

*Insurance Policies  
Sales*

# *Project Background, cont.*

- Financing system
  - Company sells financing and insurance to home owners through independent dealers



# *Six Sigma Project*

- Company decided to initiate a Six Sigma project
- Two issues for consideration:
  - Improve the accuracy rate—the rate at which the policy and loan package accurately represent what the customer specified—*primary focus*
  - Increase the number of policies sold - some loans processed without attempting to sell accompanying insurance policy—*secondary focus— potential future project*

# Charter

## - Purpose

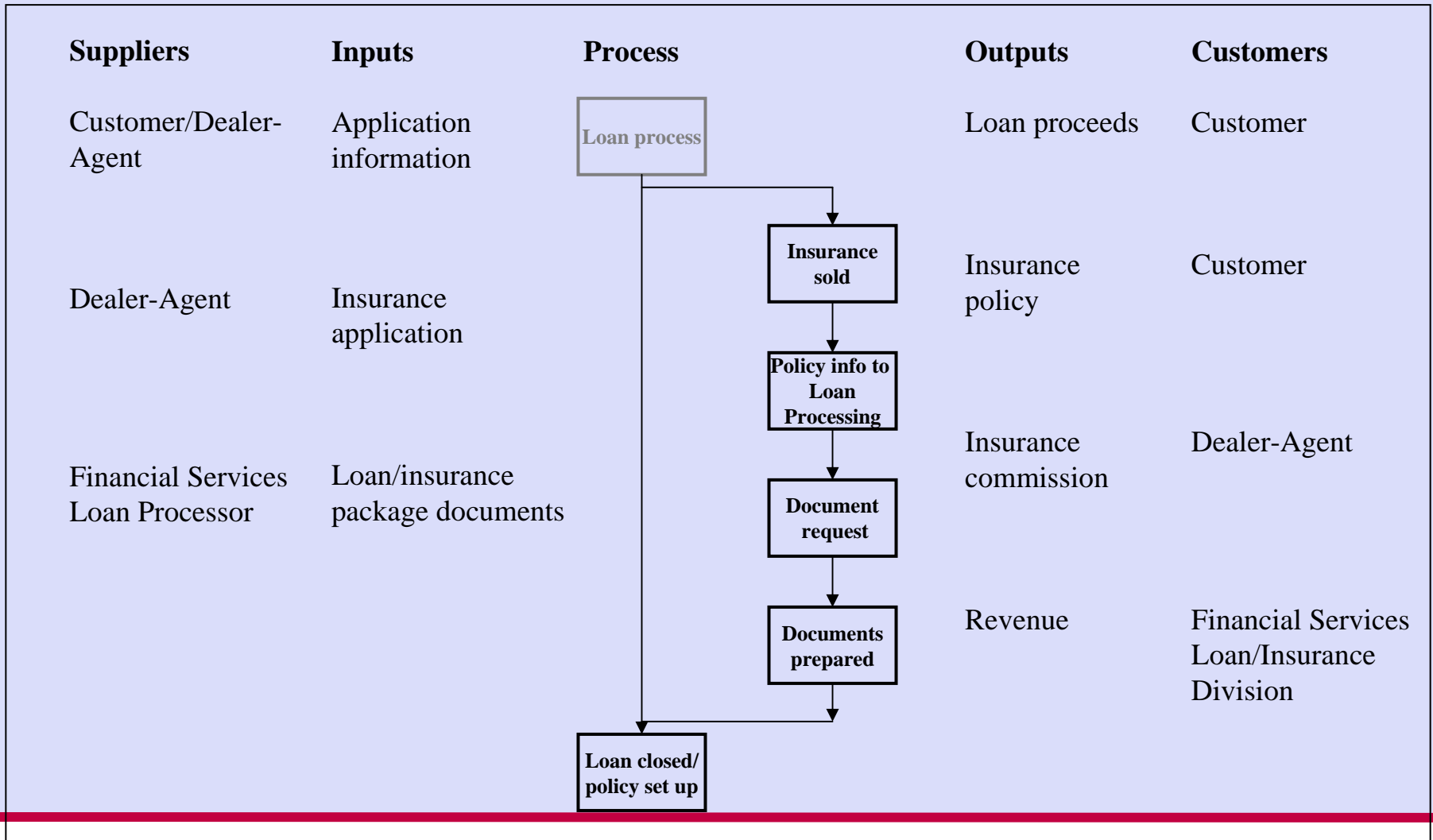
- Problem/Opportunity Statement: The division produces 17% of all insurance policies with inaccuracies as compared to customer specifications.
- Goal Statement: Improve set up accuracy rate from current rate of 83% to 99%.

## - Importance

- Business Case: Improving the accuracy will:
  - Increase customer satisfaction by meeting specifications—this will translate into increased revenue because of more policies sold and more referral business
  - Increase efficiency by eliminating rework and non-value added activities from the process—this will translate into decreased costs
- Total estimated annualized project impact = \$525,000

# Map the Process

## SIPOC Model



# Customer Voices

- I want my insurance coverage to include natural disaster and flood insurance
- I want to be able to finance my insurance with my loan
- I can get a better deal somewhere else
- I got a better deal from another company  
The insurance raised the payment too much
- I don't want my down payment to increase because I am financing insurance
- Reworking Policies is eating up time
- Errors in policies and closing documents are creating Unhappy customers
- I want the insurance on my loan to reflect what the agent sold me
- I never agreed to finance insurance, and it shows up on my loan agreements
- The insurance raised my payment by more than I was expecting
- My down payment went up and I was not expecting that
- I did not realize my payment would go up by \$35
- My down payment went up and I was never told  
The closing package was already printed when I noticed the increased payment

# Customer Requirements KJ

What are the Key Customer Requirements for purchasing insurance?

**The coverage I receive is the coverage I need**

My insurance coverage includes natural disaster and flood insurance only when required

I am able to finance my insurance in the manner I desire

**The Paperwork accurately reflects what was promised and sold**

The insurance on the loan reflects what my agent sold me

My payments are reflected in the manner that I agreed to

Initial down payment expected matches what the company communicated

**I am comfortable with my understanding of the product, cost, and implications on accepting insurance**

My expectations for payment and potential changes match what the company actually does

My understanding of insurance options and coverage is complete

My understanding of insurance implications is complete

**I don't have to worry about changes that are wrong or sudden**

Errors in terms and payments are noted before the closing package is to be signed

Changes in terms and payments are identified and agreed to ahead of changes being implemented

Insurance raises are tied to an attributable reason and notice is given in advance

