Organizational Transformation: A Case Study

Results Forum Panel Presentation:

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Dave Sours – VP Claims, GuideOne Insurance
Dave Hight – Director, Claims
Troy Spoonemore – Property Claims Business Unit, GuideOne

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Organizational Transformation
A Case Study

Leadership Effectiveness

Culture

Accountability and Ownership

Operational Efficiency
A Case Study – GuideOne Insurance
History and Tradition

- Built upon two key philosophies:
  - A commitment to social responsibility
  - GuideOne’s dedication to serving a “niche” marketplace

- America’s first auto insurer for nondrinkers

- Founded by William Plymat in 1947

- Nation’s first multi-peril package policy for churches
The Challenge
The Challenges of the Claims Unit...

- Claims personnel costs were 23% higher than peer groups based on number of managers.
- Span of control - Manager:Employee ratio based on current organizational structure was expensive.
- Overall Claims handling costs were higher than peer groups.
- High overhead operating 5 branch offices.
Courageous and Confident Leadership Decisions

- Improve processes and performance
- Restructure the Claims department
  - Claims employees to become teleworkers
  - Select new Claims management team
  - Eliminate redundant jobs
- Close 5 Claims/Sales branch offices
  - California
  - Texas
  - Indiana
  - Georgia
  - Iowa
Claims Before Restructure

- VP Claims
- 1 Director
- 11 Managers – including 5 branch mgrs
- 19 Supervisors
- 140 Claims adjusters
- 25 Support staff
Claims Staffing Model Today

- VP Claims
- 2 Directors
  - Claims Operations
  - ClaimCenter system conversion – project lead
- 3 Lines of Business Manager
  - Casualty
  - Property
  - Workers Compensation
- 16 Supervisors
- 120 Claims adjusters
- 26 Support staff  (5 on the ClaimCenter project)
The Efficiency Journey

- Operational Efficiency
  - Claims assignment
  - Claims handling
  - Span of control
  - Customer service
  - Quality control
  - Technology
  - Performance measures

Can we really do this???
Panel Discussion #1

- Questions for Cathy Murray?
- Panel questions:
  - Did you see efficiency opportunities in branches?
  - Was the organization ready for this change?
  - You had benchmarks from other companies, but what other data did you need in order to design the new organization structure?
- Questions for the audience:
  - Anyone want to share a similar situation?
  - Has anyone ever started an organizational transformation that didn’t go well?
The Journey Began with Data!

1. Time Studies

- How long does it take us to adjust a claim?
  - Varies by claim type, complexity, etc.
- Did a 6-week “self-reported time study” where all claims adjusters reported daily activities
- How many claims in a day/week/month/year?
- How many claims adjusters do we need on each team in the new Claims organization?

\[
FTE = \frac{\text{Claims volume per day} \times \text{“standard time”}}{6 \text{ hours of work (per 8 hour day)}}
\]
Standard Time per Claim

For every three minutes we can save on every claim… it would be worth 1 FTE!

### Time per Claim

<table>
<thead>
<tr>
<th>Claim Type</th>
<th>Time per Claim</th>
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<tr>
<td>AMD*</td>
<td>2:34:31</td>
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<tr>
<td>Property***</td>
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<tr>
<td>Casualty**</td>
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<tr>
<td>WC - Indemnity</td>
<td>23:33:55</td>
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</table>

* Includes PIP but not Glass & Towing
** Includes AMD 3rd Party BI
*** Excluding on-site inspection
Process Improvement

2. Studied processes to eliminate waste
   - Lean process streamlining approach to cut handoffs and other duplication of work
   - New claim assignment process to balance workload within each business unit (by claim type)
   - “Checks and Balances” sub-project to rationalize approval limits and allow employees to make good decisions within appropriate guidelines
     - Reducing approvals for some processes, while still doing quality checks to drive proper accountability and performance
Performance Opportunities

3. Team and individual performance
   - Initial time study measures showed an opportunity to get more efficiency from each team and line

<table>
<thead>
<tr>
<th>Location</th>
<th>Work/day</th>
<th>Admin/day</th>
<th>Total time Tracked</th>
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<td><strong>6:19:32</strong></td>
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</tbody>
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Desired hours/workday: 6:00:00
Opportunity: 10.6%

