

Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

A. GENERAL INFORMATION

1. Date

August 28, 2018

2. Department

State Compensation Insurance Fund

3. Organizational Placement (Division/Branch/Office Name)

Field Operations/ Specialty Operations

4. CEA Position Title

Senior Vice President, Specialty/Middle Market Operations

5. Summary of proposed position description and how it relates to the program's mission or purpose. (2-3 sentences)

Essential responsibilities have a statewide impact and include the planning, development and execution of operational business objectives for all of State Fund's Specialty and Middle Market underwriting functions. The incumbent will drive operational excellence for underwriting, quoting and servicing of new business and renewal accounts and achieve all operational metrics as established in collaboration with the Chief Operating Officer. S/he will identify and manage the specific dynamics of each underwriting function and establish short and long-term goals, objectives, plans and policies related to revenue and staff resource management. S/he defines and implements account management strategies for each business segment and creates segment-specific Key Performance Indicators (KPI's) to assess performance. The incumbent provides direction and vision in a manner that recognizes the unique characteristics of each underwriting segment while acknowledging common goals for the entire department; fosters superior collaboration with all internal business partners to ensure that inter-departmental needs and dependencies are recognized and managed effectively in a mutually beneficial manner; demonstrates initiative in identifying strategic and tactical opportunities to improve departmental operations and works with related stakeholders to accomplish those improvements.

6. Reports to: (Class Title/Level)

Chief Operations Officer

7. Relationship with Department Director (Select one)

- Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(Explain): The Sr VP of the Specialty & Middle Market Operations serves as a member of the senior management team and is responsible for the strategic and operational leadership of the department.

8. Organizational Level (Select one)

- 1st
- 2nd
- 3rd
- 4th
- 5th (mega departments only - 17,001+ allocated positions)

B. SUMMARY OF REQUEST

9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

The Sr VP of the Specialty & Middle Market Operations serves as a member of the senior management team and is responsible for the strategic and operational leadership of the department. Essential responsibilities have a statewide impact and include the planning, development and execution of operational business objectives for all of State Fund's Specialty and Middle Market underwriting functions. The incumbent will drive operational excellence for underwriting, quoting and servicing of new business and renewal accounts and achieve all operational metrics as established in collaboration with the Chief Operating Officer. S/he will identify and manage the specific dynamics of each underwriting function and establish short and long-term goals, objectives, plans and policies related to revenue and staff resource management. S/he defines and implements account management strategies for each business segment and creates segment-specific Key Performance Indicators (KPI's) to assess performance. The incumbent provides direction and vision in a manner that recognizes the unique characteristics of each underwriting segment while acknowledging common goals for the entire department; fosters superior collaboration with all internal business partners to ensure that inter-departmental needs and dependencies are recognized and managed effectively in a mutually beneficial manner; demonstrates initiative in identifying strategic and tactical opportunities to improve departmental operations and works with related stakeholders to accomplish those improvements.

- Manage operations to achieve corporate and program objectives and industry benchmarks through effective and efficient use of available resources.
- Provide leadership and direction in the development of program objectives and measurements based on the corporate's mission, objectives, values, policies and procedures.
- Responsible for ensuring adherence to underwriting guidelines and best practices within each underwriting discipline in accordance with corporate and regulatory guidelines. Partner with Corporate Underwriting to serve as a resource to assist in achieving this goal.
- Responsible for identifying operational challenges, underwriting hazards and emerging risks that are detrimental to operations and to State Fund; recommend mitigation plans to the COO and execute the approved courses of action.
- Collaborate with the management team, the Executive Committee and other senior leaders as needed to plan, formulate and implement corporate programs, policies, procedures and technology/system changes.
- Provide technical / professional advice to State Fund management on program specific issues.
- Serve as chair or participate on special projects, committees or task forces to evaluate business challenges/opportunities, and develop solutions and strategies.
- Evaluate and implement policies and procedures from a variety of State Fund's programs in compliance with legislative, regulatory requirements, and corporate objectives.
- Initiate and recommend strategic changes impacting operations and the organization in response to legislative, regulatory and industry changes to meet competitive demands and corporate objectives and values.
- Serve as a State Fund representative to industry, community, professional and regulatory groups.
- Promote and practice State Fund's commitment to building business relationships that create and maintain customer service and loyalty.
- Build partnerships with internal and external stakeholders impacting the program and the organization.
- Support regional efforts to develop and maintain effective business relationships with key elements of our distribution channel (i.e. brokers).
- Clearly set expectations for staff. Enable the successful performance and development of employees by establishing expectations and goals.
- Mentor and coach others to achieve high performance.
- Create, promote and maintain a formal succession planning tool to ensure that State Fund has a qualified candidate pool available for its leadership positions.
- Develop a personal Development Plan – managed against specific goals for all direct reports and ensure that's the plan is implemented effectively; Provide regular coaching and feedback.
- Provide timely feedback to all direct reports to encourage, motivate and improve staff development and performance.

