

Acquisition Integration Consulting - Target Operating Model

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Introduction

Business Process Re-engineering, often known as optimization is generally leveraged by organizations across industries going through swift growth. With growth comes challenges in the form of process inconsistencies leading to service failure. This eventually leads to an impact on the performance of the organization. Specific to insurance brokers, this poses a bigger threat. Most successful organizations in the insurance industry grow rapidly through acquisitions of like-minded agencies. However expecting an operational match (systems, processes, and people) may be too much to ask for.

Our client, a leading TOP 5 global broker, a company that grew from humble beginnings about 80 years ago and forged its way to the Top 5. The company made over 100 acquisitions in a span of 3 years and also went on to service global markets.

To sustain our growth plans, we knew we had to partner with someone who brings to the table methodologies and proven process capabilities that can help us quickly internalize an acquired entity and look beyond.

VP – M&A, Client Organization

Critical Issues

- Acquired agencies came in with diverse technology platforms and workflows
- Threat of cancellations - post the merger
- Disillusioned sales teams – unsure of client service process
- High employee attrition
- No metrics for performance measurement

Results

- £ 750,000 in projected savings
- Scalable, cost effective TOM defined and implementation road map created
- Comprehensive documentation of current and to be processes

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About The Client

The Client is one among the Top 5 Insurance Agencies as listed by Insurance Journal 2016.

In the early 80's, the company went public and took on an aggressive acquisition strategy to support its growth plans. They employ over 20,000 staff and service over 21 different industries. They have dedicated subsidiaries and divisions that offer benefits, claims administration, and wholesale insurance solutions. The company enjoys powerful relationships with numerous carriers across the globe.

Exdion serviced the client through a dedicated Center of Excellence to bring in process standardization, cost savings and continuous process excellence to enhance the clients' competitive edge in the market place. Exdion also offered the client a dedicated integration consulting team with consultants who possessed over 20 years of core insurance understanding.

The client had just entered into an agreement to acquire a mid-sized commercial multi-line agency operating out of 3 branch offices in the UK. While the financial due diligence was complete and the fit ascertained, Exdion's integration consultants were roped in to perform an operational due diligence encompassing all aspects of the business except broking and market relationships.

The team set out on an aggressive plan to assess the incoming agency's operational make up and develop a target operating model (TOM) at a granular level. The goal was to ensure that the model is scalable and cost effective while enabling the team to be able to provide excellent service.

Quick Facts



Client:
Top 5 Global Broker



Employees: 20,000



Locations:
5 continents, 33 countries



Industries:
Over 20

Methodology and Key Observations

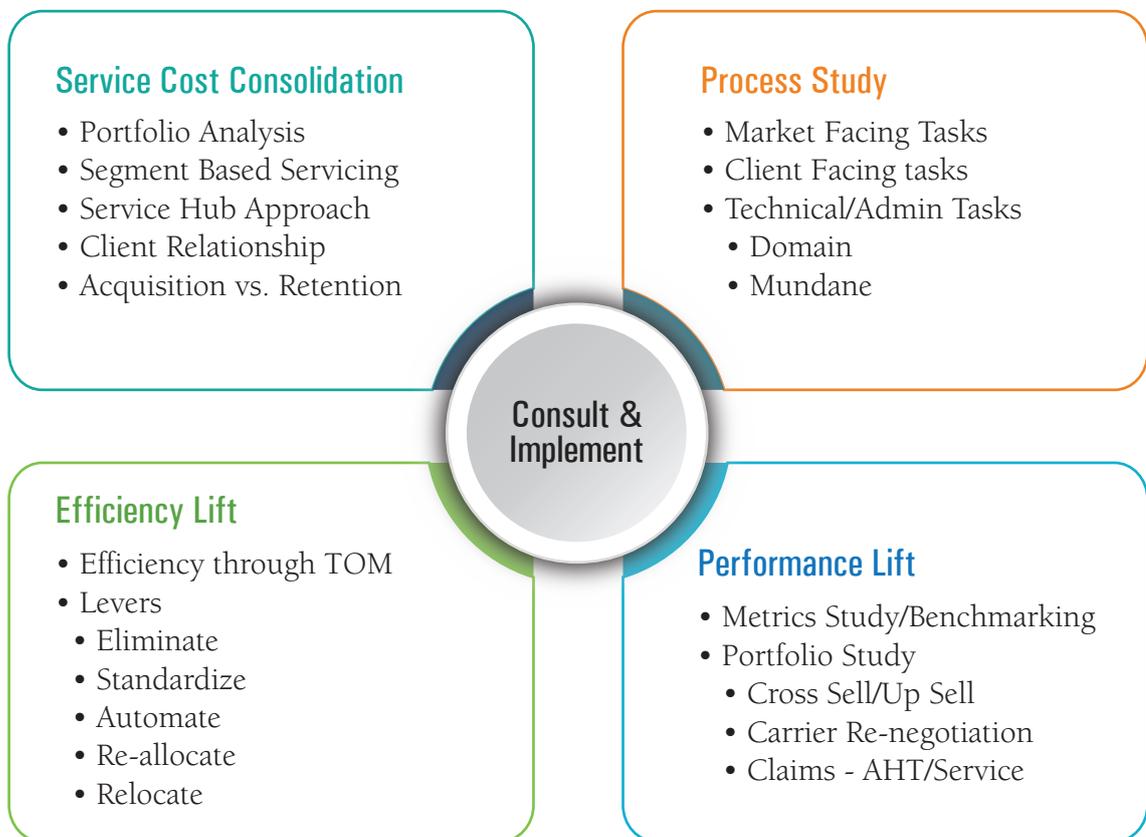
As part of the project, Exdion experts visited all the 3 branch offices and started by analyzing the company's revenue and corresponding service costs.

