

Assurgen
Car Insurance *Best Programme*

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1 Day 1 - Case “Organization”

Objective

Develop the Programme Organisation Structure for the ASSURGEN case:

- Identify the appropriate roles
- Indicate person / function to take up this role

To Do's

- 10' individual preparation
- 30' group debate

Input

- Assurgen: Business Summary
- Best Programme: Programme Mandate

1.1 Input 1: “Assurgen: Business Summary”

Company profile of ASSURGEN insurance company

Assurgen is a large insurance company offering a widely divergent portfolio of top-rated insurance products and is one of the key players on the market.

Besides its classical insurance products such as car insurance, health insurance, life insurance and employee benefits programs, Assurgen is also offering tailor-made insurance solutions, mainly to its corporate customers.

Assurgen is working with a network of independent brokers. These brokers receive a percentage on their sales volume of insurance policies, and also play a role in the handling of damage claims (small cases).

72% of total revenues of the company result from the car insurance business (varying from insurance policies imposed by the regulator to comprehensive insurance policies).

The main commercial motives of Assurgen are the **fastness of accepting new customers** and the **fast treatment of damage claims**. In order to realize these objectives, continuous improvement efforts are managed in order to work as efficient and effective as possible.

Assurgen has one main office (central headquarters) and five regional offices. These offices have as well commercial (front-office) activities as back-office activities, mainly focused on the handling of damage claims.

Evolution and performance

The results of the company in the car insurance business have importantly decreased over the last five years. This situation is partly caused by the decreasing trend in the market, but concerning Assurgen the decrease of results is significantly above the market average.

The increase of the costs linked to damage claims has been identified as the main cause for the drop of the margins.

Evolution of results

	y-5	y-4	y-3	y-2	y-1
Policy revenues - premiums	+100	+100	+100	+100	+100
Investments	+15	+15	+12	+12	+12
Damage costs	- 60	- 65	- 70	- 75	- 80
General costs	- 40	- 40	- 35	- 35	- 30
Result	15	10	7	2	2

(All figures are re-calculated on an index-base of 100)

- Financial revenues come out of the reserves management (premiums and amounts invested in order to pay damage claims).
- Claims cost cover every payment due to damage claims, included expertise cost.
- General Costs cover distribution costs (commissions paid to brokers, with an average of 17 %) as well as operational costs (underwriting, administrative management, management of claims and accounting).

In Belgium, the main competitors are two international insurance companies (“X” and “Y”).

Rate of return (y-1)	Assurgen	Cie “X”	Cie “Y”	Market
Premium income	100	100	100	100
Financial products	+12	+10	+5	+10
Claims	-80	-70	-75	-75
General costs	-30	-30	-25	-32
Distribution costs	-15	-20	-15	-20
Operational costs	-15	-10	-10	-12
Margin	+2	+10	+5	+5

(All figures are re-calculated on a premium income index-base of 100)

In Belgium, Assurgen has a market share in car insurance of 16 %, against 11 % and 17 % for companies X and Y.

The market share has increased by 5 % over the last 3 years, as a result of important sales and marketing efforts, initiated by European headquarters.

Reason for Change

An internal study has determined that the main causes for the increase of the damage costs are situated in following domains:

