

THE RELEVANCE OF SIX-SIGMA TO INSURERS' OPERATIONS

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Abstract

Six-Sigma is a process capability improvement concept, developed by Motorola, USA in the 1980s to improve the quality of its manufacturing process. The original purpose was to measure the defects per million opportunities in the manufacturing process so that improvements could be made. Motorola developed this new standard and created the methodology and essential cultural change associated with it. Six-Sigma helped Motorola realize powerful bottom-line results.

Since then, hundreds of companies around the world have adopted Six-Sigma. Six-Sigma has evolved over time to be successfully applied to both manufacturing and non-manufacturing sectors. It is more than just a quality system: it is a way of doing business. Six-Sigma is many things: a vision; a philosophy; a symbol; a matrix; a goal; a methodology.

Having been successfully applied to non-manufacturing businesses, this paper examines whether the concept can be applied to insurers. The Insurance business consists of several tasks: surveying possible risks, quoting the rate for each risk, the underwriting process, introducing new insurance products, and processing claims. An effective information management system, and good quality customer service, are vital to survive in this business. Quality obviously is important as mistakes can affect the service provided to the insured clients.

However, the author has been unable to find any reported case of Six Sigma being tried by insurers. Therefore, this paper reports an original qualitative research study conducted in selected insurance companies in Thailand to test the feasibility of achieving a Six-Sigma breakthrough improvement in an insurance company. Thai insurers are now in a highly competitive global era, conscious of their need to streamline the costs of their operations. The heart of Six-Sigma is a change of mindset by employees: Insurers are increasingly aware that their employees must now be proactive and empowered, as it is the quality and skills of human resources which will determine success.

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