pilot programs. Each method has advantages and disadvantages.

*Face-to-face interviews* provide the opportunity to probe and are useful in finding out how to tailor quality efforts to each customer. The interviews also send a strong message that the provider is serious about exceeding customer expectations because of the time required to meet in person. On the other hand, face-to-face interviews take significant amounts of time, causing difficulty in getting input from all customers on an ongoing basis.

*Mail questionnaires* are useful in covering a large customer base. However, they are impersonal and usually result in a low response rate. If the response rate is too low, the expressed customer expectations may not represent the views of the total customer population. Also, using questionnaires can make it difficult to tailor quality efforts to individual customers. Using a random sample of the larger population can help overcome some of these concerns.

*Focus groups* can solidify relationships with customers while gaining important information about customer needs and wants. If the customers involved in focus groups can collectively agree on their most important expectations, this information becomes extremely valuable to the quality provider. A primary disadvantage of focus groups is the time required to organize them. In addition, focus groups usually provide highly qualitative results.

*Pilot programs* are useful in applying information gleaned from face-to-face interviews, questionnaires, and focus groups. Actually trying different approaches can determine what will make a real difference with customers.

Since each of these methods has inherent flaws, using some combination of them will usually yield the best results. For example, a company might use focus groups to identify customer expectations, mail questionnaires to a random group of customers to confirm these expectations, conduct pilot programs with selected groups of customers to further validate the benefits of exceeding these expectations, and follow up on pilot program results with face-to-face interviews.

Although expectations will vary by customer, examples of common expectations that cross industry lines include the following:

- **Accessibility**—is available in person and on the phone; has convenient hours.
- **Responsiveness**—provides excellent turnaround time; returns phone calls promptly; regularly provides order status.
- **Problem Solving**—resolves complaints; provides creative solutions.
- **Attitude of Personnel**—provides clear customer focus; demonstrates flexibility.
- **Competence of Personnel**—is knowledgeable and professional.
- **Product Delivery**—delivers goods on time.
- **Product Quality**—is error free; provides accurate information.
- **Administrative Practices**—keeps bureaucracy to a minimum; is easy to do business with.

Customer expectations like these can be assumed for all situations, but asking customers about their needs and wants is the only way to be sure. Accurately identifying customer expectations is essential to the remaining quality improvement steps.

**Figure 1**



### **Giving Employees the Latitude to Exceed Customer Expectations**

Employees need to understand their boundaries and then be given the latitude to exceed customer expectations in a way that positively affects results. Figure 1 represents each employee's boundaries.

The outside line of the box illustrates the full authority of each employee. The smaller box, represented by dashed lines, represents the comfort zone, or the operating zone in which employees feel most comfortable.

Typically, employees stay within their comfort zone, because they have been taught not to make mistakes rather than to take risks. Exceeding customer expectations often requires taking reasonable risks. Therefore, employees need encouragement to operate within the full realm of their responsibility and authority (the larger box). Further, employees should sense management's support even in going outside their box, should circumstances warrant it. When mistakes occasionally occur, management should treat them as learning experiences instead of "gotchas."

Any serious quality initiative requires managers to put their full trust in the frontline staff. The frontline staff understands customer needs and expectations better than anyone else in the organization. Blanchard Training & Development, located in Escondido,

California, recommends that the traditional organization chart be turned upside down so employee emphasis is more on pleasing the customer rather than on pleasing the boss. Figure 2 illustrates this concept.

**Figure 2**



In theory, what the customer wants and what management wants should be the same. Management's role is to provide overall direction and vision to the organization. Once that is established, management must communicate clearly that the customer rules, and employees need the latitude to exceed customer expectations in a way that leads to improved organizational results.

### **Holding Employees Accountable for Doing Things Right the First Time**

Managers can tolerate some mistakes when encouraging employees to use judgment in exceeding customer expectations; but when it comes to product quality, the goal must be 100 percent accuracy. One might ask if 99 out of 100 is good enough. If so, 1 out of every 100 newborns would be dropped by nurses, and 1 out of every 100 airplanes would fail to take off successfully. Further, if each step in a 10-step process is 99 percent accurate, you would be 90 percent accurate after 10 steps. Finally, if each step in a 100-step process is 99 percent accurate, you would be only 36.6 percent accurate after 100 steps.