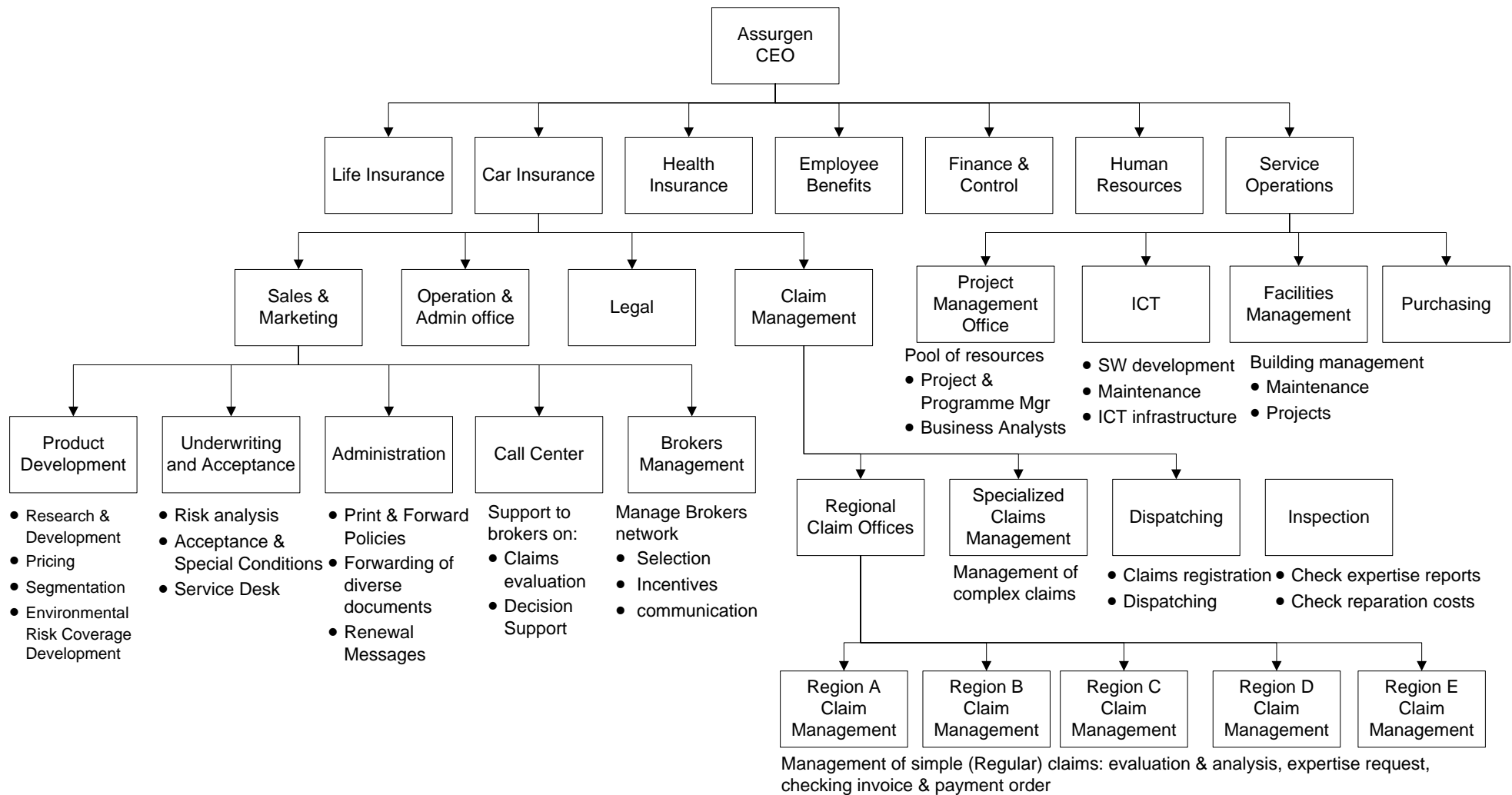
- **Insufficient risk evaluation** for certain customer segments, leading to a large portfolio of “bad customers”
- Important increase of damage **payments linked to small cases** (autonomous treatment by the brokers)
- Too **heavy handling process** for damage claims of large cases

The underlying causes are:

- The existing **scoring system for accepting new risks** does not correspond (anymore) to the latest requirements. Moreover, this system is not sufficiently integrated and interfaced with the systems treating the damage claims
- There is a **lack of control mechanisms for the small cases** (treated and decided autonomously by the brokers)
- Personnel in the central damage handling department is **not sufficiently staffed** and sometimes **misses key competences**
- There are **too many intervenient parties** in the existing process of handling damage claims

Beside the issues related to damage costs, the operational costs are also above the average and might be significantly lower when compared to the benchmark.

