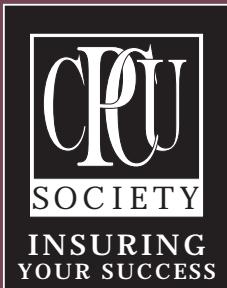




Total Quality Section Quarterly

Vol. 5 No. 3
July 2002



Chairman's Column

by Glen R. Schmidt, CPCU, CLU

Need—a requirement; necessity or obligation created by some situation.

Want—something desired but lacking.



Some basic definitions but Maslow's hierarchy of needs educates us on life's basics—food, clothing, shelter, etc. We may not need much more to survive, but we all want more.

The question I have for you: "Is quality a need or want?"

This question came to me while I was reading an article by an independent agent on the ABC's of marketing. His advice from a marketing perspective was to find a want and fill it. However, if all your efforts are to fill a need, you'll probably fail in your marketing efforts.

I think it's that way with quality. We all say there's a need for quality but do we provide what's wanted?

I need some sort of transportation to get to and from work, but I want a new sports car. Monday through Friday, my wife needs to dress professionally, but she wants lots of accessories that sparkle around her neck and on her fingers. We have a tendency to want more than we need, but what about quality?

Quality is not a product, but a result. You can't eat, wear, or sell quality by itself. There are some products that are widely held to be quality products, but most organizations' "stuff" is delivered with messages such as fun, exciting, refreshing, finger-licking good, super-sized, or saving you 15 percent or more on your insurance.

If the process of satisfying customers begins with understanding the expectations of the customer and then meeting or exceeding those expectations, are those expectations the needs or wants of the

customer? The organizations that meet the needs of the customer but not the wants are probably missing the "mark."

If you want to know more about customers' expectations, I invite you to attend the following educational sessions at the 2002 Annual Meeting and Seminars in Orlando, FL sponsored by the Total Quality Section:

- Customers' Voices-into-Choices (Monday, October 21)
- Voice of the Commercial Lines Customer (Monday, October 21)
- Voice of the Personal Lines Customer (Tuesday, October 22)

You have many choices of the events to attend in Orlando, but I hope you'll consider joining us at these sessions for some "down-to-earth" discussions on what customers need and want.

*"Quality is not
a product,
but a result."*

By attending any of the sessions, you will have the opportunity to win a one-year membership to the Total Quality Section or some other giveaways at the end of each of session. So bring a friend and/or a new designee and get a quick refresher course on understanding the customer. Also, be sure to stop by the section's booth in the Expo area for information on what's happening among all the Society's sections. ■

Total Quality's Impact on Insurer Results

by John M. Natale, CPCU, ARM, ALCM

The stock market momentum that carried the insurance industry over dismal underwriting results the last decade has dissipated to just a trickle. Lower interest rates are yielding lower returns on bonds, the mainstay of reserve income. Despite improving news about our economy as a whole, inflationary pressure is building in two sectors of the economy our industry depends on heavily—namely construction and healthcare. Concerns about earnings, aggressive accounting, and weak management performance fueled by ENRON and Arthur Andersen have investors jittery.

The theme of this article is to demonstrate the relationship between pricing decision quality and insurer results.

To be certain, neither the current economy nor the tragic events of September 11 have created our current market. Certainly, we can say September 11 spurred more up-pricing momentum and instances of opportunistic pricing. And, we can agree dismal investment portfolio returns have negatively impacted income.

Like soldiers fighting a battle for the last dozen years, underwriters improvised, adapted and overcame in the hunt for new business. If data collection characterized an underwriter difficult to do business with,

they improvised using an ACORD application, perhaps a D&B report, and maybe some outdated loss runs to produce a proposal. While I'm stretching a little to make a point, the central question was how much lower we could go during the next annual policy term. Unfortunately, the trade-off for new business was sacrificing total quality principles that form the foundation of disciplined underwriting. In other words, the cumulative effect of poor decision quality (poor risk selection/inadequate pricing) has created the poor financial results we see today.

A June 2001 industry report by Morgan Stanley suggests the worst pricing was carried out on the longest tailed lines such as umbrella and general liability. We may actually see results get worse before the benefits of improved pricing are realized.