**I really believe that price incurred is worth the value I receive**

I want to know that this is the best deal I can get with this company

This company offers the best value compared to all other options

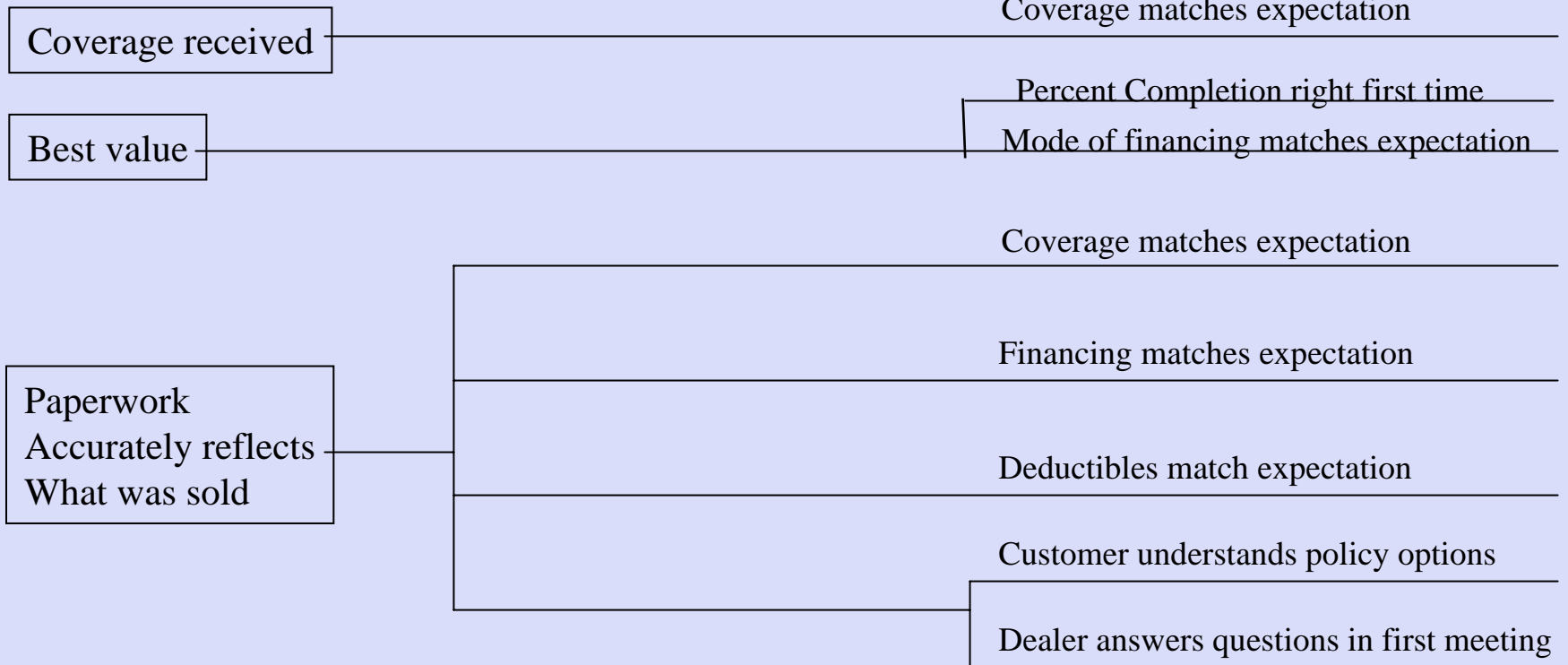
This company provides the service with minimum rework

**The customer feels that they understand and are comfortable with the insurance and believe the value created by our company is real**

# Critical To Quality Metrics

## Customer Requirements

## Quality Metrics





# *Project Components*

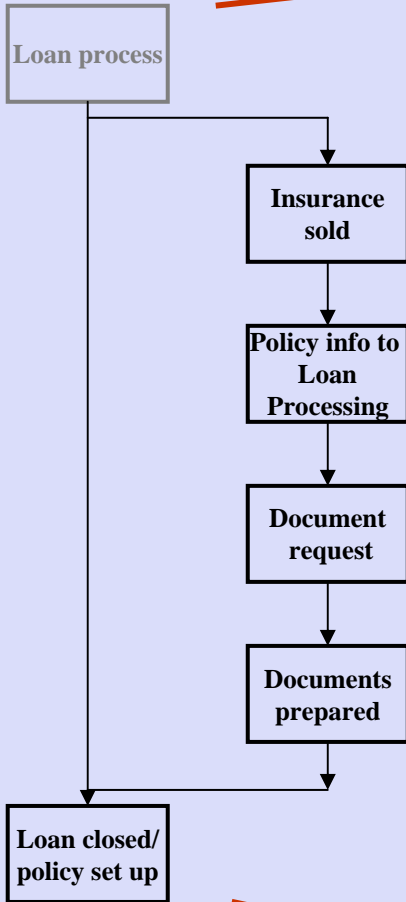
- Data Collection Plan
- Process Flow Diagrams
- Baseline Data on Defects
- Stratified Data Charts
- Calculate Process Sigma

# *Key Questions*

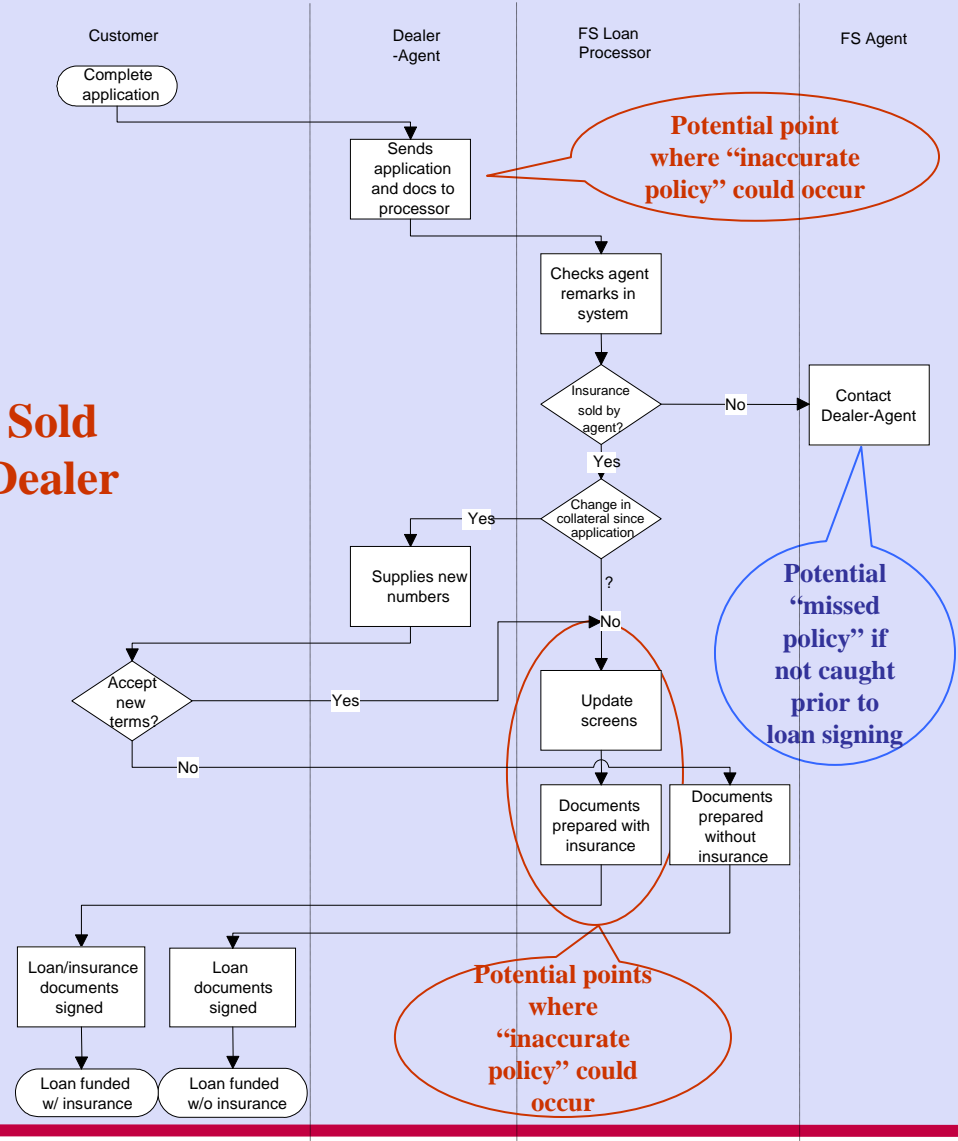
- What does the current detailed process look like?
- Does the defect rate show trends over time?
- Does the defect rate depend on the day of the month?
- What are the types of defects?
- Do any regions (clusters of dealers) account for the majority of defects? (80/20 Pareto principle)
- Do any agents account for the majority of defects?