Assurgen organisation structure



Management of simple (Regular) claims: evaluation & analysis, expertise request, checking invoice & payment order

1.2 Input 2: “Best Programme: Programme Mandate”

Following the internal study, the V.P. Car Insurance has decided to take action and mandated a consulting company for supporting him. Together they confirmed and reinforced the Business Unit mission - “To be the national leader in the Car Insurance Industry” – and defined related strategic goals

- Consolidate current market share leadership (with company Y)
 - Low or zero growth
 - Maintain sales differentiators:
 - Fast acceptance of new customers & fast treatment of claims
 - Excel in broker management
- Improve profitability of operations and reach a 2 digits margin in Y+1
 - Reduce operational costs by 20%
 - Reduce payment of claims by 10%: avoid fraud and improve selection of customers

To reach those objectives, the consulting company also outlined improvement initiatives

1. Revision of scoring formulas for the acceptance of new customers, and subsequently, adaptation of the IT system. Currently the risk profile of Assurgen’s customers is the worst within the Top 3 insurer in the country. Specifically, some customer segments (young driver, professional drivers...) are critically sub-performing (30% of the premium and 45% of the claims)
2. Merging the claims handling departments of the regional offices and the head office into one central department, to be located at the headquarters.
This merger will positively impact the fastness, the effectiveness, the efficiency and the uniformity of the claims handling process. Amongst other, this should enable not to replace employees leaving on retirement and subsequently decreasing operational costs (average age of claim handlers is 49)...while maintaining or even improving speed and quality of claim handling.

Relevant information:

	Standard damage handling	Specialized damage handling
Localization	Regional (5 offices)	Headquarters
Claim managers	350 (70 per region)	130
Cases per month	11500	3200
Information systems	Terminal Mainframe for the treatment of cases	Terminal Mainframe for the treatment of cases. PC application for statistical analyses. PC application for evaluation and calculation of claims
Introduction of data	By a “dispatching” unit: 5 co-workers by regional office	Additional data are introduced by an administrative unit containing 5 co-workers

3. Installing a "workflow" system that should drastically improve the treatment of all damage claims and reduce the paper flow linked to this activity. A significant decrease of throughput times is expected (together with productivity enhancements).

These three improvement initiatives should be implemented simultaneously. In order to manage those changes, it was decide to start a programme and to name it the “Best Programme”

2 Day 1 - Case “Benefit Management”

Objective

Develop as Programme Director for the ASSURGEN case:

- Overview of objectives
- Overview of benefits
(column 4 & 5 of Benefits Dependency Network)
- 1 Benefit Profile Sheet (choice)

To Do's

- 30' break out
- 30' group debate

Input

- **Framework: Benefit Dependency Network**
- **Template: Benefit Profile Sheet**

3 Day 2 - Case “Programme Definition”

Objective

Complete the Benefits Dependency Network:

- Blueprint (business changes)
- Enabling changes
- Enablers (IS/IT, HR, other)

To Do's

- 30' break out
- 30' group debate

Input

- Detailed operational audit

3.1 Detailed operational audit

Below you will find some relevant abstracts from the detailed operational audit performed by the consulting company when defining the Best programme

Claim Handling: process and organization

- Today, the claims are sent by the customers to the brokers who should either decide autonomously (small cases) or forward those (large cases) to the claim managers of the regional offices, where they are analyzed. Very important cases (e.g. exceeding a certain amount or with physical injuries) are forwarded to the claims handling department of the head office, where they are treated by specialized claim managers. Another reason for forwarding claims to the head office is sometimes the high workload in the regional offices.
- For the future, this regional level of handling damage claims will disappear. Impact on organization and team is:
 - Suppression of the function of “regular claim manager” in the regional offices
 - Suppression of the function of “specialized claim manager”
 - Centralization of “claims handling” activities in the headquarters, taking into account the standardization of the treatment process and the creation of one single function of “claim manager”. All regional claim managers must move to the headquarters.
 - Global reduction of headcount (estimated 25% after 3 years)
- Current central claim manager facilities are not appropriate for hosting the new claim management team after the merger (there is not enough space available). The problem was analyzed and experts from Facilities Management proposed the following solution (validated by HR):
 - Move the new (post-merger) team to a currently unoccupied building near the Headquarters. While this building is currently not in use and occupied by squatters (illegal refugees) the rehabilitation costs are reasonable and could be compensated by the sales – or lease – of the regional building. Furthermore, this would prevent Assurgen from paying significant taxes for unoccupied building
 - Implement a new HR “teleworking” procedure allowing sparing +/- 20% of space.