In this same report, Morgan Stanley provided a good example demonstrating the impact soft pricing or mispricing has on insurers' underwriting results. In this example, the insurer misprices 20 percent of its business. When we underprice, the odds of winning the business improve, in this example to 90 percent. Executing its underwriting strategy in this way, the insurer ends up with nearly 30 percent underpriced business and a 112 combined ratio.

Table 1
Impact of 20% Mispricing on Financial Results

Quote	Percentage of Quotes	Odds of Winning	Percent of Book	U/W G/L	Combined Ratio
Favorable	10.0%	0.3%	0.1%	\$0.0	90%
Adequate	80.0%	30.0%	72.7%	\$1.5	98%
Underpriced	10.0%	90.0%	27.2%	(\$13.6)	150%
	100.0%		100.0%	(\$12.2)	112%

Sources: McKinsey & Co., Morgan Stanley Equity Research.

Table 2
Impact of Improved Underwriting

Quote	Percentage of Quotes	Odds of Winning	Percent of Book	U/W G/L	Combined Ratio
Favorable	3.0%	0.3%	0.0%	\$0.0	90%
Adequate	94.0%	30.0%	91.2%	\$0.6	98%
Underpriced	3.0%	90.0%	8.7%	(\$1.4)	150%
	10.0%		100.0%	(\$0.8)	101%

Sources: *McKinsey & Co., Morgan Stanley Equity Research.*

Table 2 considers the impact of disciplined selection and pricing. This time the insurer misprices only 6 percent of the business for which you can see the impact is 11 favorable points and a respectable 101 combined ratio.

Even with substantial rate increases currently flooding our marketplace, the net impact to an insurer's bottom line is misleading. Table 3 gives us an example of an account generating a 25 percent cumulative rate increase. The point is to see what relationship the rate impact has to the insurer's bottom line. Beginning with the 25 percent rate increase, take away 5 points for loss cost inflation because construction and medical costs are indeed inflationary, take away 10 points for reinsurance cost increases, and another 5 percent for reserve strengthening. The earnings impact for the carrier is a mere 5 percent.

Table 3

Cumulative rate increases	25%
Loss cost inflation	(5%)
Reinsurance price increases	(10%)
Net margin improvement:	10%
Reserve strengthening	(5%)
Earnings impact of rates:	5%

Sources: *McKinsey & Co., Morgan Stanley Equity Research, Insurance—Property/Casualty, June 1, 2001.*

The foreseeable future of this market must be driven by quality underwriting through risk selection and pricing. It's back to the basics—COPE, ITV, scheduling versus blanket, and paying particular attention to aggregation of exposures. Consistent quality outcomes in the underwriting process will help steer the industry to improved financial results. Less dependence on the investment portfolio returns of the past and greater reliance on the proper selection and pricing of risk today should provide for greater longevity of our current marketplace. ■

Welcome to our Newest Member, John M. Natale, CPCU, ARM, ALCM!



John M. Natale, CPCU, ARM, ALCM, currently serves as regional marketing vice president, Royal SunAlliance Commercial Division, for the New England territory since

November 2001. In this role, John is responsible for agency management, business planning, revenue sharing, and new business advocacy for the Commercial Division throughout Connecticut, Rhode Island, Massachusetts, Maine, New Hampshire, and Vermont.

John's most recent role was branch vice president of Royal & SunAlliance's Northern

New England office since March 2000. John's career has included a branch management role for EBI's Upstate New York operation and a loss control branch management role for Royal & SunAlliance's Upstate New York operation.

John earned the Chartered Property Casualty Underwriter (CPCU) professional designation in 1999 from the American Institute for CPCU, the Associate in Risk Management in 1995 from the Insurance Institute of America, and the Associate in Loss Control Management in 1992 from the Insurance Institute of America. John is a 2000 Wharton Insurance Executive Development Program graduate and is a 1986 BA graduate of Marshall University, Huntington WV. ■

Congratulations to TQ Section Committee Member Valerie Ullman Katz, CPCU, M.B.A., ARM, AIS, AIM!

Editor's Note: We are very pleased to have Val Ullman Katz, CPCU, M.B.A., ARM, AIS, AIM, on our committee, and are proud to share with you a recent award that the Philadelphia Chapter bestowed upon her for her outstanding contribution and leadership. Below is a reprint from the Philadelphia Chapter's web site. Way to go, Val!

