

# Lean Insurance

## Bottom-Line Impact

Nearly twenty years ago, the authors of The Machine that Changed the World caused a proverbial earthquake when they explained how lean systems would reinvent the automobile industry. James P. Womack, Daniel T. Jones, and Daniel Roos joined forces to exhaustively document the advantages of Toyota's lean systems over General Motors' mass-production model shared by U.S. auto manufacturers.

This landmark study explained "lean thinking" to the world for the first time and foretold its profound implications for society. Toyota was half the size of General Motors when it was published in 1990. It is now passing all U.S. car manufacturers as the world's largest auto maker and is one of the most consistently successful global enterprises of the last fifty years.

Lean systems involve teamwork, communication, waste elimination and constant improvement. These hallmarks would triumph in every value-creating activity, the authors argued, from healthcare to retail, distribution to professional services and not just manufacturing.

They were right. Today lean thinking changes a company's operations and improves processes by taking a broader perspective on providing goods and services, regardless of industry.

An often overlooked area when identifying waste is risk management or insurance programs. Companies – large and small, manufacturing-based and services-oriented – hold insurance policies that protect the enterprise and employees. Once uncovered through lean thinking, the elimination of waste in these programs and constant improve-

ment of coverages can provide significant cost savings and immediate bottom-line impact.

### Protecting Human Capital

Today's trend is for employers to offer wellness programs – ranging from losing weight to quitting smoking to stress reduction. These programs are educating employees about the dangers of certain behaviors and teaching how to combat challenges.

This means they are learning how to be lean personally. As a result, they are better consumers of healthcare, improving health benefits utilization from fewer trips to the doctor's office or emergency rooms, use of alternative remedies for injuries or illness, and the selection of generic medications over name-brand drugs. They are opening a window for controlling insurance costs across the enterprise. Healthcare cost savings, however, are just the beginning.

### Protecting Working Capital

Companies with wellness programs reap innumerable rewards. A better fed, rested and exercised staff will be less stressed, less likely to be involved in accidents and more productive from less absences and being more present on the job. These translate into reduced workers' compensation claims.

Accidents will still happen, so employer response must be lean too. Quick action can save the company as much as \$2,900 per event, according to Ohio Bureau of Workers Compensation, as delaying injury reports to carriers can drastically increase costs and delay employee return time. Healthier employees return to work

faster and miss less work, which means companies pay less in workers' compensation and temporary help costs.

Securing confirmation that old claims have been resolved also eliminates waste. These too often remain unnecessarily on an employer's record or "loss experience" for several years, negatively impacting premiums. Resolving claims in a specified timeframe saves money.

### Arriving at a Lean Premium

The lean approach also offers a window for eliminating wasteful insurance investment in property and casualty. The lever is a combination of knowledge and representation.

To have a lean approach, insurance brokers must have knowledge of a company's operations for them to present risks fairly to underwriters. Otherwise, companies are in jeopardy of too much risk exposure or overpaying for coverage. A knowledgeable broker who can effectively communicate a company's products, manufacturing processes, product liability and the pros/cons of its facilities is better positioned to help underwriters understand the risks involved and arrive at an appropriate balance between adequate exposure and insurance coverage.

Eliminating waste is essential for a company's continued growth in today's hyper-competitive marketplace. This means making changes that are financial, operational and personal. It means companies can no longer avoid taking a lean approach to managing employees or company insurance programs. Simply, it means those who embrace change are the companies that live long, healthy and productive lives. ■

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