The team then went on to interview and shadow over 50 staff members across branches

> Methodology and Key Observations

and roles and created detailed process flows to understand the respective process complexities and the estimated transaction time for each core service – renewal initiation, cancellations etc. A detailed study was performed on the different systems spanning the Agency and Document Management Systems as well as other disparate technology systems in use.

Exdion leveraged its consulting framework to systematically assess each function.



As was expected, the Pareto principle was clearly applicable with data reflecting that small accounts (with premiums of less than £10,000) made up about 82% of the total client base translating to about 70% of premium revenue. The remaining 30% of their premium revenue came in from about 18% of their client base. This meant that a premium based servicing model had to be adopted to keep costs low while ensuring customer service “moments of truth” were optimally handled.

The assessment was performed across 6 distinct areas with the goal to have the “Right Person doing the Right Job at the Right Cost at the Right Time”

- > Methodology and Key Observations
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Roles and Responsibilities	Management and client servicing roles not distinctly defined
	Experienced resources spending time on data capture/ administrative tasks
Data Capture and Management	Use of Document Management System was limited
	Perception that systems were ineffective was a major pain point
Document Creation and Management	Document ingestion not structured - no indexing practices
	Significant manual effort in document creation with no standards
Workload and Management	Performance and Capacity Management based on anecdotal evidence
	Key staff bogged down with administrative hygiene practices
Metrics	Lack of standard KPI's for performance measurement
	Client servicing was not revenue aligned - service costs remained the same for client across revenue bands
IT	Lack of dual monitors - increased need to print
	Latency issues with DMS
	Real time access to information not made available to the field team

Target Operating Model (Proposed Model)

Exdion’s consultants, after careful review of the collected metrics and intelligence, drew out a target operating model that should be implemented to minimize the impact of the integration.

Some of the core focus areas were:

1. To implement rigorous and structured data and document management across sales and servicing

> Target Operating Model (Proposed Model)

2. Processes to be streamlined and with clear differentiation of roles – staff to be trained to specialize
3. Movement of small and mid-market accounts from branches to centralized service hubs.

With the above focus, the team concentrated on the transformational initiatives that spanned across small, mid-market and large accounts.

The existing set up had the following roles

1. Account Executive – Client relationship
2. Development Coordinator – Market Relationship
3. Account Handler – Operational discipline

However there were significant variations of how each of these roles operated. Exdion drew out a new workflow and role matrix in 2 parts – one matrix that serviced small and medium clients and the second one to service large corporate accounts. These Role Refinements were introduced to ease the integration process and ongoing client servicing as well.