Chapter President Valerie Ullman Katz, CPCU, M.B.A., ARM, AIS, AIM, to Receive ISOP's John Topoleski Memorial Award

The Philadelphia Chapter is pleased to announce that Chapter President Val Ullman-Katz will receive the John Topoleski Memorial Award from the Insurance Society of Philadelphia. Many of you knew John who was a chapter member, dedicated insurance instructor, 1987 Franklin Award recipient, and Insurance Institutes grader for

many years. This is the first year for this award given to outstanding insurance instructors and we are very proud of Val. In addition to her duties as president of the chapter, Val has led INTRO, CPCU 5, ARM 54, 55, and 56, as well as AIC 35 classes in the Philadelphia area. She also finds time to teach classes as an adjunct professor at Rosemont College and at Drexel University. All this, a full-time job, and a wonderful family—Val has truly elevated multi-tasking to an art! Val received the award at the Insurance Society's Award Luncheon on June 26th at the Downtown Club in the Public Ledger Building, Philadelphia, PA. ■

The Emergence of Total Quality

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

James R. Jones,
CPCU, AIC, ARM,
AIS, is the director
of the Katie School
of Insurance and
Financial Services at
Illinois State
University. Formerly,
Jones was director of
Claims Education at
the American
Institute for CPCU
and director of the
Center for
Performance
Improvement and
Innovation and co-
author of the study
of "Claims Best
Practices" presented
in the October 2001
issue of Claims.



The quality movement that began in the manufacturing age is often associated with process improvement, defect reduction, and, more recently, customer satisfaction measures. However, quality in today's modern economy

requires a much broader view. Figure 1 shows the evolution and convergence of ideas on how quality is achieved. On the left side is what is labeled the "hard" orientation and on the right side the "soft" orientation. The "hard" orientation takes a quantifiable, observable approach to quality that lends itself easily to measurement. This approach would include process time measurements, productivity and efficiency measures, knowledge management, and more recently six sigma (defect rate measures).

The leaders of "hard" orientation theories would be people such as Dr. Edwards Deming, or Phillip Crosby, and their even more number-oriented predecessors Frederick Taylor and Walter Shewhart.

The "soft" orientation gets into some of the less quantifiable but equally important characteristics of quality. The leaders of these theories would include people like Steven Covey, Peter Drucker, Tom Peters, and Peter Senge. As we move from the manufacturing industry to service industries to today's information age, the two orientations are beginning to come together to form a more comprehensive total quality approach.

In the industrial era, the "hard" quantifiable orientation for quality had a tremendous impact

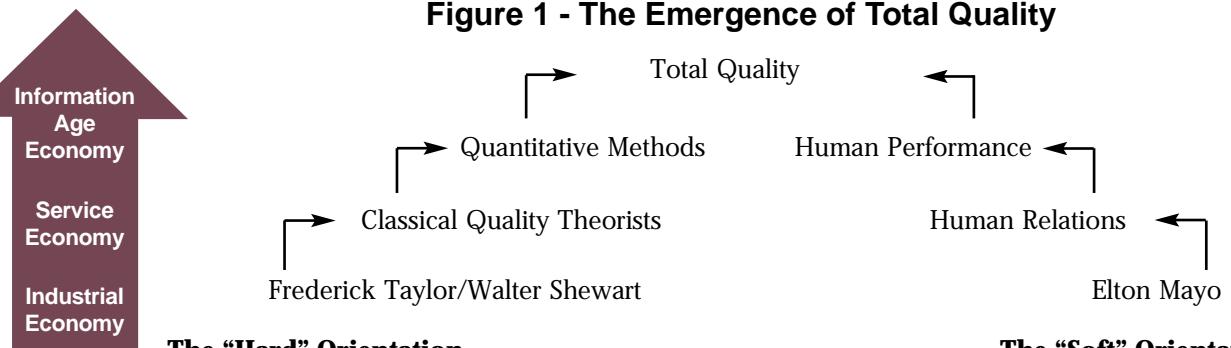
on profitability and competitiveness. However, in an information age, especially in the financial services industry, real quality is much more difficult to quantify. Let's consider the differences and why the "soft" side is just as important. We don't make appliances. We can't stockpile quality service in a warehouse and throw out the defective service so that customers only receive quality service. We have to provide quality service each and every time. And the insurance industry is even different from other service industries. We aren't travel agents booking cruises to the Caribbean. Our jobs involve helping people to understand things that are likely to stress them out, or we are dealing with people who are already stressed out because of a claim. So what is it that defines quality in such an environment?