Claim Handling: tools

- The IT department has already started a preliminary study of the market of workflow tools in order to investigate which package would best fit the business requirements of Assurgen and its claim handling department. The executive committee does not want to invest in in-house development of a tool.
 - Installation of a workflow application supporting the claims processing, including the treatment of the claims, the evaluation and calculation of the damages, and the reporting.
 - Installation of a portal that will allow the brokers to introduce themselves the data linked to the damage claims and to forward them automatically to the head office. This system will also be used to generate periodic reports with claims statistics to the brokers.

- The feasibility and opportunities of the e-business technology should be investigated concerning the treatment and the exchange of data between the brokers and the company. Assurgen is eventually thinking of even expanding this kind of features to the customers so that they can declare themselves their damage claims.

Scoring formula & tool

Today, the scoring formula is:

- A simple calculation tool based on statistical data of year-2.
- The formula itself is mostly the same as the one launched initially with only a few limited changes (mostly bug correction).
- The tool is a simple program installed on every dealer computer. By the nature of its architecture and the independence of the brokers, it is very difficult to push updates of the tool or even updated statistics. It is estimated that +/- 40% of the installation are outdated

The sales and marketing department, owner of the tool, never pushed to improve the situation

- The brokers are very positive about the tool and the formula itself
- The concept allowed impressive growth in market share

A workgroup – including ICT, Sales and Marketing and Claim Management – defined a solution for the future

- More complex formula built on knowledge gained during last analysis. The formula will more deeply use segment definition and distinct marketing plans
- The scoring algorithm will be connected with actual operations by 2 mechanism
 - Feed of statistic data coming from operations (sales and claim management alignment) serving as parameters of the scoring formula
 - Intelligent updates of the formula itself based on trends automatically detected in the claim management operations
- Architecturally, the tool will be integrated in the Assurgen system and accessible web based:
 - Limited installation, support & update efforts
 - The guarantee that all brokers use the same formula
 - Easy data integration from and to the scoring system.

4 Day 2 - Case “Programme Definition” (part 2)

Objective

Prepare Change Strategy definition (high level)

- Climate for change
- Stakeholder analysis
- Organisational impact assessment

Change strategy definition

- Positioning
- Change activities

To Do's

- 30' break out
- 15' group debate

Input

- /

5 Day 2 - Case “Programme Definition” (part 3)

Objective

Define Project Portfolio

- Review Benefits Dependency Network
- Cluster to projects

To Do's

- 30' group debate

Input

- Benefits Dependency Network

6 Day 2 - Case “Managing the Project portfolio”

Objective

You received reporting from your different project leaders

- Highlights
- Exceptions

What do you do?

Activities

- 30' break out
- 15' group debate

Input

- Programme outline planning and scope
- Highlight Reports:
 - Project “Best Scoring”
 - Project “Best Workflow”
 - Project “Best Move”
 - Project “Best People”

6.1 Programme outline planning and scope

Best Move scope summary

- Study for Renovation and Renting activities
- Renovation of central facilities
- Renting of regional infrastructure over-capacity
- Move of material to renovated central building