*Continued on page 8*

# Taking the Mystery Out of Quality

Continued from page 7

Customers expect 100 percent accuracy in the products they buy, and they expect this accuracy level the first time. Investing time up front to ensure that work is done correctly the first time has the following important benefits:

- Employees take more ownership and responsibility for producing quality results.
- Time spent on traditional back-end quality control activities is greatly reduced.
- Employee productivity increases, and costs decrease, because less time is spent correcting errors.

The amount of time spent correcting errors can be staggering; thus, employee training programs, systems, and procedures all must foster a culture of producing work right the first time.

If employees have some doubt about whether something is correct, they have the responsibility to ask someone who knows. This investment in up-front consultation will prevent errors, increase the expertise of the employee who has sought advice, and reduce the need for back-end quality control.

When errors occur, an error correction procedure that maintains customer loyalty needs to be in place. One of the best ways to maintain customer loyalty is to fix errors quickly. Another way to maintain customer loyalty is to provide something extra, such as a small discount on the next purchase.

## Measuring Results and Initiating Short-Term Action Plans to Improve Results

Results need to be measured, and measurement approaches need to be kept simple and meaningful. An effective way to keep measurements simple and meaningful is to use customer feedback to determine success. To be meaningful, this feedback should include the following:

- the extent to which expectations are being met, not met, or exceeded
- the extent to which performance has declined or improved
- the importance of each expectation to the customer

Simplicity results from focusing on the customer expectations previously identified through face-to-face interviews, questionnaires, focus groups, and pilot programs. As shown in Table 1, a simple customer feedback tool can help achieve the three criteria. To ensure complete responses, organizations should collect this information through face-to-face interviews.

Once collected, customer feedback needs to be compared to key organizational objectives. A positive correlation should exist between customer feedback and achieving objectives. In other words, the teams and departments that receive excellent response from their customers should be major contributors to the organization's success. If this correlation does not exist, management should examine customer expectations to make sure they are accurate and still apply.

Initiating short-term actions, based on customer feedback, is the lifeblood of any quality initiative. Examples of short-term actions include the following:

- Within 60 days, we will introduce a new quality assurance program to correct current problems with accuracy.
- By tomorrow afternoon, we will have a game plan in place to bring backlogs under control within the next 30 days.
- Next week, we will meet with the marketing department to reach a mutual agreement on how to increase sales by at least 10 percent in the Northeast region.
- Within the next 30 days, we will put a focus group together to address concerns customers have expressed about our product delivery time frames.

Implementing short-term actions is what takes the mystery out of quality and causes any quality initiative to come alive. Many such initiatives fizzle or fail to realize their potential because they never cross the bridge between determining objectives and doing something about them. Companies can achieve continuous improvement only by diligently following through on short-term action plans.

Once short-term action plans are in place, companies must communicate them to the customers who provided developmental feedback. Only then will customers know that the organization is serious about quality improvement. Short-term action plans also need to support and tie into the organization's long-term goals. The ultimate benefit of developing and implementing short-term action plans is improved key financial results (e.g., sales growth, reduced expense, and increased profit).

## Recognizing and Rewarding the Achievement of Key Objectives

Acknowledging significant achievements can reinforce all the important components of a quality initiative. Positive feedback from customers is one such achievement. Recognizing the implementation of successful short-term action plans is also important.

Properly used, recognition is an important part of any quality initiative because it helps sustain continuous improvement.

Recognition can be given to an individual, a team, a department, or an office. The most important consideration is to effectively match the recognition with the achievement and the person. Most of all, recognition needs to be sincere and clearly tied to the achievement of key objectives and goals. The measurements discussed earlier set the table for the feast that can follow when individuals or work teams achieve key results.

Recognition and rewards can vary greatly in terms of monetary value and scope. Sometimes only verbal recognition and praise are sufficient. On other occasions, a significant monetary reward is appropriate. Other common forms of recognition include a lunch or dinner provided by the company, recognition in the company magazine, an extra day off, gift certificates, or some combination of these acknowledgements.

## Real-World Application

Let's look at how these five steps have been applied in a real-world setting. In 1993, the Commercial Lines Group of the Kemper National Insurance Companies developed and launched a quality initiative. An important part of this initiative was to identify the expectations of one of our primary customers, specifically independent agents who submit insurance risks for us to underwrite.