There is no question that we must have reliable, efficient processes in order to provide quality service. We also absolutely need to have accuracy, and the traditional ideas of quality gurus like Deming and Crosby are still relevant. However, quality defined in our industry is heavily dependent on less quantifiable characteristics like trust, relationships, partnership building, and innovation. All of these characteristics form what our customers in the insurance industry would view as quality.

Because these characteristics are so important, we need to be asking ourselves, "What can we do to ensure that trust, relationships, and innovation thrive in our organizations?" How can we monitor such things that are so difficult to measure?

In the next *TQ* newsletter we will examine the less quantifiable, softer side of quality and begin to answer these questions. ■

Figure 1 - The Emergence of Total Quality



AIS 25 in the Real World

Part 2

by Valerie Ullman Katz, CPCU, M.B.A., ARM, AIS, AIM

Editor's notes: Val's "AIS 25 in the Real World Part 1" appeared in our February 2002 TQ newsletter.

The American Institute for Chartered Property Casualty Underwriters course, AIS 25, Delivering Insurance Services, covers the essential concepts of continuous improvement, such as:

- establishing a customer focus and determining customer needs
- creating processes that meet customer needs
- establishing benchmarks and best practices
- promoting leadership that prepares an organization for success in the future

For more information on how to earn the AIS designation, order books, and request exams, contact Customer Service at (800) 644-2101 or e-mail cserv@cpcuiia.org.

For information on AIS 25, feel free to contact TQ Section Committee members Valerie Ullman Katz at valraykz@erols.com or Frank Herberg at jfhcoach@aol.com.

Over six months ago we moved our department's focus to total quality. We determined who our customers are, asked what they needed, listened carefully, and reworked our processes to meet our customers' needs.

As a leader of the TQ initiative, I learned some very important lessons that I would like to share.

The Human Element

First, I was reminded that the human element is a critical piece of quality implementation. Combining the people and creating the culture appeared easy; our staff was upbeat and took on the challenges. We discussed how to divide the work as a team and came to a consensus. We agreed upon back-ups and had specific sub-teams re-evaluate other work processes that the group felt could be cleaned up. New people were sharing quads (cubicles for teams of four people) for this initiative and new relationships were formed. It seemed that we were learning to work as a team and that old competitive behaviors were being discarded, which was a positive development for our department.

But, the quads began to compete against each other in a negative way. Work in the quads became territorial and "others" were not allowed to assist. Some work was

delivered to our customers late. Accuracy was viewed as a quad goal as opposed to a team goal. We had some very heated arguments.

This was our "storming phase" in building a TQ team and it seems to be a natural result of change. We are finding that some of our team members are not quite comfortable in the new organization and some people are still observing—neither part of the problem, nor part of the solution. We found that two team members have strong leadership qualities and are very well able to influence other team members. One in the direction we need, and the other somewhat right of center. This will take more time, patience, and practice until we get to where we need to be.

What Customers Want

Not all customers know what they want. Rather, some customers know what they do not want, which is usually "what you delivered." In retrospect, we found that our customers generally said that they wanted seamless delivery of services just like the "before" organization. However, the "before" organization was rife with processing inaccuracies, inefficient, and duplicated many tasks. We took that to mean that if we changed the processes, became accurate, appearing seamless to our customers, our customers would be satisfied.

Valerie Ullman Katz, CPCU, M.B.A., ARM, AIS, AIM, is currently president of the CPCU Society's Philadelphia Chapter and is a member of the CPCU Society's Total Quality Section Committee.

Val works for ACE U.S.A. and manages a technical support team for the environmental/asbestos/long-term exposure claims unit. Her unit, like many within our industry, is undergoing transformation aimed at improving quality.

