

Foundation Claims - Team Based Bonus Scheme Update

In March I reported that as part of the Claims Re-engineering project a new team-based bonus scheme was to be piloted in Property and Loan Protection Claims involving approximately 400 staff.

According to the Bank the objectives of the Scheme were to: encourage teams to handle cases effectively; enhance the concept of working together by working to the same set of goals; and to improve staff morale and motivation. The scheme involved an assessment of performance against a range of targets measured on a monthly basis, with any bonuses earned being paid quarterly up to a maximum of 8%.

Whilst we welcomed the introduction of the new scheme we made the point that the adequacy of any bonus scheme cannot be considered in isolation from the target setting process. It is the target setting process that dictates to what extent staff can achieve and be paid any bonuses. A bonus scheme could promise to pay out £1M for hitting target but that is of little use if the target cannot be achieved.

Central to our discussions throughout therefore has been the issue of fair targeting. This focus has been amply demonstrated by the fact that so far no teams have met all their targets and on a

strict interpretation of the scheme rules were not due any bonuses. However, as members will be aware the Bank has awarded some bonuses for success in technical and telephony audit scores and has recognised that changes needed to be made to targets.

I am please to report therefore that the scheme will continue and that the requirements for the next 3 months have been amended and some targets reduced to more accurately reflect business activity. It is to be hoped that these changes will make the scheme more successful. The new targets and other changes to the scheme are explained overleaf.

I would welcome members' views on the operation of the scheme and the fairness of the targets. LTU is also reviewing a range of other pay arrangements within Insurance and I would welcome any views or suggestions for areas to consider members may have.

We will also be looking for a number of additional members across the business to be part of our working parties and negotiating teams as proposals develop. Members with views or who wish to discuss getting more involved can contact me at the Union's office in Bedford on 01234 262868 or email me at Nick.Holt@ltu.co.uk

Scheme Explained

The scheme involves an assessment of performance against a range of targets measured on a monthly basis. However, any bonus earned will be paid quarterly. There are two separate and exclusive elements to the scheme: one reflecting performance against target and one assessing continuous improvement. **Essentially, teams are measured against the same targets but different schemes will apply depending on their performance over the quarter.**

Target Performance

This part of the scheme is designed to encourage consistently high performance as any bonuses would only be paid when performance **exceeded** target.

Each month's assessment of performance against target is in fact a scheme in its own right and the 3 months results will not be aggregated. For example, if targets are not met in the first and second months, but are in the third, one month's worth of bonus would still be paid. **However, all targets will no longer have to be exceeded for any bonus to be triggered.**

This would mean that if a maximum bonus of 8% was due because all measures had been exceeded but the departmental score had not, only 80% of the bonus due would in fact be paid, i.e. 6.4%.

Team Leaders

- 60% for exceeding each target
- 30% for the department exceeding its target engagement score
- 10% for the department exceeding its CARE score.

Continuous Improvement

This part of the scheme is intended to drive continuous improvement for those teams that are not yet meeting and exceeding the target threshold. Instead bonuses would be paid to those teams that had improved their performance in most of the measures from the previous month. **As explained under the Target scheme all targets will no longer have to be improved for any bonus to be triggered.**

The maximum bonus that can be achieved when assessment is made under this criterion is 5%. The exception would be where

Targets 21 July - 20 October 2005

Measure	Affinity		Polisy		Huon & C&G		Loan Protection	
	New	Old	New	Old	New	Old	New	Old
Technical Audit	92%	94%	92%	94%	92%	94%	92%	94%
Telephony Audit	92%	92%	92%	92%	92%	92%	92%	92%
No of Calls	220	360	200	230	210	260	260	260
No of Claims Closed	91	145	100	60	102	120	50	55
Av No Suppliers Used	50%	45%	-	-	50%	45%	-	-
% Settled Claims	23%	16%	28%	10%	27%	21%	-	-
CARE	76%	74.4%	72.7%	74.4%	71.1%	74.4%	75.5%	74.4%
Engagement	72%	72%	72%	72%	72%	72%	72%	72%

Instead, 5 out of 6 Targets would have to be exceeded for a bonus to be payable for staff in Huon, G&G and Affinity; 4 out of 5 in Polisy and 3 out of 4 in Loan protection. Two of the exceeded target scores must be for Technical and Telephony Audits.

The maximum bonus that can be achieved when assessment is made under this criterion is 8%.

The bonus payments themselves will also be weighted to take account of Department scores as follows:

Assessors

- 80% for exceeding each target
- 20% for the department exceeding its CARE score.

any month's performance exceeded target when payment under the Target Performance section of the scheme would operate. Bonus payments will again be weighted to reflect Department scores in exactly the same way as for the Target performance scheme.

The scheme will run for a further 3 month period from 21st July and we will then work with the Bank again to determine what if any changes need to be made and to assess the introduction of similar schemes for other areas.

NICK HOLT

Assistant General Secretary