With questionnaires, face-to-face interviews, and focus groups, we identified our agents' expectations. One expectation was the need to handle policy error corrections more quickly. Despite our best efforts to issue policies correctly the first time, we occasionally made errors. Our agents' clear message was that quicker policy correction is a high priority to

*Continued on page 10*

**Table 1**  
**Example of Customer Feedback Measurement Tool**

<b>Importance Scale</b> 1=Not at all important 2 3 4 5=Extremely Important		<b>CUSTOMER SATISFACTION INDICATORS</b>	<b>MEETING CUSTOMER REQUIREMENTS</b>	<b>IMPROVEMENT RATING</b>							
			1	2	3	4	5	1	2	3	4
A		<b>Accessibility</b> Are we accessible when you need us? • In person • On the phone • Convenient hours	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>							
B		<b>Responsiveness</b> Do we respond to you in a timely manner? • Ideas/suggestions • Order status • Turnaround time • Return phone calls • Requests for information	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>							
C		<b>Problem Solving</b> Do we provide effective solutions to your problems? • Find ways to write business • Resolve a complaint • Creative and innovative	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>							
D		<b>Understanding Your Needs</b> Do we understand your needs? • Understand your business • Understand your operating environment • Understand your process	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>							
E		<b>Attitude of Personnel</b> Does our team demonstrate a positive attitude? • Cooperative • Flexible • Enthusiastic • "Can do" attitude • Courteous	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>							
F		<b>Competence of Personnel</b> Do we demonstrate the skills necessary to do our jobs effectively? • Knowledgeable • Responsible • Professional • Experienced	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	1=Sometimes meets 2=Usually meets 3=Always meets 4=Occasionally meets 5=Always exceeds	1=Declined significantly 2=Declined 3=Stayed the same 4=Improved 5=Improved significantly					

# Taking the Mystery Out of Quality

Continued from page 9

them and, in turn, to the policyholders we collectively serve.

Responding to this information, we developed a procedure to process policy corrections within three working days of receipt. The procedure even gives employees the latitude to handle policy corrections in fewer than three working days to meet a special customer need.

Because of this new procedure, employees sense a greater degree of accountability to process work correctly the first time. Further, they develop specific short-term action plans, when new error trends emerge. As a result, we quickly resolve new error trends when they develop.

As we make significant progress in reducing policy errors, we can offer appropriate recognition on an

individual, team, department, or office basis to encourage further progress and achievement.

## Integrating Quality Into the Organizations Culture

An effective quality initiative involves a full circle of five important steps that companies need to continually repeat:

- Identify customer expectations
- Give employees the latitude to exceed customer expectations.
- Hold employees accountable for doing things right the first time.
- Measure results and initiate short-term action plans to continuously improve results.
- Recognize and reward achievement of key objectives and goals.

Implemented properly, quality should lead to increased sales, reduced expense, improved productivity, and more profit. If a quality initiative fails to improve results, management should reexamine it to assure that one of the steps hasn't been overlooked or implemented improperly.

Ultimately, quality—as defined in this article—needs to become part of an organization's culture, the way it operates day in and day out. Only then will we fully understand and solve the mystery about quality. ■

## Welcome to the TQ Section Committee!

### John Gilleland, CPCU, API, AIS, AU

**Year of Designation:** 1995

**Employer:** USAgencies

**Position:** Underwriting Manager

**Chapter:** Bayou

**J**ohn Gilleland, CPCU, API, AIS, AU, works to enable marketing, underwriting, and claims professionals to collaborate at USAgencies in Baton Rouge, Louisiana. The state's recent catastrophe experience has added new challenges to already complex work. However, the residents' perseverance and culinary wonders have made it worthwhile.

In 1995, Gilleland received his CPCU designation in Hawaii, and how he does his job has never been the same. It was such a mind-expanding and soul-enlarging experience that he began authoring industry-related papers (more than nine publications) in addition to enabling people to be more consistent, correct, and quick through use of structured decision-making techniques. He attends the Society's Annual Meetings for fun and profit. They provide great opportunities for networking and catching up with old friends. He has discovered how books like *The Thinker's*

*Toolkit* and *Smart Thinking for Crazy Times* can help insurance sales and underwriting professionals do better work. If you'd like to sample his work, visit his web site at [www.profitableunderwriting.com](http://www.profitableunderwriting.com).

