

AXA BS Audit Review & Business Trend Report July 2006



Introduction

The **Amicus AXA BS Quality Questionnaire Report (October 2005)** made two recommendations:

- There should be a survey of customers and analyses of business trends to establish the effects of offshoring on customer satisfaction, new business and business retention.
- There should be an independent review of the auditing procedures, driven by the feedback of the **AXA UK** staff who deal with work carried out by **AXA BS**.

After analysing the report and considering its findings **AXA** agreed to review the business trends within the UK and allow an **Amicus** team independent access to three departments to review the auditing procedures in respect of **AXA BS** audits and also interview the team members and managers responsible for this work.

Amicus agreed to visit one department each from **AXA Life**, **AXA Insurance** and **AXA Shared Services** to obtain a spread of data and feedback from across the group, deciding to visit the NPE support team in **AXA Life**, Bristol, the Personal Motor Claims IMU UK support team in **AXA Insurance**, Ipswich and the Financial Operations quality control team in **AXA Shared Services**, Lytham.

We would like it noted that management and staff at all three sites were completely open in their feedback and provided access to all systems and data requested.

Business trend analysis

The analysis of business trends to see whether the use of **AXA BS** had any impact on the retention of business by **AXA UK** or not was carried out first with the assistance of Group ER.

Management collated all available streams of data on business retention from across the company to see whether offshoring had any impact on retention.

Whilst there was no evidence of direct impact, apart from the loss of two commercial policies directly attributed to offshoring, it was patently clear that **AXA UK** has no reliable management information on any of the causes of loss of business, whether it be premium, policy cover, service or offshoring.

The only evidence that **AXA** could provide as to the fact that there had been no loss of impact as a result of the use of **AXA BS** was anecdotal evidence to field force staff visiting IFA's and intermediaries.

Audit review

The **Amicus** team visited three departments in Bristol, Ipswich and Lytham to look at the current audit processes and interview staff and management involved in working with **AXA BS**.



Department

UK Support, Claims IMU, Ipswich

What does the department do?

UK Support undertake quality audit on **AXA BS** telephone calls, deal with complaints and referrals.

What work was offshored?

Notification of loss (NOL) telephone calls and case management (CM) calls to settle accidental damage to own vehicles.

What is audited?

UK Support currently audit 1 NOL call and 4 CM calls per **AXA BS** advisor per month per calendar month. **AXA BS** advisors handle approximately 60 calls a day.

What is the audit process?

UK staff member randomly picks phone calls from a list on the *Verint* system. This list does not differentiate between NOL and CM cases and the UK staff member has to use their experience to make a best guess best on length of call. They listen to the phone call, the computerised record and audit against set criteria.

What is the audit score?

This information was not supplied.

What is the complaint procedure?

All complaints received in the UK are logged on the Respond system. **AXA BS** try and deal with complaints received in India before referring back to the UK.



Department

NPE, Bristol

What does the department do?

Process direct new business and services existing life policies (excluding maturities & death claims).

What work was offshored?

Back office work (eg. letters to customers)

What is audited?

AXA BS self audits 5% of its output per week. The UK team audit the equivalent of 10% of this (eg. w/c 2nd June, **AXA BS** audited 341 cases, UK re-audited 28). Re-audits are undertaken 1 week out of 4.

Random audits are normally undertaken 3 weeks out of 4 by the UK team, but are not for Bangalore based work currently because of system access issues.

What is the audit process?

For re-auditing the auditor randomly picked 10% of the cases off an audit list provided by Pune or Bangalore.

What is the audit score?

96 to 100% according to **AXA BS**. UK re-audits similar.

What is the complaint procedure?

All complaints (including voices of dissatisfaction), however generated, are logged on computer database and responded to by staff on the 2 UK Servicing teams. Although there are 13 staff trained to do so, typically 4 or 5 staff process them at any one time.



Department

Quality Control team, Financial Operations, Lytham

What does the department do?

Credit control for Insurance intermediaries and Corporate Partners, general insurance instalments, banking and reconciliations.

What work was offshored?