# Process Flow

## SIPOC Model

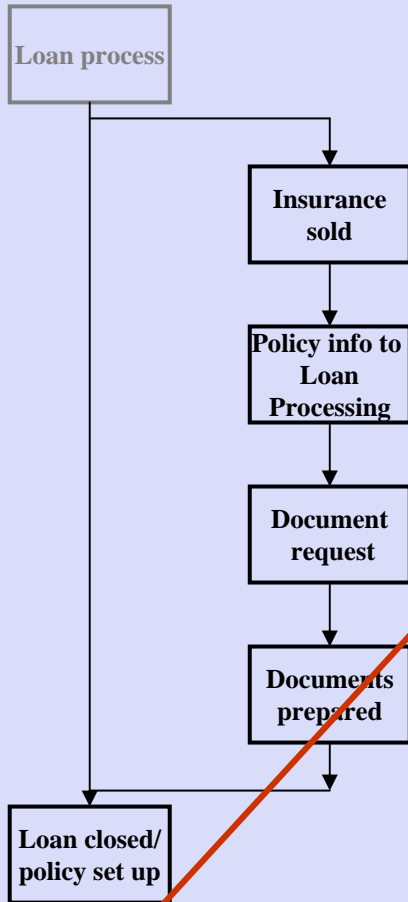


## Loan Process

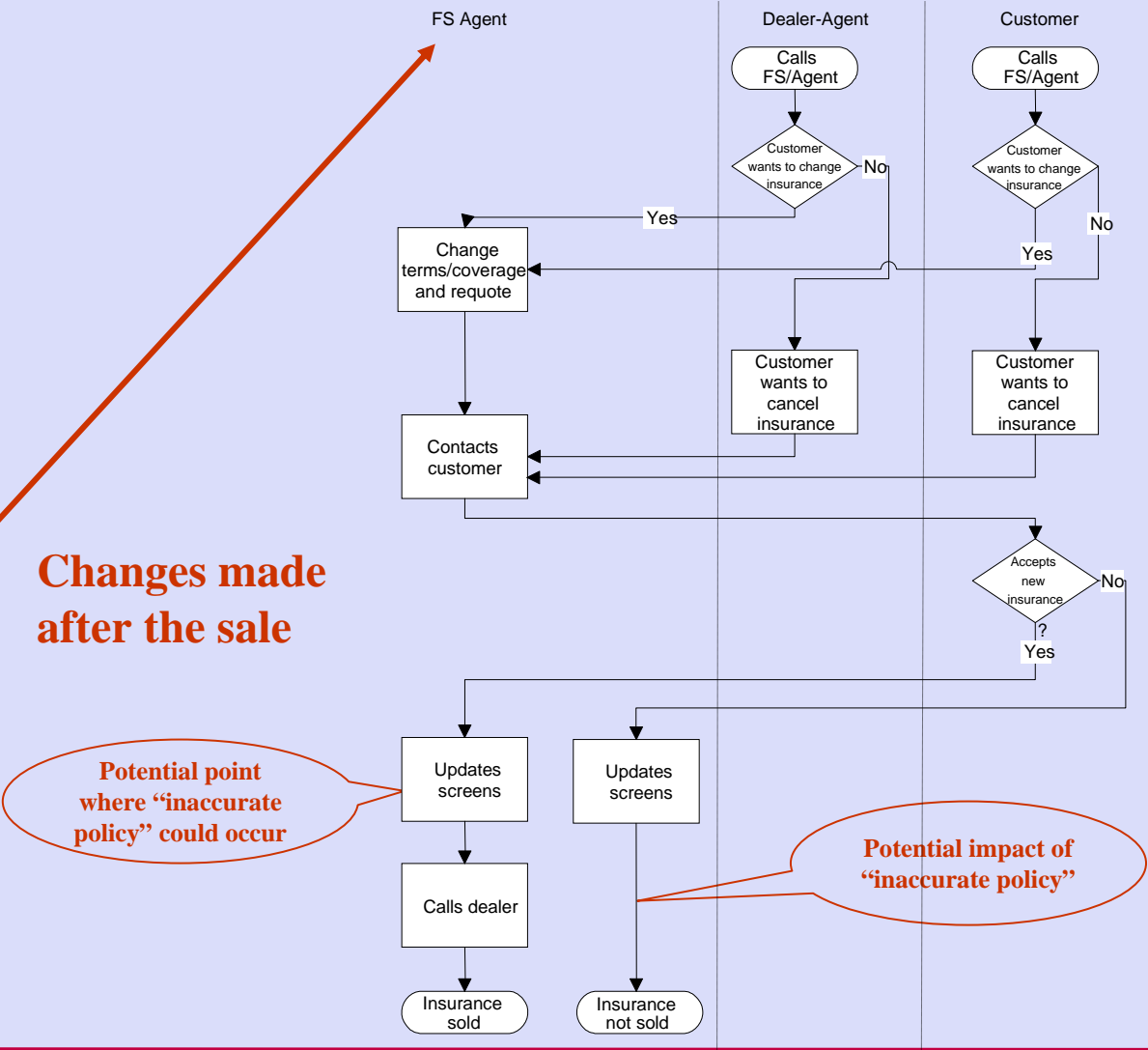


# Process Flow

## SIPOC Model



## Changes After Sale



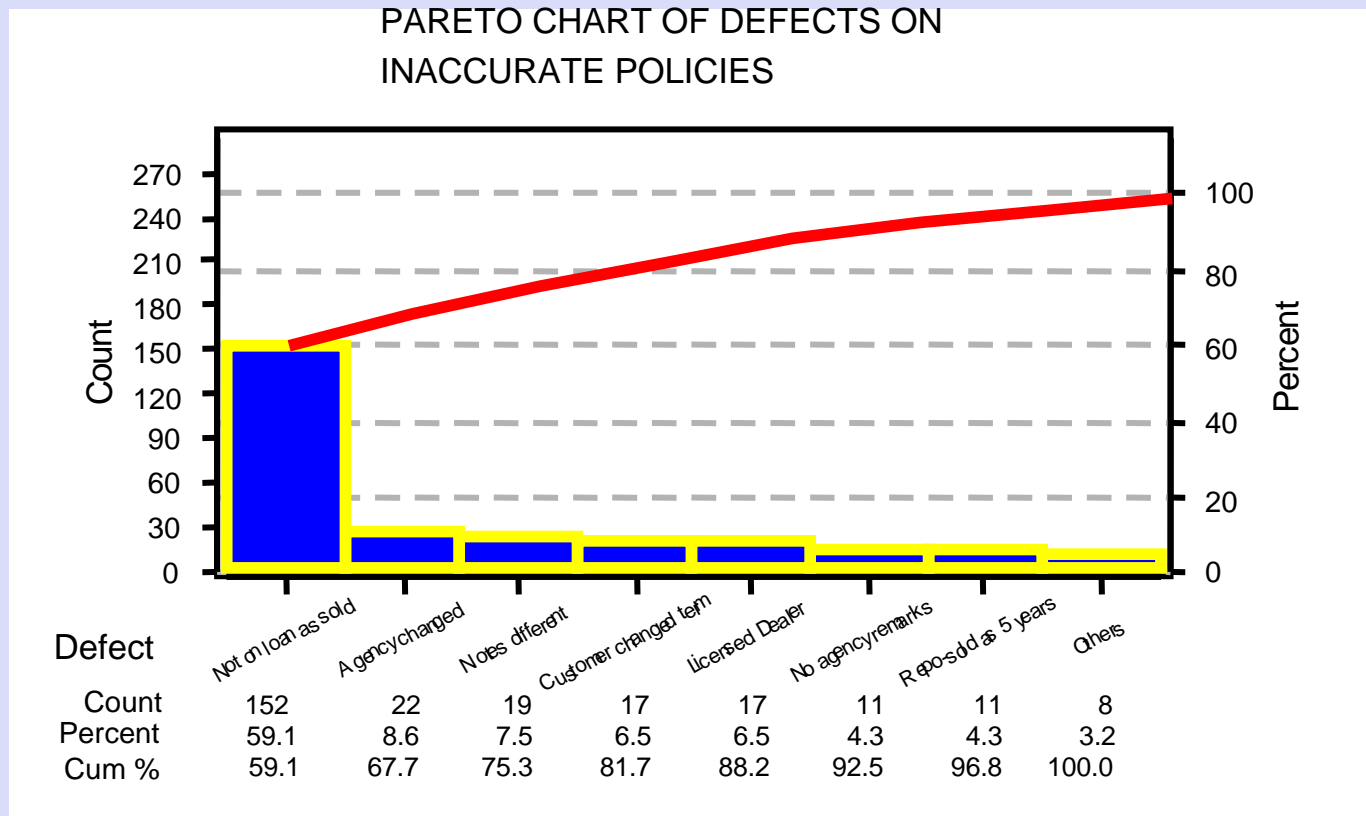
**Changes made after the sale**

Potential point where "inaccurate policy" could occur

Potential impact of "inaccurate policy"