Best Workflow scope summary

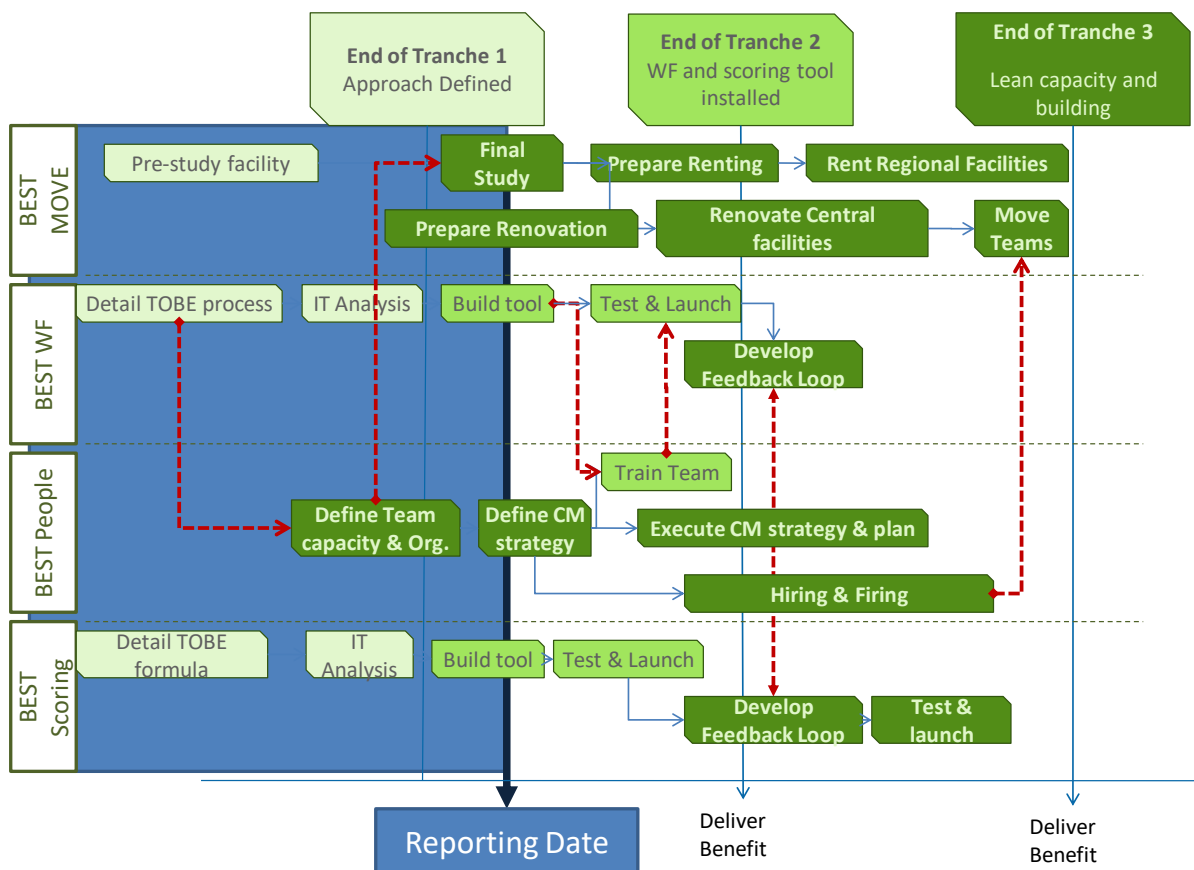
- Define and implement new process and supporting application
- Implement feedback-loop with Scoring system

Best People scope summary

- Define required HR resources (skills, location & capacity) for performing new process
- Define Change Management strategy and action plan (stakeholder analysis and approach definition, communication plan & key messages, HR tools, ...)
- Implement new organization (training, hiring, firing, administration & comm.)

Best Scoring scope summary

- Define and implement new process and supporting application
- Implement feedback-loop with Workflow system



6.2 Extract Highlight report – Best Move

Date of Highlight Report	01/04/2010
Period Covered	From 15/03/2010 to 01/04/2010

6.2.1 Status Summary

- We are still blocked in the negotiations with the squatters of the building we plan to renovate and transform in our new central claim management HQ:
 - They refuse to leave the building
 - Access to the building is difficult leading to slow down of the final study activity
 - Their situation is gaining more and more press coverage. It becomes a national political issue.
- The plans for renting the regional building are ready. We expect to free-up 35% more surface and 39% more revenue than expected. We have already a few informal proposals.

6.2.2 Project and Stage Tolerance Status

- Timing
 - Activity “Final Study” is already delayed with 1 month
 - Activity “Prepare Renovation” has not started and is already delayed with 3 months
 - Activity “Renovate Central Facilities” will at least be delayed with 4 months
- Budget: overcost are generated
 - Reach 9% of total Move project (not including revenue from renting)
 - Causes: suppliers costs (penalties due to delays, cancellation, ...), lawyer and communication consulting.

