

Uncovering and Reducing the Hidden Costs of Processing

By Dan Epstein

In most performance-oriented retail brokers, attention is focused primarily on supporting producers to write new business, service staff to maintain high renewal rates and assuring stable carrier relationships. There is recognition of the importance of operational efficiency but rarely the time and resources to focus on what causes the busy work that can result in shortcuts, backlogs, and in worst case scenarios upset clients or E&O claims.

Consider the following examples:

- **Uncovered Claim.** An Account Manager receives a policy from a carrier but doesn't have time to check it thoroughly due to a heavy workload. When the client calls to request the policy, the manager sends it out assuming that it is correct. Some months later, the client reports a flood claim. When the Claims Manager re-examines the policy, he discovers that the carrier refused to approve a flood claim on the binder, but the change went through unnoticed.
- **Notice of Cancellation Complaints.** A Collections Manager fields complaints from clients who've received notices of cancellation for non-payment. Even though these clients paid their fees late, they wanted the Collections Manager to stop what he was doing and check on the status of their policy. The Manager does not have the data or the time on hand to answer client queries. Other service managers and even producers may get called in to address the issue and resolve the client's concerns.

Distractions like these are common across insurance agencies and of course create no revenue or good will for the business. These kind of distractions absorb considerable time and expense. Very few agencies have the resources and skillsets to identify the sources of workflow problems and to develop the solutions to mitigate them.

Some relief can be achieved by improving standardization or outsourcing specific tasks such as policy checking or payment processing. But improving individual tasks without looking across the interdependencies between tasks, functions and people may not get at the core issues or uncover the bigger expense savings opportunity.

An approach that has had considerable success in the manufacturing arena is lean process improvement, or LPI. Pioneered by Toyota and adapted by ReSource Pro for the insurance industry, Lean began as a way to improve quality and reduce costs by reducing the number of unnecessary steps involved in each process. It worked because it was relatively easy to implement and the returns were high. Its approach was to map end-to-end workflows in order to make visible sources of waste and inefficiency. Lean process analysis focused on optimizing "throughput" across the complete chain of

activities, rather than on optimizing isolated tasks that might still leave other bottlenecks and problems in place.

Consider the following example of a forty-six employee, \$3.4M revenue agency in the Southeast that underwent a lean process improvement project to improve their commercial lines renewal process. With just one workflow analyzed, improvements through standardization and rearranging the process steps, the agency was able to yield savings equivalent to two full time employees. The agency was able to refocus these employees on servicing more accounts and delivering more proactive service to clients.

In another case, a lean process improvement project in an Employee Benefits division, discovered that the breakeven cost of an account was around \$5,000 and that 40% of accounts generated less revenue than this. Through a set of initiatives around account segmentation, standardization and delegating routine tasks, the breakeven cost was reduced and the agency changed the way it handled unprofitable accounts.

So as your service staff berate the busy work that keeps them from being more productive, consider lean process improvement as an approach that can deliver quick, yet meaningful wins, and in so doing empower your people to deliver faster, better, higher quality service to your clients.

For more information on how Lean Process Improvement can impact financial performance in your organization, [contact Donna Rose](#) at ReSource Pro.

Dan Epstein bio: As the CEO of ReSource Pro, a premier provider of data processing resources, Dan Epstein is a frequent speaker at industry events, most recently appearing at the [2011 Inc. 500/5000 conference](#) in Washington DC. Under Dan's guidance since 2005, ReSource Pro has been named to Inc. magazine list of the 500 fastest growing companies for three consecutive years. Dan has over 15 years of experience helping emerging companies penetrate new markets. In 2000, he founded the US-Israel Business Exchange, an organization devoted to fostering commercial ventures between U.S. and Israeli technology companies; he served as President and Executive Director of the Exchange for four years. Dan has an M.B.A. from Columbia Business School, a Master's Degree in International Relations from the London School of Economics, and a Bachelor's Degree in History from Brunel University, London.

About ReSource Pro: Founded in 2003 with corporate headquarters in New York City, ReSource Pro is the leading provider of processing solutions for insurance organizations. The company has over 1000 employees who process more than 3500 tasks for over 135 clients. ReSource Pro's mission is to assist in transforming insurance processing operations into an engine of revenue growth, profitability and competitive advantage. For more information, visit www.resourcepro.com.