# Types of Defects?

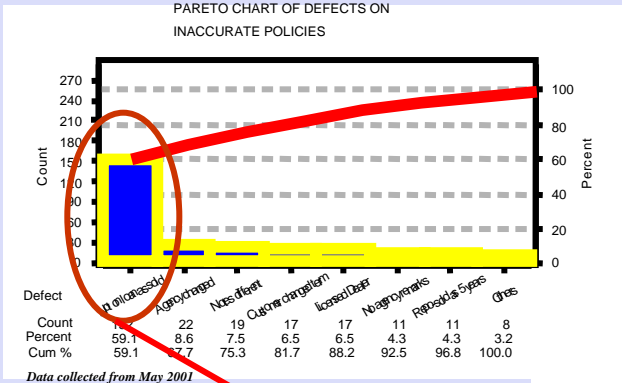
- 60% of “Inaccurate Policies” due to the paperwork not reflecting what was initially sold to the customer



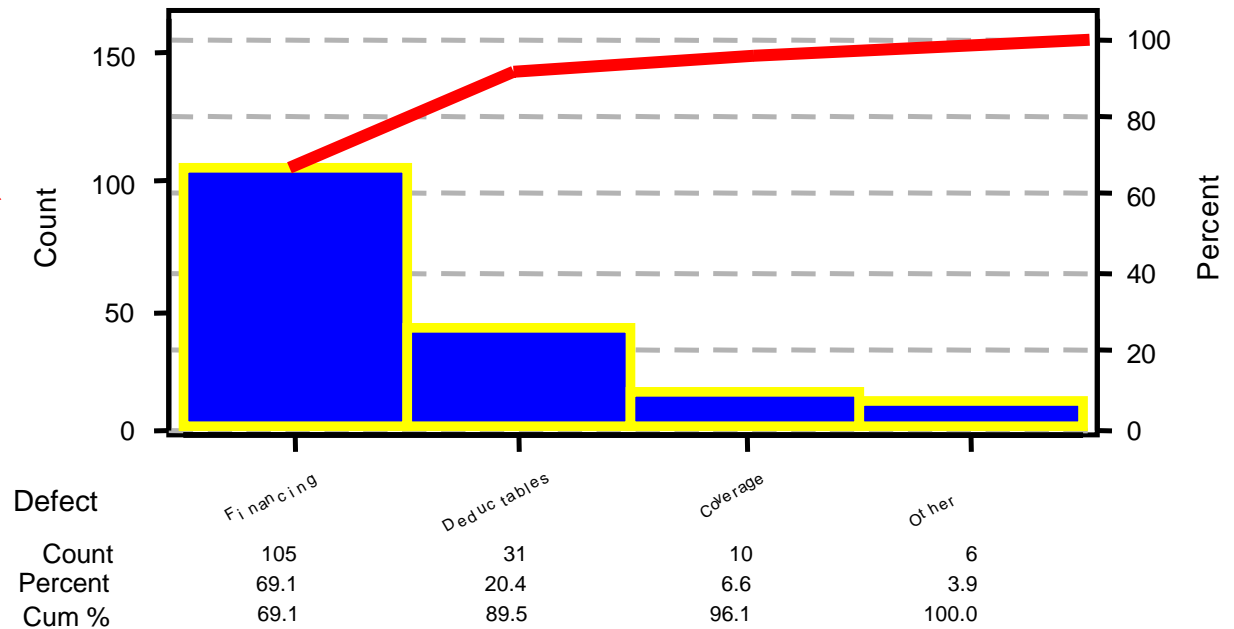
Data collected from May 2001

# Types of Defects?

- 69% of "not on loan as sold" due to errors in "financing terms"



PARETO CHART OF DEFECTS "NOT ON LOAN AS SOLD"