Not so. Our customers perceived the new face of our department as license to ask for a new menu of service needs. In fact, the new requests were more complicated and technical than originally agreed to in our contract. On one hand, it is a wonderful opportunity for staff to increase skills and add greater value to the organization, but on the other hand, it required new processes, and more reworking of our staff and goals. We needed to increase overall knowledge and understanding and that meant shaking up more processes and looking at things differently—which meant going back to the beginning and starting over. (See my article, Part 1, in the February 2002 *TQ* newsletter.)

Progress, and Work in Progress

In the middle of new service requirements and our storming phase we lost three people. Amazingly, we acclimated and chose not to

replace those individuals, resulting in reduced expense and greater efficiency. This gave us more credibility to senior management and additional support for the continuance of the new department focus.

Our keys to increasing accuracy have been:

- We rotate the job of quality control. Serving as the QC person lends itself to great learning opportunities!
- Each quad began to discuss its errors and misconceptions.
- Old-fashioned, hands-on training.

As we take on new projects we assign project leaders. The project leaders become responsible for training the team. We found a surprise benefit in this—help with our succession planning through the identification and development of these leaders.

We are still months away from the fruition of our vision. I will not tell you that it is easy. It presents new challenges daily. But that's what makes it fun. ■

Total Quality Section Announces Seminars for Annual Meeting in Orlando!

The Total Quality Committee is hard at work bringing you these informative seminars at the Annual Meeting and Seminars in Orlando in October. We hope to see you there!

October 21, 2002, 9:30 - 10:30 a.m.

• Voice of the Commercial Lines Customer

Quality begins and ends with the customer because quality cannot improve until customer expectations are identified and met. Hear the secrets of what commercial customers really expect at this one-hour seminar. The presenter will share specific performance expectation guidelines to help industry practitioners better understand and meet their needs.

Presenters

Mark A. DeLillo
Hobbs Group, LLC

James R. Jones, CPCU
Illinois State University

October 21, 2002, 10:30 - 11:30 a.m.

• Customers' Voices-into-Choices

By adapting elements of QFD (Quality Function Deployment) to the planning process, companies can achieve remarkable breakthroughs in market position and overall performance. This groundbreaking how-to seminar will address the gap between hearing and listening to your customers' voices and being able to translate their voices into tangible results. Don't miss this "PG-13 version of Six Sigma" showing how to engage a process of getting to know the customer and learning the meaning of his or her complaints so you can take action to ensure the resulting initiatives are successful.

Presenters

Karl M. Brondell, CPCU
State Farm Group

Frank Voehl
Strategy Associates, Inc.



October 22, 2002, 10:45 - 11:45 a.m.

• Voice of the Personal Lines Customer

Quality begins and ends with the customer because quality cannot improve until customer expectations have been identified and met. For this reason, it's imperative that you understand the changing needs and perceptions of personal lines customers. Join presenters to learn about specific tools for identifying and interpreting personal lines customer needs and for research identifying the top drivers of satisfaction for auto and homeowners insurance customers.

Presenters

Frank E. Forkin
J.D. Power and Associates

James R. Jones, CPCU
Illinois State University

For registration information, visit www.cpcusociety.org or call (800) 932-2728, option 4.

The Voice of the Commercial Lines Customer

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

The Voice of the Commercial Lines Customer presentation at this year's Annual Meeting and Seminars in Orlando, FL, is based on the work of the Risk and Insurance Management Society's (RIMS) Quality Committee. Over the last 18 months, the RIMS Quality Committee has undertaken a high priority program dubbed "QIP" (Quality Improvement Process). The result of its efforts is a new, comprehensive program designed to guide and facilitate quality improvements and relationships between commercial customers and their industry partners (insurance brokers/risk management consultants, insurance carriers, claims services/TPAs, safety and loss control providers).

Rather than simply offering a quality scorecard and grading partners on their results, the QIP has been purposefully developed to offer and achieve more comprehensive communication, collaboration, and participation across all sectors of the industry. To assist with this they have developed and distributed specific and clear Guidelines for Performance Expectations to promote a common understanding throughout the industry. The presentation on Monday will feature these guidelines. RIMS is hoping that by establishing a set of expectations, all parties will benefit. This session on Monday should provide an opportunity for industry organizations to respond to the QIP Guidelines and implement strategic initiatives to enhance quality performance before a quality assessment rather than after one.

