

Balancing Quality Audits With Production

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Outline

- Introduction
- Defining The Objectives
- Production Measurement
- Quality Measurement
- Audit Errors
- Voice of the Customer (VOC)
- Audit Service Companies
- Job Satisfaction
- Balance
- Conclusions

A Magic Bullet?

- This presentation doesn't contain a magic bullet to managing production, timeliness, and quality
- We are aware that the issues vary from carrier to carrier and service company to service company
- A company writing sole proprietor trucking risks will have different issues than a company writing large multi location retail risks
- We just want to give you some points to consider in the search for the correct balance!



Defining Performance Objectives

- Every company measures production & quality
- We will discuss these measurements in more detail later
- Should production & quality count evenly?
- The objective is to get the measurements correct so that an appropriate balance is derived
- To get the measurements correct one must have good metrics and tools by which to measure the staff for production and quality
- The definition of the performance objectives is often the most difficult task!

Defining Performance Objectives

- If management defines the measurements the staff must accept the definition
 - For example – management defines the production goal as 25 per week. The staff must understand how 25 is calculated and be able to see that as achievable.
 - They may be able to understand achievability based on historical data
 - It will be a tough sell to the staff if management says 25 is the goal and the highest producer is at 19 currently.
 - If the way the 25 is counted changed from the way 19 was counted – maybe you can sell that, but it must be explainable

Production Measurement

- Potential components of the measurement
 - Geography
 - Territory
 - Size of Risk
 - Type of Risk
 - Average Time to Audit
 - Lines of Coverage
 - Others.....

Production Measurement

- Based on the measurements, the carrier or service company must use some historical basis to establish the goals
- A sampling shows that carriers and service companies measure production using many different time frames
 - Daily
 - Weekly
 - Monthly
 - Yearly

Production Measurement

- A few thoughts about the measurement time frames
 - Daily and Weekly are probably too small a window
 - Auditors have good days and bad days as well as good weeks and bad weeks
 - For example, a snowstorm in the midwest or northeast can take an auditor out of production for a week
 - If you wait to measure annually, a poor performer could slip by without action for a substantial amount of time
 - Some sort of measurement that is continuous and rolling seems to be the most valuable in establishing a pattern of performance

Production Measurement

- In addition to the measurement time frame, the carrier or service company must determine the appropriate measurement unit
- Some examples of measurement units are:
 - Number of Accounts
 - Number of Policies
 - Number of Lines of Coverage (often relates to policy count)
 - Number of Stops
 - Number of Billable Hours
- Additional items impacting the measurement
 - Auditor experience level
 - Auditor territory

The Realities of Production Measurement

- Auditors have flexibility built into their schedule which can affect production.
- Audit Managers don't supervise auditors directly day to day, so it's hard to tell if they are working or not.
- The window of opportunity to get audit appointments is realistically 8:00-5:00. If an appointment cancels, you can't get that time back. You can't be more productive by working late.
- An auditor may be able use the down time from a cancelled or non confirmed appointment to do write up work or make calls
- Auditors who don't use the down time effectively will not be as productive

The Realities of Production Measurement

- How many quality audits can be completed in a day?
- We can all agree that a different question is what are the most audits that can be completed in a day?
- Is there a breaking point where the auditor will just give up on quality to meet the timeliness and production goals?
- What difficulties are presented when the auditor schedules appointments too tightly to meet production goals and has to reschedule to complete the audit?

The Realities of Production Measurement

- Each of us faces expense pressures in this economic climate
 - Would this put you as a manager in a position where you are more disappointed in poor production than poor quality?
 - Is there a piece of the quality measurement that an auditor can “skimp” on to increase production without a significant negative impact to the customer or bottom line?

The Realities of Production Measurement

- High production by company auditors
 - Reduces vendor expenses
 - Reduces internal costs
 - Incentive payments to auditors
- High production by service companies
 - Auditor paid by the audit increases their income
 - Allows the service company to take on more work
- High production should have a positive impact on timeliness
- High production may have a negative correlation to quality

Production Measurement

- PAAS recently released a production survey that has some detail about the specifics of the way companies measure production
- The survey breaks the companies into small, medium and large for stratification



QUALITY

THE RACE FOR QUALITY HAS NO FINISH LINE-
SO TECHNICALLY IT'S MORE LIKE A DEATH MARCH.

www.despair.com

Quality Measurement

- Potential components of the measurement
 - Classification
 - Accuracy of premium calculation
 - Description of operations
 - Manual rules
 - Audit documentation
 - Owner/Officer information
 - Face time with the insured (no hit and run/drive by audits)
 - Exit interview
 - Other.....

Quality Measurement

- The quality program should be called out in the performance objectives and given the appropriate weighting
- Quality can be measured many ways
 - Review upon submission
 - Review by a quality team at some later date
 - Utilizing a formal review program
- What is the right amount of audits to review?
 - Review all lines?
 - Timeframes for review?