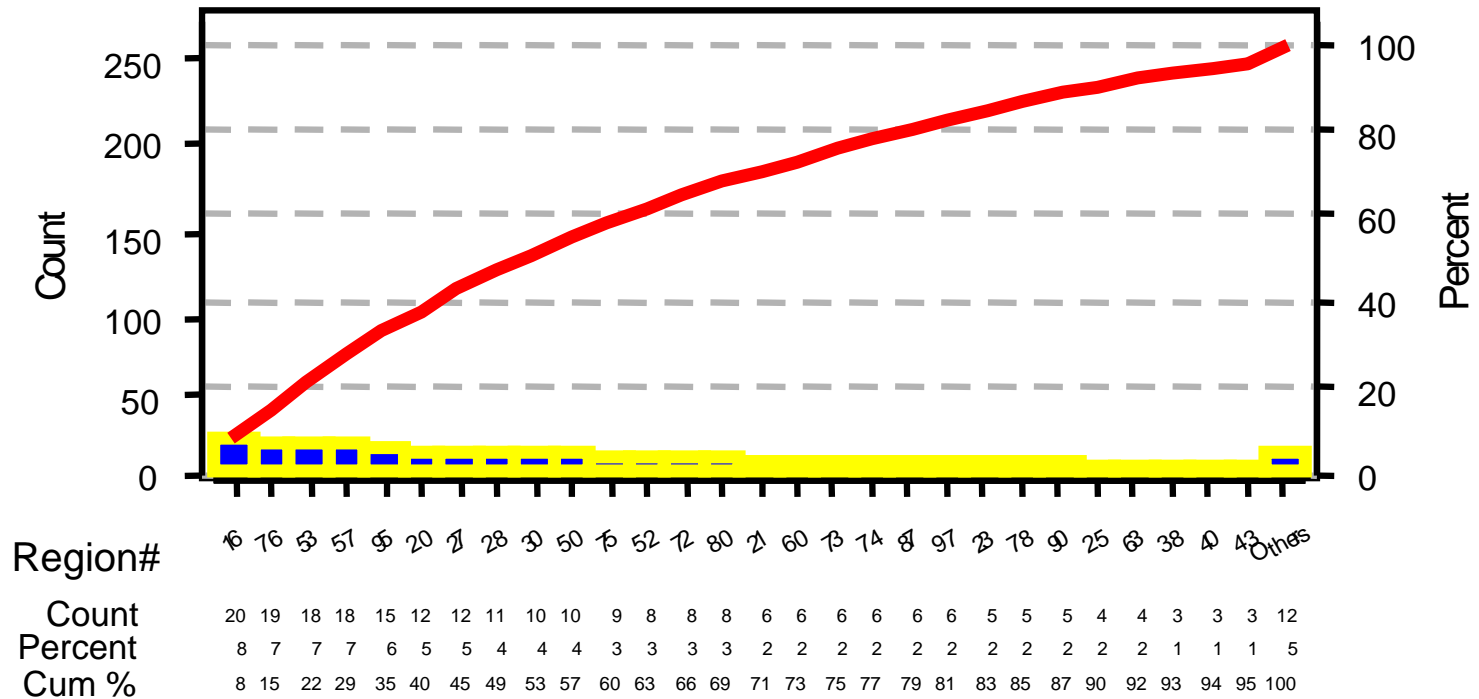


Data collected from 05/01/01 to 05/31/01

# Difference by Region?

- Pareto Principle does not hold...apparently no significant different between regions

## Pareto Chart of Inaccurate Policies by Region



Data from May 2001

# *Customer Impression*

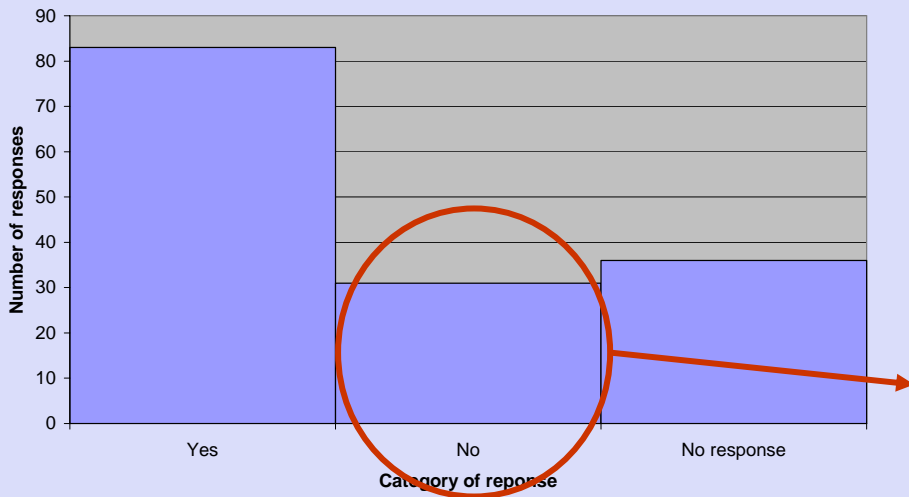
- Telephone survey to a random sample of 150 of the 1775 total loans written in May, 2001
- Survey questions:
  - “Was the agent able to provide information and answer all of your questions in the first meeting?”
  - “If no, approximately how many times did you need to contact the agent in order to resolve any questions you had?”
  - “If you could make the loan application and approval process better, what would that mean to you?”



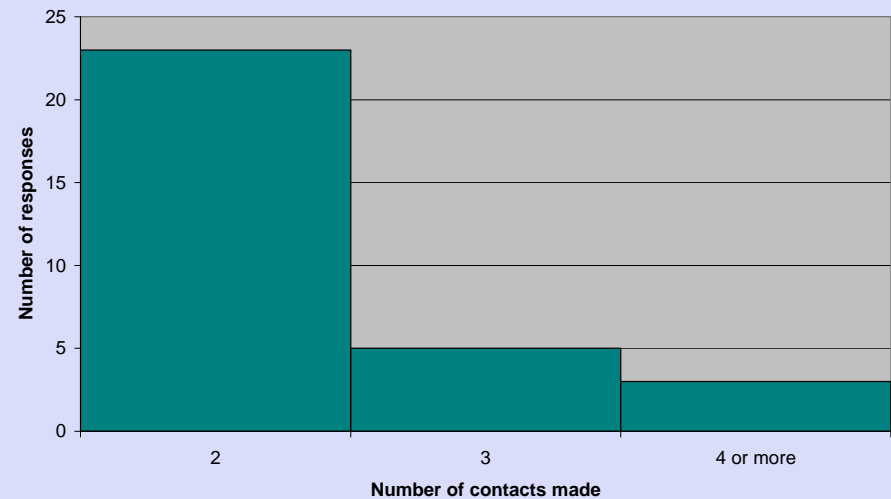
# Customer Impression, cont.

- 31 out of 114 responses (27%) could not get the information at the first meeting
- Of those 31, 23 resolved the questions during the second contact

Telephone Survey Question #1 - Did Dealer-Agent provide information/answers in first meeting?



Telephone Survey Question #2 - How many times did you have to contact the Dealer-Agent to resolve your questions?