As illustrated in Figure 1 on pages 6-11, the Guidelines' performance expectations follow a six-category structure:

TOSPEC Categories:

- T = Trust and reliability
- O = providing Operational efficiency and competitiveness
- S = identifying customer needs and creating Solutions
- P = building internal and external Partnerships
- E = develops and provides Expertise
- C = engaging in two way interactive Communication

Quality has become synonymous with customer satisfaction and is recognized as providing a level of performance that meets and exceeds customer expectations. The Guidelines presented are intended to help partners understand the expectations ("the voice") of commercial customers.

RIMS Quality Improvement Process—Guidelines for Performance Expectations

Legend:

TOSPEC Categories:

- T = Trust and reliability
- O = providing Operational efficiency and competitiveness
- S = identifying customer needs and creating Solutions
- P = building internal and external Partnerships
- E = develops and provides Expertise
- C = engaging in two way interactive Communication

Industry Sectors:

- B/C = Insurance Brokers/Risk Management Consultants
- CIB = Commercial Insurance Buyers
- Claim Svcs. = Claims Services
- IC = Insurance Carriers
- Safety & LC = Safety and Loss Control

Continued on page 10

The Voice of the Commercial Lines Customer

Continued from page 9

Figure 1
Guidelines for Performance Expectations and Definition Document
Master List

Ref. #	TOSPEC Category	The Guideline	Definition of the Guideline	Examples of Metrics for the Specified Guideline	B/C	CIB	Claim Svcs.	IC	Safety & LC
				Xhours or Xdays or Yhours or Ydays: Refers to time frames agreed upon between the involved parties. X percent or Y percent: Refers to percentiles agreed upon between the involved parties.					
1	C	Written service agreements	A written document is developed with client, outlining agreed upon activities, performance responsibilities, measurements, desired outcomes, and remuneration.	Provides draft service agreement for client's consideration. Written service agreement is completed at outset of remuneration period.	X	X	X	X	X
2	TC	Compensation justification/ disclosure	All remuneration (fees and/or commissions) for services should be supported and disclosed to the client.	Details brokerage fee for insurance placement. Outlines loss control consulting fees for developing OSHA required safety program. Provides listing of charges by claim type.	X		X		X
3	PS	Brings right resources to bear	Creates a team of appropriate resources. Identifies and proactively accesses other resources as needs develop.	Provides access to specialists for specific types of exposures or claims. Creates market capacity for specific needs. Responds thoroughly to underwriting data requests.	X	X	X	X	X
4	O	Performance incentives/ penalties	Defined levels of performance that can be tied to vendor compensation while complying with local insurance laws.	Provides an accurate policy form within Xdays of placement. Bonus if policy received in less than Xdays. Penalty if policy received more than Xdays after placement. Issues accurate certificates of insurance within Xdays, Y percent of the time. Completes X percent of scheduled visits within agreed time frame. Initial claims investigation completed within Xdays of notice 11 of claim to claims administrator.	X		X	X	X
5	T	Team consistency	Key members of the service team introduced at time that account is awarded are the same team members involved with the account.	The majority of the key team members remain consistent for an agreed period.	X		X	X	X

Ref. #	TOSPEC Category	The Guideline	Definition of the Guideline	Examples of Metrics for the Specified Guideline	B/C	CIB	Claim Svcs.	IC	Safety & LC
				Xhours or Xdays or Yhours or Ydays: Refers to time frames agreed upon between the involved parties. X percent or Y percent: Refers to percentiles agreed upon between the involved parties.					
6	TE	Maintains team expertise	Team expertise is maintained despite changes on the team.	Formal succession plan is reviewed with client on a periodic basis. Contract provision states that any substitutions of team members shall possess equal or better credentials as the original and must be approved by the client. Client team changes are communicated to vendors.	X	X	X	X	X
7	P	Access to global resources	Has a demonstrated relationship with global resources as defined by the specific situation.	Places locally required coverage or provides loss control and/or claims handling services outside client's home country. Provides access to client's global resources where needed.	X	X	X		X
8	T	Assures accuracy of details	Assures that information contained in reports, submissions, proposals, etc. within the control of the appropriate vendor group/client is correct.	All documents should be X percent accurate. All material information in documents must be accurate.	X	X	X	X	X
9	T	Maintains confidentiality	Sensitive information is treated in a private, secure manner by all those who have access to it.	A written agreement, outlining how confidential information will be treated, is signed by all parties (e.g., access to files, selling, disclosing or publishing confidential information).	X	X	X	X	X
10	SC	Measures customer satisfaction and communicates results	Regularly measures customer satisfaction using tools as agreed.	Uses RIMS Quality Improvement Process with periodic work-in-progress meetings, quarterly reviews of pre-agreed performance and/or service agreements, and provides continuous vendor/client communication. Establishes follow-up procedure to address any less than satisfactory results.	X	X	X	X	X
11	PS	Coordinates all providers to maximize benefits	Integrates the appropriate parties to efficiently and effectively meet the client's needs.	Coordinates all parties' claims resources in event of a major claim. Coordinates workers comp claims audits with TPA and insurer.	X	X			