Initially banking, personal lines instalments and credit control for small size intermediaries were off-shored. National Broker credit control, reconciliations and account allocation work were subsequently sent out. Once core processes had stabilised QC work was also off-shored.

What is audited?

AXA BS audit 10% of their cases. UK support audit 10% of the 10% in order to validate the QC accuracy (initially UK support audited 100% of the offshored work)

What is the audit process?

AXA BS audit 10% of all transactions. UK support perform further QC work:

Over a three month period, the UK support team pick a specific issue to audit on a weekly basis and concentrate on that.

Monthly the UK team audit one weeks **AXA BS** calls (between 30 to 120) to intermediaries. These are scored in the UK. 10 random telephone calls are also checked per team.

Spot checks are also carried out with UK staff checking two specific processes from each **AXA BS** team member each month. Two back office system processes are checked per individual per month as well.

An overall process audit of the **AXA BS** team is carried out annually.

What is the audit score?

Audit scores vary across the many teams. The majority of KPIs are on target with actions taken on areas missing their targets.

What is the complaint procedure?

AXA Insurance Step-Up complaints process is followed which relies on individual staff members logging complaints they receive on database.

Staff feedback

Feedback did vary over the three sites and although there were some specific issues relevant to their operation or operating company, a number of common themes also emerged.

We have split the feedback into three general areas:

Audit process

The quantity of audits undertaken in both Ipswich and Bristol, as well as the manner of identifying cases to audit was of concern, especially when compared to Lytham.

The level of auditing undertaken in Ipswich and Bristol (both under 1%) was not enough to provide a meaningful statistical sample and there was clear evidence of “cherry picking” in both sites to avoid spending time on audits. The Ipswich staff admitted that due to resource issues they chose phone conversations to audit that were of a length that would indicate they were of a straight forward nature rather than longer ones that would indicate there had been problems (Ipswich management were aware of this and agreed with the resource issue). Lytham by comparison used random allocation software to pick cases.

The issue of random auditing was also a concern. Whilst Lytham have this covered in their audit process, Ipswich suffer from resource issues to undertake it properly and Bristol were not doing any for Bangalore.

Concerns were also voiced about paper work in India and the process to audit this. The Claims paperwork is all audited in India and the UK staff did not believe the audit scores given due to the basic errors they see in letters that form part of complaints to them. Similarly Bristol made a comparable claim regarding standard letters where template errors (see below) are not corrected by **AXA BS** staff or audited as being wrong.

One issue raised by the **AXA BS** quality questionnaire was that staff felt that the audit process differed between the UK and India. In all three sites we found no evidence of this and that the audit process was the same, being undertaken by the same staff. However, whereas in both Ipswich and Lytham management did not make direct comparison between the work undertaken in the UK and India, as the Indian work was not as complex (indeed Ipswich refused to provide statistical data so we could not attempt to make a like-for-like comparison), Bristol did despite the fact that management confirmed the complexity of the work differed. This was greatly resented by the staff we spoke to.

All sites made comment on empathy as an issue regarding the telephone of **AXA BS** staff, but only Lytham included this as a quality measure in their audits.

The audit process does not capture the customer experience. In Ipswich staff advised that notification of loss calls now take twice as long as they did when handled in the UK, but the process did not allow them to identify this as an area of concern. Similar examples included customers being put on hold for lengthy periods as the **AXA BS** staff refer back to the UK; asking the customer unnecessary questions such as using all the data protection questions when only a few are necessary and following the script to ask what the customer wants, after the customer has already explained this at the beginning of the call.

In Ipswich and Bristol the challenge process to audit feedback by **AXA BS** staff led to comments that Indian staff were extremely defensive and did not like to be told they were wrong. Consequently they would aggressively challenge the UK staff member giving feedback. This has resulted in staff in some areas deciding not to provide feedback to India. Lytham proved to be an exception with a positive culture of feedback and acceptance of errors. The process in Lytham deserves to be further investigated as possible best practice, with regular team telephone conferences in addition to 1-2-1 feedback.