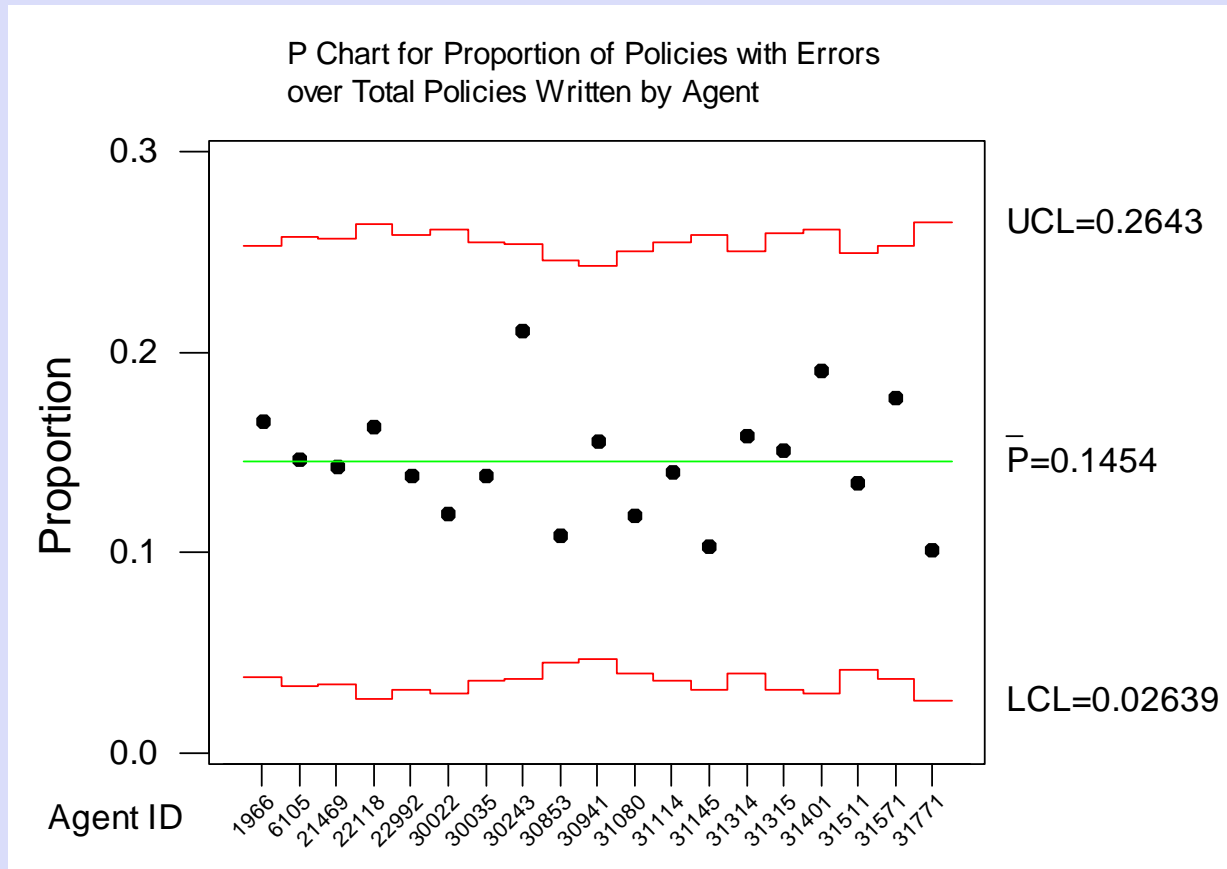
# Customer Impression, cont.

Telephone survey Question #3 - How to improve the process?



# Difference by Agent?

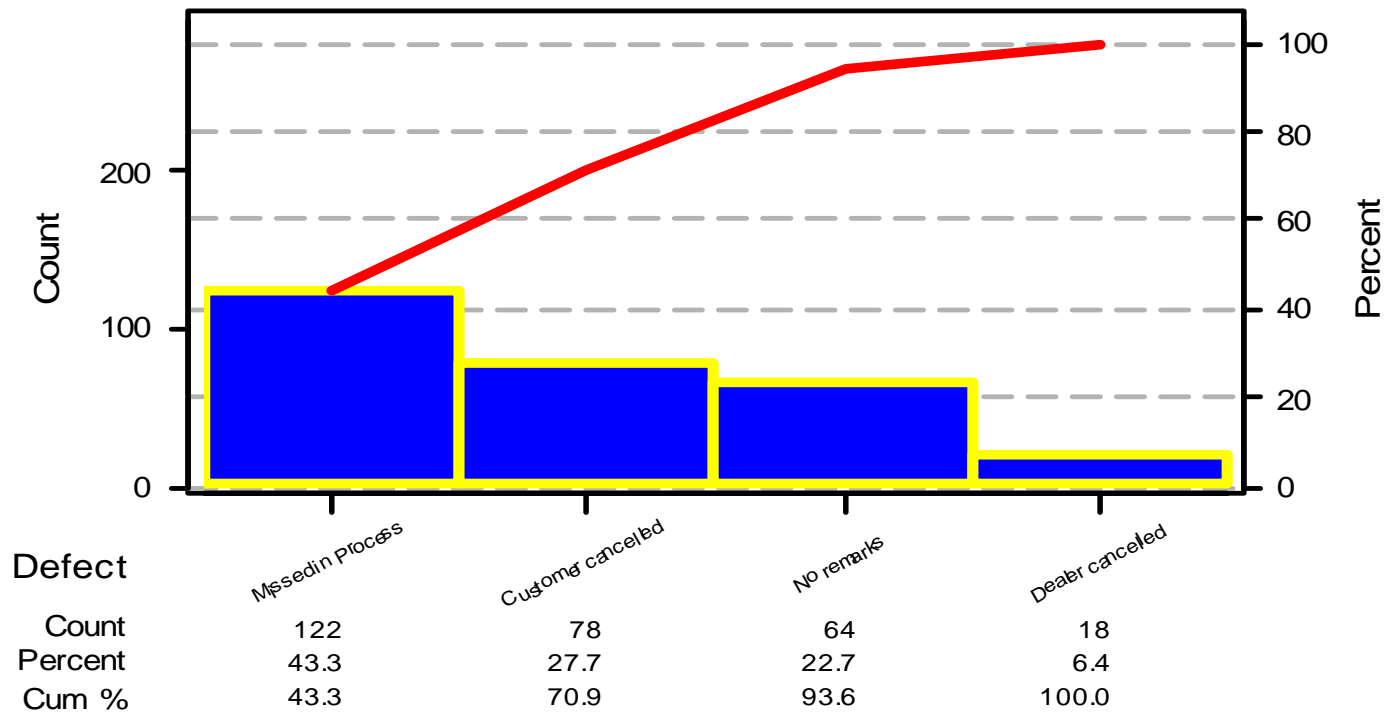
- No significant difference agent to agent
- Every agent, overall, seems to produce defects at a rate of 15% of total written



# Missed Policies

- 70% of “Missed Policies” missed by dealer in the loan process or cancelled after the sale