Key realization: Some Lines of Business were more overstaffed than others.
Work Assignment

Previous claims assignment “tick sheet” was:

- “Fair” when work was originally assigned, but...
- Resulted in variation in workload in progress
- Reinforced “pacing myself” behaviors!
Performance Improvement

New team and individual performance metrics

- Established time-study-based methods for evaluating workload and assigning new claims
- Monitored status of claims and gave “work credit” for progression of claims through phases
- Created efficiency charts to give team members visual data on their performance (shown later)

<table>
<thead>
<tr>
<th>Team member Names Hidden!</th>
<th>Total Work Backlog</th>
<th>Burn Rate This Week</th>
<th>New Claim Total Hours Added</th>
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Organization

4. Span of control

- Current structure was top heavy in management
- Needed contemporary leaders in a teleworker environment
- Selection process
  - Caliper assessments
  - 360 degree feedback
  - Performance evaluations
  - Succession management
Transition Priorities

5. Maintain customer service standards
   - Seamless transition to policyholders
   - Transition in the midst of the spring storm season
   - Agent reaction
   - Competitor reaction

6. No impact to quality standards

7. Fair decisions when impacting people
Panel Discussion #2

- Questions for Troy and Dave?
- Panel questions:
  - What did you learn from the “process and performance” study prior to the transition?
  - What did the project team do really well?
  - What could have gone better?
- Questions for the audience:
  - Anyone want to share a similar situation?
  - Has anyone participated or seen a restructuring effort that didn’t gather as much data first? What were the pros and cons of that?
Managing CHANGE

- Do our claims employees have what it takes to be successful teleworkers?
  - Lack of socializing face-to-face
  - Are we prepared for turnover?
- How do we successfully transition over 200 employees from branch sites to their homes?
  - Change management
  - Communication plans
  - Selecting team members
  - Managing technology:
    - Virtual Network
    - VOIP
    - Desks, Phones, High Speed ISPs, configured PC’s
    - Home office IT support
Managing Change

- Communication strategy
  - Change came from the top
  - Ability to discuss the business reason for the change
  - Ability to ask questions about teleworking
  - Ability to express concerns

- Established the expectation of personal ownership and accountability

- Corporate Training provided O&A training for all managers and claims employees before offices were closed down
Managing Change

Prepared new management team to manage long distance by:

- Establishing ground rules around the Teleworking Policy
- Being supportive, but enforcing policies
- Practicing effective meetings
  - Daily huddle meetings via videoconference
  - Deploying technology
- Managing by results
Monitoring Teleworker Production

Combine Visual Data tracking with claim/phase/task completion records (who completed which tasks on what week) to create efficiency charts similar to the one shown above.
 Claims… Post Restructure

- Centralized (large) claims sent to home office
- Claims handling jobs were re-evaluated
  - Went from 5 levels of adjusters to 3 levels
- Managers/supervisors were reassigned
- New call center created
- 26 role/job eliminations
- > $5 million annual expense reduction
- Little impact to turnover
Claims… Post Restructure

Turnover Rate

- 2011 voluntary turnover - 5.9%
- 2011 voluntary turnover (w/o retirements) - 4.9%
- 2012 voluntary turnover - 6.2%
- 2012 voluntary turnover (w/o retirements) - 4.6%
Distribution of Claims Staffing by Pay Grade

- Restructure improved the distribution toward industry norms
- Realigned new positions to appropriate pay grades
We achieved a reduction of 26 FTE’s. Savings in rent and other expenses took us to > $5MM in annual savings.
Culture Impact

Wow - Did we really just do this?? What or Who is next?

- Introduced Lean Ops, a more structured and business-focused approach to driving a culture of Engaged Team Performance (ETP)
- Aligned with our 5 year strategic plan
- Courageous leadership
- Accountability and ownership at all levels
Panel Discussion #3

- Questions for Dave Sours?
- Panel questions:
  - What challenges did the team proactively identify and prevent during the transition?
  - What went better or worse than expected?
  - Discuss impacts on people, how it felt to leaders to manage, and how the people feel today.
  - What are you working on next?
- Questions for the audience:
  - Anyone want to share a similar situation?
The GuideOne Philosophy
cross: (verb) 1. to move from one side to another 2. to pass over mediocrity
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