Role Clarification – Servicing of Large/Corporate Accounts

Account Director (Onshore)	Account Handler (Onshore)	Account Assistant (Offshore)
Client Relationship Management	Technical & Client Relationship Management	Operational Discipline/Efficiency Transaction Support
<p style="color: #990000;">Initiate the Renewal Process</p> <ul style="list-style-type: none"> ✓ Review the Claims experience. ✓ Determine/overwrite marketing Strategy <p style="color: #990000;">Client Relationship Management</p> <ul style="list-style-type: none"> ✓ Major Business Changes ✓ Face to Face Meeting ✓ Secure Updated Pre Renewal questionnaire ✓ Secure Authorization to Bind <p style="color: #990000;">Market Knowledge</p> <ul style="list-style-type: none"> ✓ Develop and maintain market/ insurance/ legislative and other knowledge in order to effectively advise on any aspect relating to a given risk. <p style="color: #990000;">Additional Business Income Generation</p> <ul style="list-style-type: none"> ✓ New - New ✓ New - Existing 	<p style="color: #990000;">Data Validation</p> <ul style="list-style-type: none"> ✓ Validate Renewal package (Letter, Invoice & Renewal documents) <p style="color: #990000;">Client Relationship Management</p> <ul style="list-style-type: none"> ✓ On going ✓ Follow up with Clients on Missing Information & Payments ✓ Send cancellations if any ✓ Recommend Quote <p style="color: #990000;">Marketing Support</p> <ul style="list-style-type: none"> ✓ Negotiate terms and conditions with insurer ✓ Follow up with Insurers ✓ Review changes to wording ✓ Authorization to Bind ✓ Initiate MTA's <div style="border: 2px solid #000080; border-radius: 50%; width: 150px; height: 40px; margin: 10px auto; text-align: center; color: white; padding: 5px;"> Transfer of some Account Handler work to offshore Assistant </div>	<p style="color: #990000; border-top: 1px dashed red;">Data Capture and Management</p> <ul style="list-style-type: none"> ✓ Update Pre Renewal Questionnaire ✓ Update Claims experience information ✓ Update MTA's ✓ Update Quote Information <p style="color: #990000; border-top: 1px dashed red;">Document Processing</p> <ul style="list-style-type: none"> ✓ Generate Pre Renewal Questionnaire ✓ Prepare Underwriting Presentation & Renewal Report ✓ Review policy for discrepancies <p style="color: #990000; border-top: 1px dashed red;">Administrative Support</p> <ul style="list-style-type: none"> ✓ Secure Updated Pre Renewal questionnaire ✓ Follow up with Clients on Missing Information & Payments ✓ Renewal package (Letter, Invoice & Renewal documents) ✓ Chase Policy & Index in DMS ✓ Request MTA's/Addendum's

> Target Operating Model (Proposed Model)

Role Clarification – Servicing of Small and Medium Accounts

Account Executive (Onshore)	Development Coordinator (Renewals)	Account Handler (Offshore)
Client Relationship Management	Technical & Market Relationship	Operational Discipline/Efficiency Transaction Support
<p>Initiate the Renewal Process</p> <ul style="list-style-type: none"> ✓ Review the Claims experience. ✓ Determine/overwrite marketing Strategy <p>Client Relationship Management</p> <ul style="list-style-type: none"> ✓ Major and on going Business Changes ✓ Escalation Management ✓ Recommend Quote to client ✓ Secure Authorisation to Bind <p>Additional Business Income</p> <ul style="list-style-type: none"> ✓ Generation ✓ New - New ✓ New - Existing 	<p>Marketing Support</p> <ul style="list-style-type: none"> ✓ Negotiate terms and conditions with insurer ✓ Follow up with Insurers ✓ Review changes to wording ✓ Authorization to Bind <p style="text-align: center;">↑</p> <p style="text-align: center;">Activities Transferred From AE to DC</p> <p style="text-align: center;">↙ ↘</p> <p style="text-align: center;">Separation of Account Executive Account Handler Role</p>	<p>Data Capture and Management</p> <ul style="list-style-type: none"> ✓ Update Pre Renewal Questionnaire ✓ Update Claims experience information ✓ Update MTA's ✓ Update Quote Information <p>Document Processing</p> <ul style="list-style-type: none"> ✓ Generate Pre Renewal Questionnaire ✓ Prepare Underwriting Presentation & Renewal Report ✓ Review policy for discrepancies ✓ Review for any changes to the policy wording <p>Administrative Support</p> <ul style="list-style-type: none"> ✓ Secure Updated Pre Renewal questionnaire ✓ Follow up with Clients on Missing Information & Payments ✓ Renewal package (Letter, Invoice & Renewal documents) ✓ Chase Policy Document & Index in DMS ✓ Request MTA's/Addendum's

The re-organization benefitted the organization in multiple dimensions.

Clear Cost savings – direct bottom-line impact, improved efficiency through Straight Through methods