6.2.3 Proposed actions

Different scenarios are drafted

- Hard line: try to free up building by law and force
 - Limited extra cost
 - Extra delays (2 to 6 months)
 - Risks of unforeseen delay, PR/image issues
- Phased move: Split the building and use left wing of building for Assurgen. Temporarily leave the other wing for squatters. Negotiate a final move of the squatters (within 1 year)
 - Limited extra cost
 - Limited extra delay (1 month)
 - Only 65% of required surface available in left wing.
 - Risks of future difficulties (final squatters move)
- Exchange building: propose another empty Assurgen building to squatters (proposition from their lawyers)
 - Limited extra delay (1 month)
 - Good PR/image
 - Risks of future difficulties (final squatters move): it will be later difficult to reallocate or sell the building

6.3 Extract Highlight report – Best Workflow

Date of Highlight Report	01/04/2010
Period Covered	From 01/03/2010 to 01/04/2010

6.3.1 Status Summary

- Development is encountering serious issues:
 - The internal ICT team seems not to master the technology
 - Internal ICT capacity is smaller than expected (decreased due to IT-staff leaving Assurgen)
 - The supplier of the tool has not enough resources to solve the situation
- Delays and budget are exploding
- The Project Manager is long term unavailable (depression). It seems to be caused by the stress of the project and the difficult relationship with ICT management. An external (supplier) interim Project Manager is appointed but has not enough availability for managing the project; his main focus now is on maintaining day to day project operations.

6.3.2 Project and Stage Tolerance Status

- Actual budget is 200% of estimated budget
- The new estimated end date is already delayed by 6 months

6.3.3 Proposed actions

- The interim Project Manager would like to setup a workshop with the Programme Management in order to highlight them on the situation.

6.4 Extract Highlight report – Best People

Date of Highlight Report	01/04/2010
Period Covered	From 15/03/2010 to 01/04/2010

6.4.1 Status Summary

Activities progress as foreseen (timing & resources) but a major issue has happened last week: detailed information about the reorganization has leaked. The “Team Capacity & Organisation” report has been anonymously sent from an anonymous e-mail address to some key Assurgen staff, an further spread within the organization. The report, intended for the program team and senior management only, contains all conclusions on headcount cuts and move requirements.

Reactions are quite negative and unions are already putting some pressure on us. It is also becoming a political issue as we are cutting cost while the company itself (including other insurance products) is making a lot of profits. The press, supported by unions, is also connecting this issue with the squatters issue.

Beside cost – and staff – cutting the move of regional claim managers to central building generates a major resistance. Especially within the 55 to 65 year old employees: they refuse to relocate at the end of their career.

Situation is quite bad as we were totally unprepared for this issue (no strategy, no communication...). The group helps us to setup a crisis team (communication + relation with unions).

6.4.2 Project and Stage Tolerance Status

Planning has to be fully rebuilt in order to control damage.
No estimate on approach, costs or delays are existing now.

6.5 Extract Highlight report – Best Scoring

Date of Highlight Report	01/04/2010
Period Covered	From 01/03/2010 to 01/04/2010

6.5.1 Status Summary

Project progresses perfectly:

- Development is beyond schedule and budget
- The first test of the tool and formula are very good.

However, the Head of Sales and Marketing has submitted a memo asking to take immediate actions...within and outside of this project scope:

- Some reactions of the brokers involved in the project have been escalated to him: they are quite negative as they think it makes working with us less attractive (more complex formula & less easy to accept customers).
- He is convinced the proposed reorganization (as published on Intranet) will endanger the sales activities towards brokers: it seems that some regional claim managers are also supporting sales activities towards the brokers (admin – communication – organization of event). Centralizing the staff will lead to market share losses.
- Moreover, some traditionally critical brokers have raised concerns on the overall future image of Assurgen as an insurance company, due to press coverage on conflict with squatters and more strict selection of customer with new scoring logic.

6.5.2 Project and Stage Tolerance Status

Budget: -17%

Timing: - 1,5 month