His advocacy of professional education (a peer calls him a training freak ala Tom Peters' Re-imagine) makes him a great education chairman for the Bayou Chapter, an ally of training facilitators, and an advocate of continuous improvement. In the short time he's been at his current position, he's mapped their business processes, aligned his underwriting department's training with the maps, and helped three of his staff advance to new positions professionally. He works to make his Underwriting Department the place to come for two to five years to build skills and spring into new roles. ■

# Register for the CPCU Society's 62nd Annual Meeting and Seminars

**September 9-12, 2006 • Nashville, TN**



*Featuring exciting celebrations, timely seminars,  
and a riveting Keynote Speaker!*

- Celebrate with your colleagues and new designees at the Opening Session and national Conferment Ceremony on Saturday afternoon, followed by the Congratulatory Reception.
- Enjoy a memorable evening at the Grand Ole Opry.
- Be inspired at Sunday's Keynote Address by retired New York City Fire Department Battalion Commander Richard Picciotto, the highest-ranking firefighter to survive the World Trade Center collapse and author of *Last Man Down*.
- Attend two new exciting panel discussions conducted by industry leaders, focusing on critical industry issues and environmental catastrophes.
- Choose from 35-plus technical education and professional career development seminars.

*Get complete meeting details, and register today  
at [www.cpcusociety.org](http://www.cpcusociety.org).*



*Retired FDNY Battalion Commander Richard Picciotto will speak at the CPCU Society's Annual Meeting on September 10, one day before the fifth anniversary of 9/11.*



*Photo courtesy of Nashville CVB and Heavenly Perspectives.*



## Don't Miss this Annual Meeting Seminar Developed by the Total Quality Section

### What Went Wrong?

#### Preventing the Blame Game

Sunday, September 10

2:45 – 4:45 p.m.

When things go wrong, it can be easy to blame a person. But skilled leaders recognize that sometimes a business process, rather than an individual, is the real cause of a problem. Through a case-study approach, this seminar will teach participants how to use customer orientation, process improvement, and employee involvement to improve business performance.

**Presenter:** Jonathan W. Hensinger, CPCU, ARM, AIS  
ACE-INA

Register today for the  
Annual Meeting and Seminars at  
[www.cpcusociety.org](http://www.cpcusociety.org).

#### Total Quality Section Quarterly

is published by and for the members of the Total Quality Section of the CPCU Society.  
[www.totalquality.cpcusociety.org](http://www.totalquality.cpcusociety.org)

#### TQ Co-Editor

Sandy Jones, CPCU, CLU, ChFC  
State Farm Insurance Companies  
Phone: (707) 588-6199  
e-Mail: Sandy.Jones.CCOJ@StateFarm.com

#### TQ Co-Editor

Kent W. Schaum, CPCU, AIC  
Mass-Tel Communications, Inc.  
Phone: (415) 717-1397  
e-Mail: kkschaum@comcast.net

#### Total Quality Section Chairman

Jonathan W. Hensinger, CPCU, ARM, AIS  
ACE-INA  
Phone: (215) 640-5234  
e-Mail: [jon.hensinger@ace-ina.com](mailto:jon.hensinger@ace-ina.com)

#### Sections Manager

John Kelly, CPCU, AIS  
CPCU Society

#### Managing Editor

Michele A. Ianetti, AIT  
CPCU Society

#### Production Editor/Design

Joan Satchell  
CPCU Society

CPCU Society  
720 Providence Road  
Malvern, PA 19355  
(800) 932-CPCU  
[www.cpcusociety.org](http://www.cpcusociety.org)

Statements of fact and opinion are the responsibility of the authors alone and do not imply an opinion on the part of officers, individual members, or staff of the CPCU Society.

© 2006 CPCU Society



## Total Quality

Volume 9

Number 2

TQ  
July 2006

CPCU Society  
720 Providence Road  
Malvern, PA 19355  
[www.cpcusociety.org](http://www.cpcusociety.org)

PRSR STD  
U.S. POSTAGE  
PAID  
BARTON & COONEY