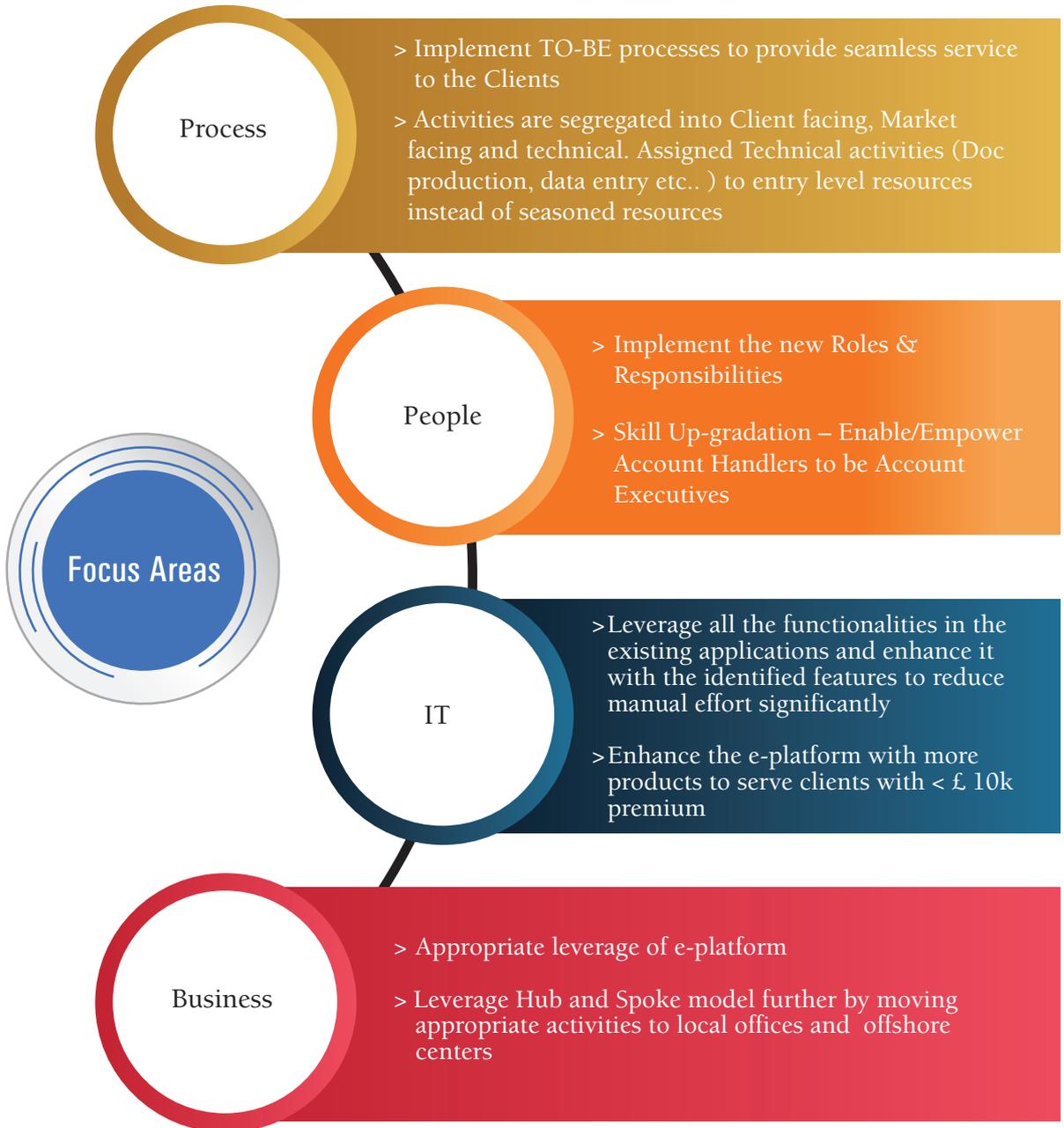
- Account Handlers and Account Executives - £785,000
- Office Space - £75,000
- Automation - £15,000

This model resulted in a net savings of £685,000, factoring an investment of £100,000 to accommodate some of the changes and technology investment.

The new operating model will allow the agency to:

- Offer consistently high customer service
- Increase effectiveness and additional capacity for DEs to drive sales
- Have powerful documentation that creates a knowledge repository of all processes
- Be future ready and scalable

> Target Operating Model (Proposed Model)



We are excited at the progress we have seen with the overall reorg process. The team took about 3 weeks to completely assess the entire organization and came out with a game plan in just 5 weeks flat

– COO, Client Organization



About EXDION

Exdion comes with over 15 years of Property and Casualty Insurance expertise.

Exdion services clients ranging from Fortune 500 to small and medium sized carriers and brokers. Exdion is ISO 9001 certified for Quality and ISO 27001 and HIPAA certified for information security.

The company thrives on Business Excellence and leverages models such as Kaizen and Six Sigma along with technology enablers, to continually enhance value to customers. Exdion lays great emphasis on Accountability, Integrity, Innovation, Transparency and most importantly Customer Focus. Exdion continually strives to deliver transformational excellence through technology-centric process optimization and continual knowledge enhancement. Exdion is also closely associated with “The Institutes” and 1 in 8 of its staff today are certified in various US and UK Insurance programs.

Exdion’s solutions include Transformation Consulting, Business Process Management, Analytics and Policy Lifecycle Maturity frameworks that leverage CLOUD FIRST technologies.

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