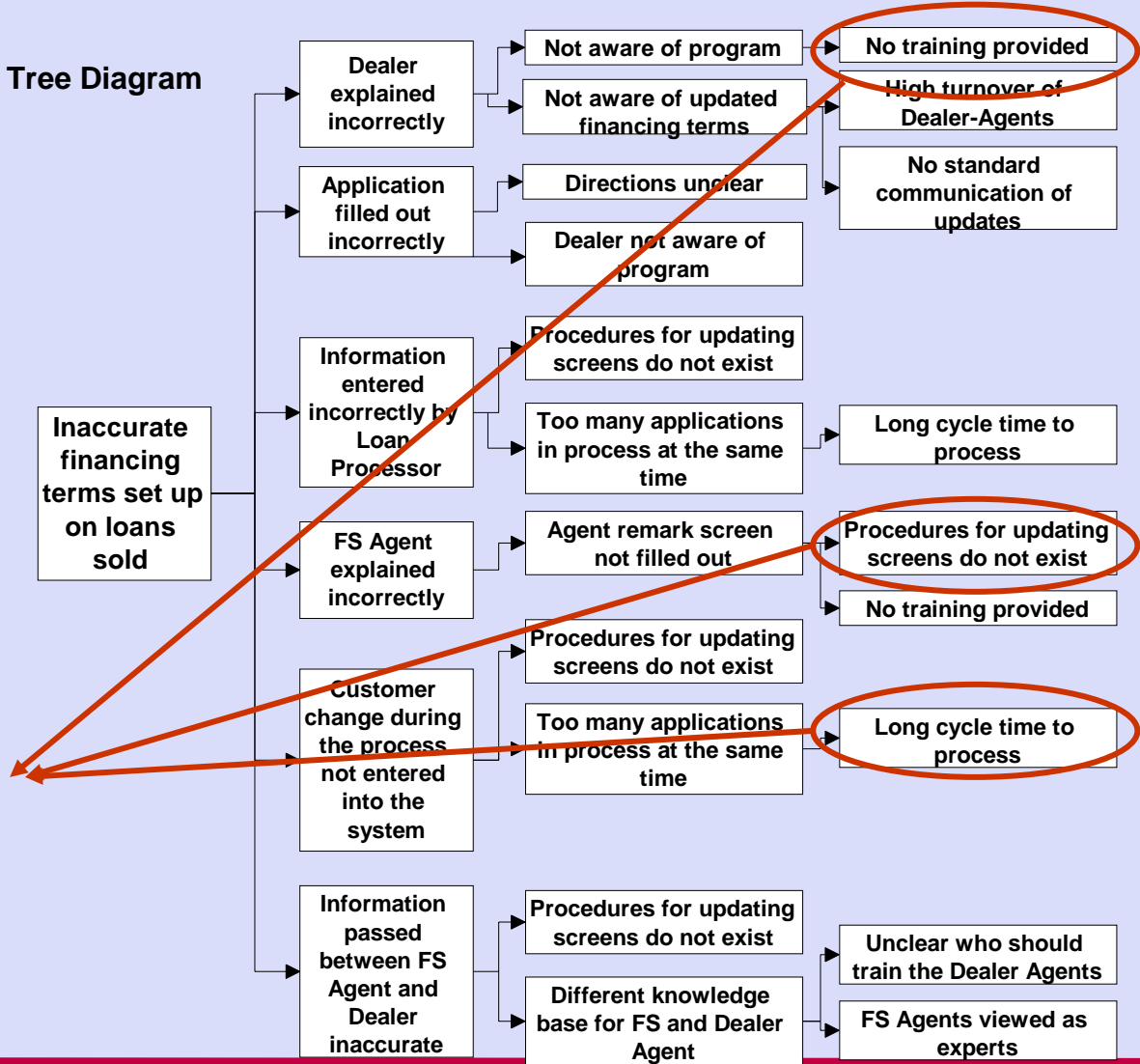
PARETO CHART OF DEFECTS ON MISSED POLICIES



Data collected from 03/01/01 to 05/23/01

# Potential Causes

- Tree Diagram constructed to investigate ...why financing terms inaccurate?

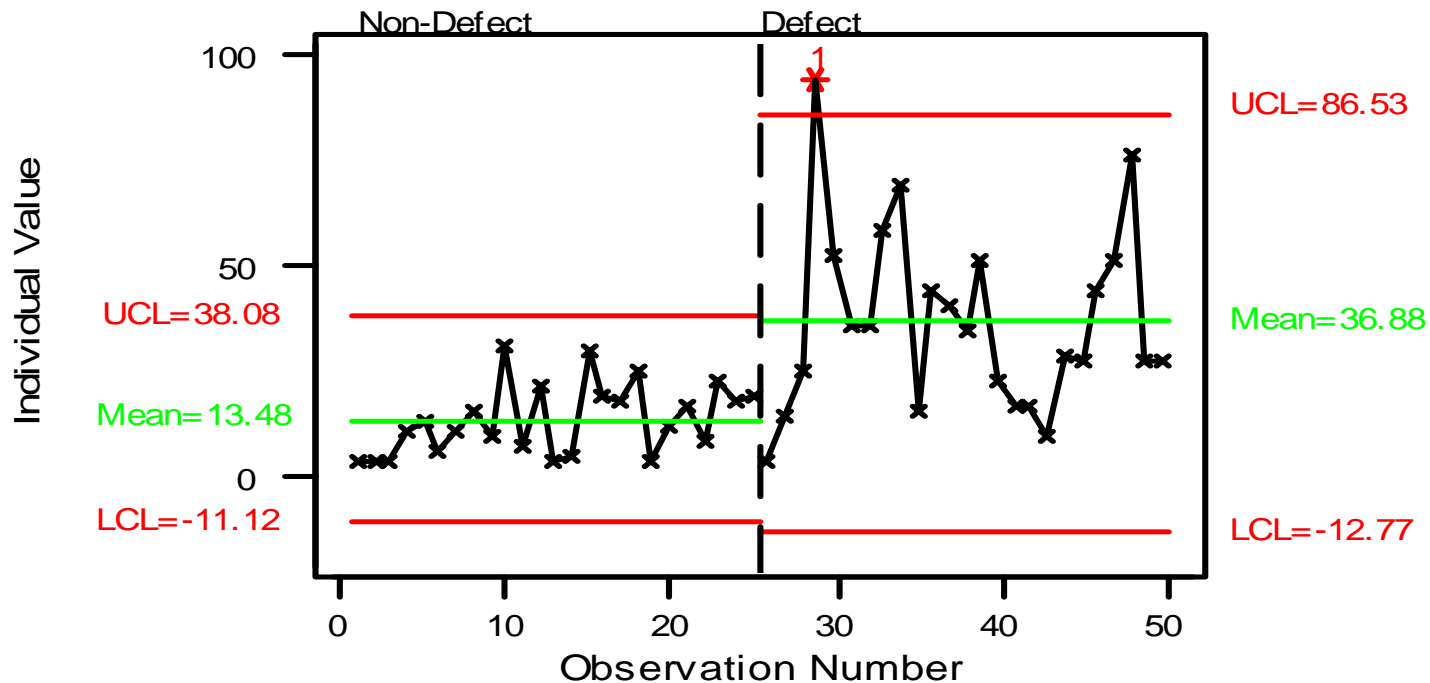


**Suspected Causes**

# Verification of Causes, cont.

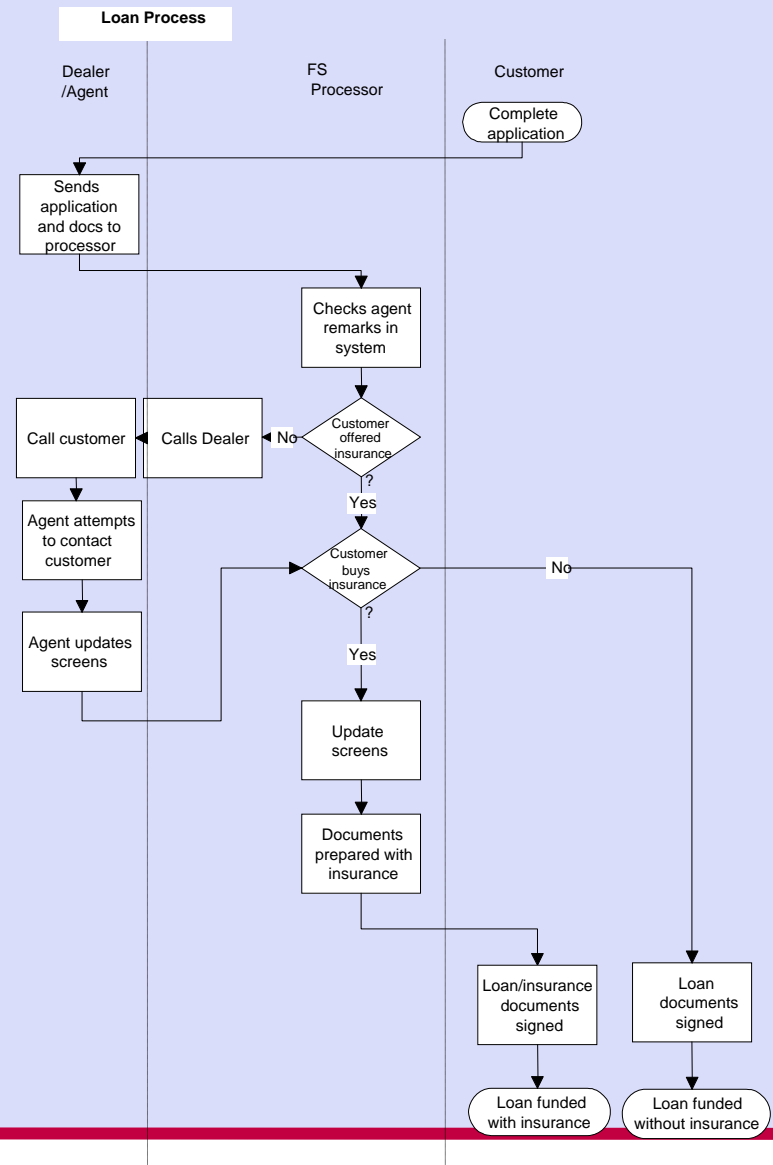
- The relationship between cycle time and defects was also analyzed using a control chart