Continued on page 12

The Voice of the Commercial Lines Customer

Continued from page 11

Ref. #	TOSPEC Category	The Guideline	Definition of the Guideline	Examples of Metrics for the Specified Guideline	B/C	CIB	Claim Svcs.	IC	Safety & LC
				Xhours or Xdays or Yhours or Ydays: Refers to time frames agreed upon between the involved parties. X percent or Y percent: Refers to percentiles agreed upon between the involved parties.					
12	PO	Vendor service standards	Assists client in the development and implementation of appropriate vendor service standards.	Participates in the development of TPA performance guarantees. Reviews and advises on recommendations of loss control vendor.	X				
13	OS	Works with other providers	Acts as a team player with other vendors to maximize benefits to client.	Participates in open meetings with client and vendor partners.	X		X	X	X
14	O	Claims handling and advocacy	Collaborates and cooperates with the client and all providers to optimize efficient and effective claims handling.	Assists in evaluating and responding to a reservation of rights letter. Assists in negotiation of claim settlement.	X		X	X	X
15	O	Security requirements	Validates and verifies accuracy of risk financing security requirements.	Validates insurer Letter of Credit (L/C) requirements.	X			X	
16	O	Information technology	Uses information technology to effectively, efficiently, and securely support the delivery of services and products.	Provides information to clients in an electronically compatible format. Delivers submission(s) to insurers via the Internet. Provides access to policies online. Provides electronic gateway to industry resources.	X	X	X	X	X
17	E	Keeps abreast of risk management industry activities and trends	Continuously analyzes industry trends and applies this information to programs and services.	Provides periodic reports on industry activities and trends. Monitors financial condition of industry service providers.	X	X	X	X	X
18	E	Knowledge of marketplace	Uses knowledge of the marketplace to secure services, products, and solutions on the client's behalf.	Recommends new coverage enhancements. Develops key relationships to advantage client placements.	X		X	X	X
19	E	Knowledge/understanding of client's company/industry	Understands the operational, financial, and regulatory issues that pertain to the client's industry and has a working knowledge of client's company, including management philosophy on risk and key challenges.	Provides guidance on regulatory issues specific to industry. Sensitive to client's degree of risk tolerance. Assures entire team has information to provide effective service.	X	X	X	X	X

Ref. #	TOSPEC Category	The Guideline	Definition of the Guideline	Examples of Metrics for the Specified Guideline	B/C	CIB	Claim Svcs.	IC	Safety & LC
				Xhours or Xdays or Yhours or Ydays: Refers to time frames agreed upon between the involved parties. X percent or Y percent: Refers to percentiles agreed upon between the involved parties.					
20	S	Offers insurance and noninsurance solutions	Incorporates multiple risk financing techniques into recommended solutions.	Incorporates appropriate deductible/self-insurance levels to optimize cost of risk.	X			X	
21	O	Tracks open issues	Maintains a system to review all open issues with client on a routine basis and monitors the progress towards resolution.	Accurate open items list updated every Xdays. Holds regular (monthly, bimonthly, quarterly) meetings with the client to discuss/manage/resolve open items.	X	X	X	X	X
22	COT	Timeliness and accuracy	Services, data, and communication are provided in a timely and accurate manner.	Phone calls are returned within Xhours/Xdays. Provides coverage interpretation within agreed time frame.	X	X	X	X	X
23	O	Provides timely and accurate invoices	Invoices for services and premiums are issued in a timely and accurate manner.	Assures X percent accuracy on all invoices. Invoices are issued with Xdays allowed for payment where possible.	X		X	X	X
24	O	Pays invoices in a timely manner	Invoices are paid within the terms of trade agreements.	Wire transfer of payments from client are forwarded to insurer within Xdays of receipt. Payments include all information required for processing by broker/RM consultant.	X	X			
25	CES	Proactive approach	Offers suggestions, options, or alternatives without other party initiating the request.	Advises client of status on issues/projects more often than client contacts them for status. Anticipates client's needs by suggesting different policy limits based on benchmarking data. Client team is prepared for meetings and provides an agenda. Identifies opportunities for enhancements to existing programs.	X	X	X	X	X
26	OC	Prepares and manages program timeline	Prepares a timeline with the client, outlining major meetings, activities, due dates, and other responsibilities. The calendar is periodically reviewed and updated.	Calendar is developed to include key marketing, policy delivery, retrospective premium adjustment, and premium audit dates. Participates in meetings to review and update progress against calendar.	X	X	X	X	X
27	O	Issues certificates of insurance (COIs)	Provides COIs required by client.	Toll-free number is provided to process COI requests. Turnaround time for COIs is within Xdays of request.	X			X	