Quality Measurement

- There are many ways companies evaluate the components of the measurement
 - Percentage correct/Numeric score
 - Acceptable or not acceptable (Pass/Fail)
 - Yes/No checklist
- Do carriers hold service companies to the same quality standards that they apply to their own auditors?
- Do you apply quality standards to all types of audits (Mail, Phone and Physical)?

Quality Measurement

- Maintaining quality audits
 - Formally document the quality program
 - Audit checklist for the staff to use while performing audits (a checklist is easier to use than the formal program documentation)
 - Tools & Automation
 - Training
 - Communication around the monitoring and review process (performance improvement plans as needed)
 - Communicate the impact of quality as it relates to career path
 - Rewards other than dollars

Additional Quality Considerations

- Audit selection type (physical, phone, voluntary) affects quality
- Can a physical audit location affect quality?
 - No space for auditor to work
 - Remote location
- Can a non receptive insured affect quality?
 - Not forthcoming with detail
 - Rushing the auditor



Audit Errors

- What causes audit errors?
 - Audit errors can be the result of rushing
 - Balance between production and quality is key
 - Audit errors are often the result of not asking enough questions
 - Inadequate training
 - Failure to review procedures, rules and manuals
- The cost of audit errors?
 - Agent and customer impact
 - Audit errors generate audit disputes
 - Accounting impact

Audit Errors

- Does today's economic environment lead to more disputes?
 - The dispute may just be a method to delay billing
 - Certain markets have been impacted much more severely by the economic downturn (auto dealers, construction...)

Voice of the Customer (VOC) – A Brief History

- The evolution of the concept we now call “Voice of the Customer” in America can be traced back some 20 to 30 years.
- “Voice of the Customer” became a common business term in the early 1990s with the introduction of the Six Sigma process for managing quality
- VOC entails the *process of proactively identifying your key customer segments*, determining what’s critical to their satisfaction of using the product or service and *measuring and anticipating future wants and needs* through an ongoing feedback medium(s)

VOC

- VOC can be used to evaluate the following items on a five point scale ranging from Very Satisfied to Very Dissatisfied
 - Overall Satisfaction with the premium audit department
 - Satisfaction with the appointment scheduling process
 - Was the auditor courteous and professional
 - Auditor review of results (exit interview)
 - Satisfaction with the department if contact was made with someone other than the premium auditor
 - Satisfaction with the company, not specifically Premium Audit

Why VOC?

- Enhance customer understanding and improve the customer experience
- Premium Audit is a unit that has consistent interaction with insureds
- Identify and reinforce specific behaviors attributed to excellent auditor performance and/or improve performance
- Enhance our reputation/perception with the public

Audit Service Companies

- Product is time service and cost savings
- Auditors are typically paid by the audit
- This leads to a focus of Production, Production, Production!
- The service company does not own the relationship with the agent and insured
- This leads to a disconnect with agency and/or account profitability
- We previously discussed the impact of a remote territory on production and quality
 - Carriers often send their remote work to a service company

Audit Service Companies

- Do service companies sell quality?
- Quality measurement for a service company is different
 - Multiple platforms/worksheets
 - Rules by carrier
 - Rules by proprietary program for a carrier
- There is a difference in quality among service companies.
- Those differences can lead the carrier to switch service companies
- A carrier sees the timeliness and quality of the vendor companies. The carrier is not as engaged in the productivity of a service company auditor.

Audit Revisions

- The Numbers
 - Company Auditor Disputes 2.16%
 - Audit Service Company Disputes 4.86%
- Can a revision ever be a positive experience for the insured?
 - Maybe if the revision is processed professionally and quickly
 - Most insureds will understand that mistakes happen
- If an audit was not explained fully during the exit interview you still have a quality problem

Job Satisfaction

- What do you tell an auditor if they ask which is more important, production or quality?
- Are auditors more proud of production or quality?
- As your company is setting performance objectives, how much should an auditor be expected to work?
 - The common answer seems to be 45-50 hours a week or more
 - Auditors don't have the commute time of folks going to a 9-5 in a typical audit setting
 - Professional position
- Generational differences (Gen Y, Gen X, Baby Boomer...)
- In today's economic environment, employees are not necessarily looking for a job change

Productivity



**Q
u
a
l
i
t
y**

Timeliness



The Balance?

Balance

- Is it tougher to explain to a customer?
 - An audit that is late due to low production
 - An audit that needs to be corrected as the auditor was rushing

Conclusion

- Define performance objectives
- Engage the staff in understanding the objectives
- Be consistent in the application of the objectives across the staff
- Production is one important measurement
- Don't strive for production at the cost of quality
- Quality is also an important measurement
- We each measure quality in many different ways
- Make sure that your quality evaluation/measurements provide information that is important to the organization
- Utilize the measurements to initiate changes in behavior to achieve the desired outcome

Questions???