I Chart - Number of days from sale to funding



# Redesigned Process

- Reduced cycle time
  - If customer not offered insurance initially, FS Loan Processor calls Dealer direct instead of calling FS Agent
  - FS Loan Processors switched to a mind-set of processing an application when it came in instead of batching applications to process together
- Reduced cycle time = less applications in process at one time = fewer defects
- Reduced cycle time = less time during which changes can occur = fewer defects



# Failure Modes & Effects Analysis

- Recommended Actions

- Small group training for dealers
- Ongoing training and communication for dealers
- Ongoing communication for Regional Managers
- Periodic memos on updating screens
- Auto reminder for Processors

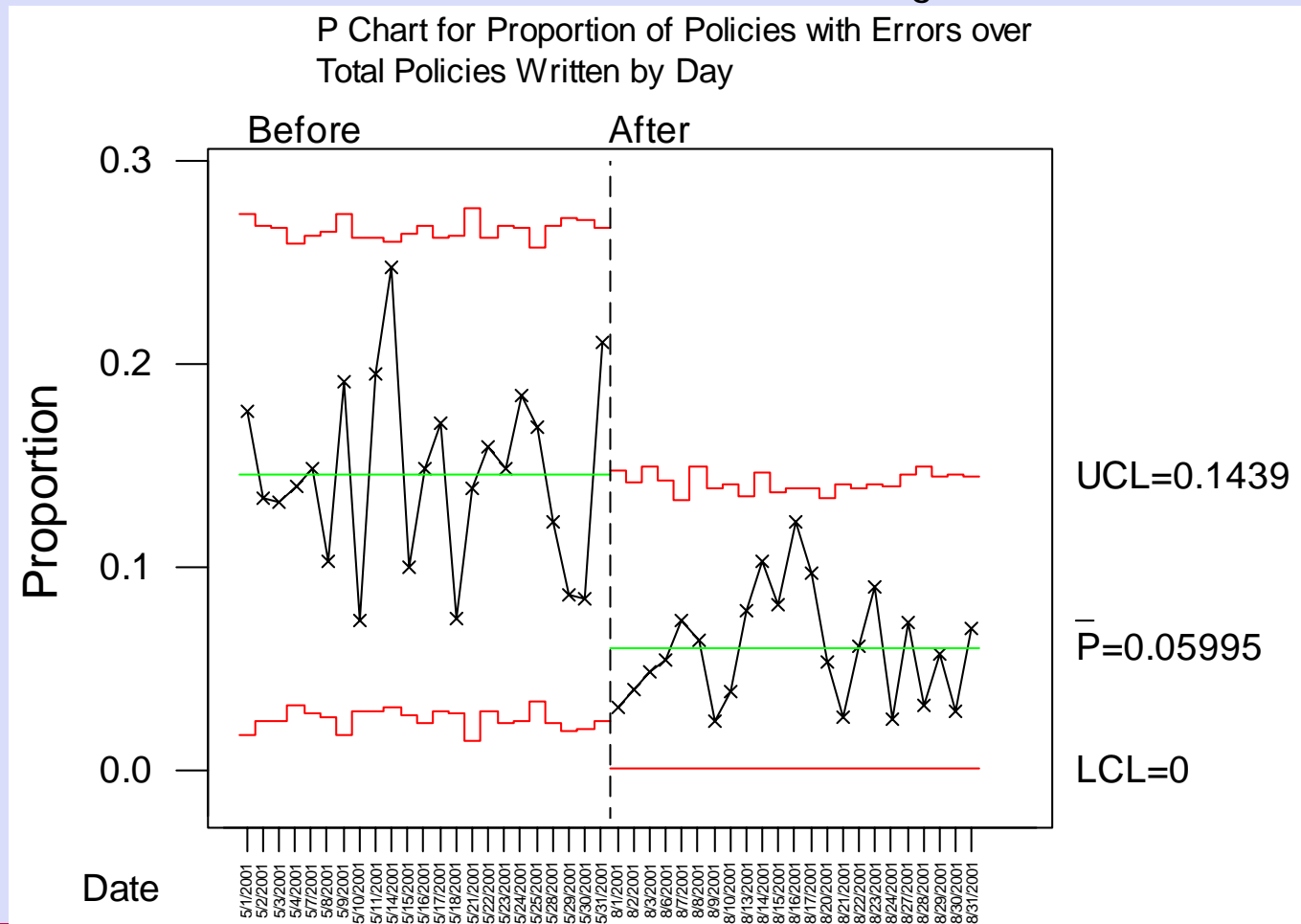
FMEA Team: **Dealer Reps and Loan Processors** (Revised):

FMEA PROCESS RESULTS										ACTION					
Item / Process Step	Potential Failure Mode	Potential Effects of Failure	Severity	Potential Causes of Failure	Occurrence	Current Controls	Detection	RPN	Recommended Actions	Responsibility and Completion Target Date	Action Taken	Severity	Occurrence	Detection	RPN
Sends application to LP	Wrong Info	Low customer satisfaction/ Lost revenue	10	Training not Successful and not continuous	10	Doc's Out Report	1	100	Smaller Staff and Training	Regional Managers Dealer	Smaller Team Completed 8/01/01	10	5	1	50
Sends application to LP	Wrong info	Low customer satisfaction/ Lost revenue	5	New Dealer	8	Doc's Out Report	1	40	On Going Training	Regional Managers	On Going Training	5	4	1	20
Document Processing	Processor Makes Error	Low customer satisfaction/ Lost revenue	5	No screen Update procedures	2	Doc's Out Report	1	10	Periodic memos on screen updates	Loan Supervisor/	Procedure Change	5	2	1	10
Contacts Customer	Processor does not follow up on missed call	Low customer satisfaction/ Lost revenue	5	No follow up procedure	6	Doc's Out Report	1	30	Auto reminder to Processor	Loan Supervisor	Procedure Change	5	2	1	10



# Results

- May Defect Rate = 15%
- June Defect Rate = 10%
- July Defect Rate = 9%
- August Defect Rate = 6%



# Updated Financials

- Savings from project
  - Increased customer satisfaction resulting in increased revenue = \$478,000
  - Decreased rework and increased efficiency = \$160,300
- Total savings = \$638,300