Complaints process

All operations utilised different electronic complaints reporting systems which restricted the data and MI that was available from it. Both the Ipswich and Bristol systems could only log one “cause” for the complaint and this meant that if the cause was (for example) human error, then it was not immediately apparent which department, team or individual was responsible.

The Ipswich management felt that they could easily dig down to find this information if they needed it, but when this information is used at a higher level it becomes clear why there is a discrepancy between staff saying we get a number of complaints about **AXA BS** work and senior management saying there is no MI to support this!

Lytham was the exception in that its system allowed both origin and cause to be logged.

Bristol staff reported having been told to log errors by individuals in **AXA BS** as “human error” and not as “**AXA BS**”. Whilst not wrong *per se*, this instruction obviously did not help the staff logging the complaints feel that the origin of the problem was being identified.

Both Bristol and Ipswich reported that even when, as a result of a complaint investigation, they identified errors on cases that had been audited in India as correct, no changes were made to the audit scores. This obviously led to a distrust of these often quoted figures.

Other issues

Staff in all three locations reported a tendency by **AXA BS** staff a large amount of “hand offs” by Indian staff unwilling to deal with problems they should have been able to deal with. Also there was evidence that Indian staff would attempt to pass off difficult queries/customers to UK staff rather than ask the UK support for help and then go back to the customer.

Ipswich was investigating whether the “hand offs” were actually coming from a small number of specific **AXA BS** advisors and that this was not endemic of the whole department. Lytham had already investigated this and identified certain individuals who had received more training to reduce the number of problems they were having.

It should be stated here that Lytham placed more emphasis on the training of Indian staff than either Bristol or Ipswich and this was evidenced by the fact that the Quality Control team was more positive in its feedback than the other two sites. The integration of the **AXA BS** finance team into the overall finance operation and the feedback process is certainly more advanced than the other sites we visited.

All three locations provided examples of **AXA BS** staff not thinking “outside the box” and sticking to a script or process regardless of whether it was appropriate under the particular circumstances. This can also mean that they do not appear to listen to what the customer has actually requested. We listened to one CM call in Ipswich where the advisor gave the customer permission to do something that they had not even asked for and in doing so undoubtedly pushed up the cost of their claim. A number of cases were evidenced where Indian staff have ignored computer notations (some specifically stating that nothing should be processed on a particular case) and blindly processed the work they have in front of them, creating problems.

It was stated by staff in all sites that there appears to be a cultural issue with Indian staff on occasion not liking to admit that they do not know the answer to a particular problem, sometimes making answers up or referring to the UK despite the fact that an Indian colleague would know the answer. This may be a result of the “competitive nature” all sites reported that Indian staff have between themselves. Although local competition is not necessarily a bad thing, it can manifest itself as the over challenging attitude referred to above.

On the subject of referrals, all sites reported a tendency by **AXA BS** staff to refer a query to more than one UK support team member in an attempt to get a different answer. Both Ipswich and Lytham had identified individuals that did this more than others, but clearly this is an issue that needs addressing to prevent rework and manage costs.

In Bristol a consistent complaint was that **AXA BS** staff did not correct errors in standard template letters issued by NPE. No one appears to have ensured that the templates are updated to the correct requirements and given the amount of work this generates in both the UK and India (with its consequent and continually increasing cost) this needs to be resolved. It is a ludicrous situation that staff in a company the size and importance of **AXA** have to waste time correcting every letter because the computer generated template is wrong.

This issue may be wider ranging in Life and possibly even Insurance (there was comment that the CCM templates are also out of date) and requires further investigation.

This matter leads onto another Life specific one, which impacts unfavourably (and probably unfairly) on **AXA BS**. Life staff consistently complained that if they forgot to correct the templates they would fail audit scores and not receive pay rises/bonus payments, whereas “Indian staff still would...” Obviously the UK Life staff have not idea whether the Indian staff would or would not be penalised in this way, but the “culture of accuracy” in **AXA Life** is taken to such extremes (especially when compared to other parts of the UK operation) that staff use **AXA BS** as a punch bag rather than target their grievances more accurately.