B. SUMMARY OF REQUEST (continued)

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- Program is directly related to department's primary mission and is critical to achieving the department's goals.
- Program is indirectly related to department's primary mission.
- Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description: This position is responsible for the strategic and operational leadership of two programs that account for approximately \$600 million in annual revenue; nearly 55% of State Funds annual premium. This position is therefore critical to the success of State Fund's ability to carry out its statutory and business role as a direct provider of workers' compensation insurance on behalf of the State of California.

State Fund is not the only provider of workers' compensation insurance in the state, and therefore must, in addition to meeting its statutory mandates, provide competitive pricing and service to effectively serve California employers. The establishment of the Senior Vice President/CEA centralizes senior-level leadership over the two segments of business (Middle Market and Specialty Underwriting) with similar, but distinct operational processes; a structure that is necessary to achieve the desired level of service and business development in a competitive environment.

B. SUMMARY OF REQUEST (continued)

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

As part of fulfilling its mission to serve California employers, State Fund evaluated the effectiveness of its pricing and service and arrived at two critical conclusions. The first is that several departments (e.g. Marketing/Sales, Underwriting, Loss Prevention, Claims, and Fraud Detection) can be organized so that their function is better coordinated and communication among them is optimized to promote efficiency and effectiveness. Second, information and authority gaps exist between operations management, the State Fund Executive Committee and State Fund's Board. This gap can be filled by increasing the independent decision-making authority of the highest-level, operationally-focused Policy leadership.

The first conclusion led to a partial reorganization of State Fund's management structure so that the various departments operate as a matrix organization. This means that, where possible, management responsibility is shared among two or more departments. For example, a workers' compensation claim arising out of a catastrophic workplace injury might have implications for Underwriting because the injury indicates a work activity not taken into account in the original pricing of the account, and the fact of the injury necessitates a site visit to obtain more information relevant both to preventing additional workplace injuries and pricing the account according to the activity actually taking place in the workplace of the policyholder.

Under the new matrix management structure, the managers of each department affected by an issue or event have responsibility for ensuring that the event or issue is followed up on comprehensively with appropriate involvement by each affected department. Driving this interaction, and ultimately responsible for the outcome within Specialty Operations and Middle Market Operations will be the proposed Senior Vice President (CEA), who will have a significant span of control and level of responsibility.

In response to the second conclusion, State Fund proposes to create the Senior Vice President (CEA) position to provide the incumbent with sufficient authority to make policy-level decisions without having to await decision-making at higher levels. This position will have authority to make and execute on policy decisions at the program level and report out to the State Fund Executive Committee and the Board periodically. Under the current structure, programs must submit time-sensitive proposals for policy changes or decisions on issues affecting customer service and pricing and await a response. Some examples of new authority held by the SVP with an obligation to inform the State Fund Executive Committee instead of having to seek its approval include are:

- (1) Engaging in process creation and design in all areas within Specialty and Middle Market Operations on their own with independent authority to implement these changes;
- (2) Develop, implement and assess strategic plans to deliver long-term corporate objectives for Specialty and Middle Market Operations.
- (3) Exercising independent authority to approve payment plans and/or waive premium up to a predetermined amount.
- (4) Owning the underwriting processes and having independent authority to make changes while involving Corporate Underwriting and Field Operations in the decision making process
- (5) Being accountable for customer experience that focuses on the type and quality of State Fund services;
- (6) Being accountable for full collaboration with Corporate Marketing and Field Operations in support of broker management.

With this change, the process of servicing Specialty and Middle Market Operations' needs at the policy level can become much more responsive to immediate needs and more efficient overall by vesting more decision-making authority in the proposed position. This structural change tracks existing management structures in the private insurance industry, and will bring State Fund to a state of the art level of underwriting management practice.

C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

(1) The CEA will have direct authority to determine pricing in any particular instance were a pricing issue or dispute arises. State Fund is striving to make its pricing as effective and responsive as possible and this will serve both to improve the accuracy of pricing decisions made as well as customer satisfaction with pricing.

(2) The CEA will have the authority and direct responsibility to ensure that managers of various departments are operating effectively within the matrix structure to coordinate their operations. This will lead to determining changes each department must make to ensure they are fulfilling their new responsibility to work in tandem with their counterparts in other departments.

(3) The CEA will set policy on how Specialty and Middle Market Operations will develop and maintain stakeholder relationships.

(4) The CEA will set the operating policy on protocol, process and procedures for Specialty and Middle Market Operations Underwriting.

C. ROLE IN POLICY INFLUENCE (continued)

13. What is the CEA position's scope and nature of decision-making authority?

The purpose of creating this position is to vest virtually complete authority over decision-making that affects Specialty and Small Commercial Operations – subject to periodic review by the State Fund Executive Committee, CEO, and the Board. The new position reflects a decision that authority over Specialty and Small Commercial Operations can presumptively be exercised independently, with oversight by higher authority exercised through review and adjustment as necessary as opposed to the granting of permission.

14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?

Yes, this role will develop and implement new policy in addition to revising, interpreting and ensuring existing policy is compliant and being upheld. This will be done by the SVP developing relationships with stakeholders, becoming heavily involved in the industry market through professional organizations and/or institutions and collaborating with counterparts within the unit and throughout the State Fund organization. The SVP will present and develop a plan for new and/or existing policy to the CEO, the Board and other State Fund executive committee members.