

## 8D case – Office environment

**Case description:** The IHNM Bank is one of the largest domestic insurers for both private and business markets. From its early days, it has been a bank that has focused solely on home insurance products. Moreover, in the last 12 years, it acquired several smaller bankers and insurers to strengthen and expand their domestic insurance market share. Today, they have a share of 61% of the private-person market and 24% of the business market. Their product portfolio can be split into four main insurance categories:

Insurance category	Private market share (% / # of customers)	Business market share (% / # of customers)	Total # of products
Home insurance	49% / 591,839	–	7
Pension insurance	17% / 205,331	84% / 315,039	51
Car insurance	28% / 338,193	11% / 41,255	27
Live insurance	6% / 72,470	5% / 18,752	19
<i>Total</i>	<i>100% / 1,207,833</i>	<i>100% / 375,046</i>	<i>104</i>

*Table 1: Domestic overview insurances IHNM bank*

However, due to these take-overs, the variety of products has grown to 104 in total with little differences in their contractual conditions. As a result, many of the bank employees find it difficult to distinguish between all of the available products especially since some of the acquired products are from previous competitors and are, as such, not in accordance with the company's strategy. In addition, a similar message is coming from the customers through various channels. In the last three years, their complaints have significantly increased because they also find it troublesome to select the best fitting insurance. In fact, the sales of IHNM in the last two quarters are slowing down whereas competitors report steady growth. Combining these two pieces of information together, the strategic portfolio director decides that he wants to standardize the complete insurance portfolio and reduce the number of different products.

He establishes a taskforce to prepare the execution of the standardization process and to develop a business case. They propose the following analysis to the strategic portfolio director.

Business case portfolio standardization project		
Item / Action	Annual Costs	Savings
Pension insurance policy reduction from 51 to 9	\$1,844 per policy	\$77,448
Car insurance policy reduction from 27 to 16	\$2,391 per policy	\$26,301
Life insurance policy reduction from 19 to 9	\$5,059 per policy	\$50,590
Reduction of legal staff from 5 to 3 persons	\$160,000 per employee	\$320,000
Reduction of policy content managers from 11 to 6 persons	\$77,200 per employee	\$386,000
Additional hiring for 8 administrative staff for a period of 6 months	\$45,000 per employee	-\$180,000
Additional postal costs (transfer form, self-stamped envelope, sending envelope), estimated at 100,000 letters to be sent in total	\$0.93 per letter sent	-\$93,000
	<i>Total savings</i>	<i>\$587,339</i>

Table 2: Business case IHNM Bank portfolio standardization

The advice given to the director from the taskforce is that, out of the four insurance categories, the pension, car, and life insurance categories need restructuring. This reflects the level of customer complaints and sales stagnation areas. Home insurance does not need restructuring; in fact, it can be seen as a best practice for the other categories. By far, pension insurance is the least organized and generated the most complaints from customers as well as from staff. The strategic portfolio decides that pension insurance is to be addressed first and the other two successively. The taskforce has already determined that it is feasible to reduce the number of products from 51 to nine in order to standardize and cut costs. The 42 products that are to be abandoned represent just 13.3% of the total customers: 3.7% in the private market and 9.6% in the business market or, respectively 7597 and 30244 in absolute numbers.

This means that 37,841 customers in total are informed by way of a letter where they are requested to choose from any of these nine products. Included with the letter are a self-addressed, pre-stamped IHNM return envelope and the standard mutation form for pension insurance products. The letter states that the transfer to the new pension insurance will be completed at no additional costs. Normally, when customers are switching between products, a transfer fee of \$69 is applicable. This fee is to cover the administrative labor and paper work that comes with the transfer when customers decide to switch between products. The mailing will be done in five waves of approximately 7500 letters every four weeks to spread the forthcoming workload. The marketing director, who is responsible for the mailing center, is informed about the upcoming transfer and is taking care of the mailing to the customers. The return mail from the customers will be processed through the normal process by the administrative department that will take two to three days, on average, to go through the different stages. The administration department manager is also informed by the strategic portfolio director about the standardization project. He must hire additional personnel for six months to assist with the expected increase in the workload. After the first mailing wave, the manager from the administrative department reports that the transfer is going according to plan. As expected, it will take customers approximately 9 to 13 days to make up their mind on which product they prefer. The administrative processing goes well, and the extra capacity can cope brilliantly with the increased workload. Soon after, the second mailing wave is released.

In the seventh week after the first mailing wave, the customer service manager reports a massive increase in complaints. Whereas there are normally around 100 to 130 complaints per month, he has received 1043 complaints in the last week alone, and they keep coming! A quick analysis revealed that 92% of them are about an unjust automatic debit on their bank account for \$69 regarding a recent transfer between insurance policies. He decides to initiate an 8D analysis on the complaints presented to him.

 **Special cause event type**

What kind of special cause event type is applicable here?

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 **Symptom description**

From the above, you should be able to derive the symptom of the problem. What is the symptom?

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 **D0 – Emergency Response Actions**

Can you think of an ERA for this case?

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 **D1 – Establish 8D team**

Take a couple of minutes and put yourself in the position of the customer service manager. He has decided to establish an 8D team to investigate the matter. Who should be in the team and why?

Who?	Why?

 **D2 – Problem statement**

The above story provides enough information to derive a problem statement describing the process performance gap:

**Object:** \_\_\_\_\_

**Deviation:** \_\_\_\_\_



### D2 – Problem description

The above story provides enough information to come up with a SMART defined problem description. Can you do so?

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### D3 – Interim Containment Actions

What containment actions would you set up and execute for this problem, and what is it they should contain?