Finally, there were a number of comments regarding the very high attrition in the **AXA BS** teams and the turnover of advisors impacting quality, notably by the Ipswich and Bristol teams (Lytham staff felt “their” advisors to be happier due to the high quality training and support they received). Both sites were critical of the standard of the in-house Indian training compared to that provided by the UK.

Conclusions

The fact that **AXA** does not have detailed MI to demonstrate why it loses business in the market is surprising to say the least, given the size of the Group. Without this, it is impossible to prove one way or the other whether offshoring has an impact on the business, but regardless it is complacent not to have some mechanism in place to identify the causes of business loss, whether it be price, cover, offshoring or bad service.

Regarding the audit process, the investigation clearly identified a number of areas of concern, as well as some best practice examples, notably in Lytham. This said, the areas of concern on the **AXA BS** audits do not generally differ from concerns we have about the audit process within **AXA** in general and there is an indifferent culture to the need to audit correctly throughout the organisation, whether it be audits in commercial branches, of performance reviews or whatever. The level of auditing in both Ipswich and Bristol was extremely low (0.2% in Ipswich and 0.6% in Bristol) and affected by resource issues. Until **AXA** decides whether there is a value to a stringent audit process and provides the capital to ensure that auditing is done diligently and thoroughly through the UK (not just on Indian work), questions will remain to be asked about the value of the figures provide in the small samples that is done.

The complaints procedures we saw demonstrated the inability of the computer systems to provide credible data, especially for the claims made by senior management. Systems that only can record one cause and no origin are fundamentally flawed and the MI from they of little sensible value, the higher up the management chain it is used.

This report can only give half of the picture, as we are unable to comment on how quality audits, complaints and the customer experience are measured in India.

Recommendations

Following our investigations and in light of the conclusions of our report, we make the following recommendations:

1. Business trend analysis and business retention need to be taken seriously by **AXA**. Meaningful MI is needed to allow the reasons for the loss of business to be identified so solutions can be found. An *AXA Way* project should be set up to look into the causes for the loss of business across the group.
2. Work undertaken to obtain and collate MI on the costs of compensation paid to dissatisfied customers pre and post offshoring.
3. Adequate UK resource must be provided for quality auditing of work that has been migrated to **AXA BS**, as our investigations show that it is obviously not adequately resourced in Bristol or Ipswich. Concerns of “cherry picking” should be addressed by a suitably sized random audit sample. The additional costs of the extra resource should be built into the business case for any further migrations.
4. In addition to the existing quality audits, measures should be introduced to take account of the customer experience. Is the service they are now receiving better or worse than before the migration?

5. There are some difficult cultural issues with **AXA BS** employees, such as a lack of empathy for UK customers and an inflexible approach to following scripts and processes. Lytham seem to have made some steps towards addressing this. Further investigation is needed of whether empathy training can work and how this can be measured.
6. To enable problems to be identified and addressed complaints should be logged in such a way as to record the full cause, be that in the UK or India. The existing system does not allow for this and it would seem that some guidance has been given that steers UK employees away from logging complaints as being down to **AXA BS**.
7. The basic IT and process issues must be addressed. The cost and variable quality resulting from staff having to consistently make manual changes to computer generated letters is wholly unacceptable. A review should take place of all processes that have been migrated to establish the extent of this problem.
8. There must be a culture of open and honest feedback between staff in the UK and India. UK staff need to ensure Indian staff know where they are going wrong and Indian staff must take this on board. Lytham appear to be on top of this and so could be used as a best practise model. We would be willing to work with the Company to come up with the best way of addressing this.
9. The obsession with quality audit scores in **AXA Life** is a cause for real concern and needs to be reviewed to ensure that all staff are treated fairly and consistently, both across the UK and with India. This should be tied in this in with the existing performance management review. The direct comparison of UK and Indian audit scores should only ever take place if it can be demonstrated that the work is the same.
10. The **Amicus** team should visit **AXA BS** to review the quality audit and complaint processes on site and to find out the views, experiences and problems of **AXA BS** employees.

Steve Blease
Richard Brooks
Steve Gooden

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