Continued on page 14

The Voice of the Commercial Lines Customer

Continued from page 13

Ref. #	TOSPEC Category	The Guideline	Definition of the Guideline	Examples of Metrics for the Specified Guideline	B/C	CIB	Claim Svcs.	IC	Safety & LC
				Xhours or Xdays or Yhours or Ydays: Refers to time frames agreed upon between the involved parties. X percent or Y percent: Refers to percentiles agreed upon between the involved parties.					
28	ES	Provides education to client	Imparts knowledge on an ongoing basis through appropriate delivery mechanisms.	Provides seminar on loss forecasting techniques. Provides one-on-one training on retrospective premium adjustments.	X		X	X	
29	SO	Secures broad coverage at competitive and reasonable cost	Works together to determine coverage needs and negotiate with market to obtain the best terms and conditions at the most favorable pricing level.	Market responses are fully documented and explained to the client. Provides benchmark data regarding current market status. Reviews broker/RM consultant information within Xdays of receipt.	X	X			
30	C	Stewardship reporting	Presents periodic stewardship report to the client that includes: coverages placed, loss analysis, goals and objectives for the coming year, alternatives for program improvement, and accomplishments.	Comprehensive annual stewardship report is presented.	X		X	X	X
31	C	Client-specific service instructions	Negotiates account handling instructions and communicates to service team.	Makes service instructions available to service team electronically.		X	X		X
32	CP	In touch with business and communicates to vendors	Understands the business issues their organization faces and communicates these issues to vendors.	Regularly updates vendors on key business activity.		X			
33	S	Offers multi-year contracts	Offers client a multi-year contract based on certain requirements.	Offers multi-year contract with predetermined variable pricing.	X		X	X	X
34	O	Timely and accurate calculation of loss funding	Establishes process for reviewing account balance and notifying client of funding needs.	Notifies client when fund level drops below X percent of required amount.			X	X	
35	O	Timely and accurate reporting of claims	Claims are reported to the appropriate vendor(s) within the time agreed to in the written service agreement, service standards, or as required by law.	X percent of claims are reported to vendor(s) within Yhours of client's knowledge.		X			
36	OT	Timely and accurate policy issuance	Issues all policy documentation accurately and in an agreed upon time frame.	Provides complete and accurate policy documentation to intermediary, if applicable, within Xdays of policy inception.				X	

Ref. #	TOSPEC Category	The Guideline	Definition of the Guideline	Examples of Metrics for the Specified Guideline	B/C	CIB	Claim Svcs.	IC	Safety & LC
				Xhours or Xdays or Yhours or Ydays: Refers to time frames agreed upon between the involved parties. X percent or Y percent: Refers to percentiles agreed upon between the involved parties.					
37	OC	Claims handling best practices	Maintains, clearly communicates, and follows internal best practices.	Shares best practices with client.			X	X	
38	C	Clearly communicates claims philosophy	Shares internal philosophy regarding claims acceptance and payment.	Clearly communicates thoughts regarding claims denial. Establishes criteria for requiring client involvement in settlement negotiations.		X			

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