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### Case continues:

A first analysis of the symptoms leads to the administrative department where the insurance policy mutations are handled. When talking to one of the employees, the 8D team discovers that they cannot see on the form which mutation requests do not need to be debited. It is also discovered that the administrative software automatically debits the mutation fee. It cannot be switched on or off by the employee. It must be done within the software by the system administrator. Consequently, this means that all insurance transfers no longer automatically debit accounts. The 8D team asks the administration manager why this was not tested before sending the first mailing wave. He says he thought the strategic portfolio manager had completed all of that and that his role was only to process the returned mutation forms. Moreover, in the past, the bank never had to switch off the automatic debit function for policy mutations as it is always at the request of the customer when this happens. When the 8D team looks at the business case, they notice that no actions were taken into account for testing the transferring process. It seems that this was missed by the taskforce during

the preparation of the standardization project, the same taskforce that advised the strategic portfolio director on how to proceed. The 8D team decides to set up a 5-why analysis to determine why the problem occurred.

	Occurrence	Answer
1	<b>Why</b> did customers complain about the mutation fee?	IHNM bank promised them that they could change policy without any additional costs.
2	<b>Why</b> did IHNM bank charge the mutation fee anyway?	The standard mutation form was used, therefore, the administrative staff could not see the difference between which mutations did or did not have a waived fee. However, even if they could, the system does not allow for administrative staff to change the settings of the mutation fees
3	<b>Why</b> did the standard mutation form not allow for the distinction in fee required?  <b>Why</b> does the system not allow administrative staff to change the transfer fee settings?	The standard mutation form was developed for the procedure when customers want to change their insurance policy and not for when IHNM Bank requested the change. → Partial root cause!  The fees are fixed costs and, under normal operating conditions, do not need to be changed. Therefore, administrators do not require the rights for the system to change them. → Partial root cause!
4	<b>Why</b> did IHNM Bank use the customer standard mutation form for their change request?	It is the first time in IHNM Bank's existence that it underwent such a standardization of the portfolio where it asked the customer to switch product. No procedure exists on how this should be executed.
5	<b>Why</b> did IHNM Bank not have a procedure for switching policies upon their request?	There was previously no need for it. → Root causes for occurrence found: No procedure in place for switching insurance policy upon request on IHMN Bank, standard mutation form does not make a distinction in fee applicable or not, and administrative staff cannot change mutation fee in system.

Table 3: The 5-why analysis on the occurrence of the IHNM Bank problem

Now that the root causes for the occurrence of the problem have been found, the 8D team confronts the strategic portfolio manager with their findings. He is relieved that the 8D team has proven that he did not make a mistake and blames the taskforce for him giving bad advice. Before things turn into a blaming contest between the members of the taskforce and the strategic portfolio manager, the customer service manager proposes to

make a 5-why analysis to determine why the problem escaped the attention of the IHNM Bank.

	Escape	Answer
1	<b>Why</b> was the automatic debit of the mutation fee not detected before the first mailing wave went out?	No one thought about it on how the mutation fee was to be settled between the customer and the IHNM Bank
2	<b>Why</b> did nobody think about how to settle the mutation fee?	It was not part of the project scope to test how the mutations were handled. In addition, it was assumed that the standard process was capable to of dealing with the unique situation.
3	<b>Why</b> was the testing not part of the project scope?  <b>Why</b> was it assumed that the standard process was capable?	Absence of a roadmap on how to execute standardization processes led to oversimplifying of the project. Risks were not properly mapped and addressed.  The taskforce did not include members from the administration department. As such, the assumption was made that the process was capable.
4	<b>Why</b> was there no roadmap for standardization processes? <b>Why</b> were possible risks not properly mapped and addressed? <b>Why</b> were all of the required disciplines not included in the taskforce?	No previous requirement for such a roadmap existed for the standardization of a process.  The taskforce did not consider or account for the possibility of risks while using a standard process for a non-standard operation.  They were not considered to be of value by the other taskforce members.

*Table 4: The 5-why analysis on the escape of the IHNM Bank problem*

The customer service manager now has a good picture of what caused the 92% increase of the unjust debit of the fee. The 8D is ready to develop corrective actions in order to prevent recurrence of similar failures in the future.



#### D4 – Root Cause Analysis

By now, you should be able to derive three RCAs for the occurrence and two for the escape. That means five in total. Can you formulate them from the above story?

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#### D5 – Choose and verify Permanent Corrective Actions

In principle, each RCA requires its own PCA. Can you develop them and think of a way to verify their effectiveness?

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#### D6 – Implement and validate Permanent Corrective Actions

Every PCA needs to be implemented and validated. Can you come up with any ideas how this should be done for the IHNM bank problem?

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**Case continues:**

The 8D team is very pleased with the proven effectiveness of the countermeasures. Now that the process is no longer causing customers to complain about the unjust debit of the mutation fee, the team focusses on similar products and processes that may suffer from the defect. They take the business case that the taskforce made as a starting point. However, they also widen their scope with respect to possible future products they might develop.



**D7 – Prevent re-occurrence**

How would you approach the D7 step for the above IHNM Bank problem? Which systemic cause(s) can you name?

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The 8D team managed to find two similar projects that were about to go live in just a couple of weeks. The strategic portfolio manager has delayed them and has asked the taskforce members to verify if the same issues may arise. That appears to be the case, and the solutions proposed will be copied. The process documents are updated, the software systems changed, and staff members instructed and trained. All in all, a very good result on an investigated problem. The customer service manager sits down with his team and thanks them for their efforts. He writes his final report and presents it to his champion, the strategic customer manager. He agrees with the content, and the team leader officially dissolves the 8D team.



**D8 – Recognize team and individual contributions**

You are ready to disband the 8D team. What kind of a reward, if any, would you give to the team members? Why this reward?

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