



Heritage trades office space for cyberspace—and business booms.

Application	Extranet for adjusters; expert system for policy application approval; data warehouse for pricing and market analysis
Business Benefits	100% ROI, \$6 million total savings in first year; expected \$2.4 million savings annually; ability to handle 300% more business; 15 times faster policy processing
Software	Lotus® Domino™ Lotus Notes® IBM® DB2® Universal Database™ on AIX® IBM DB2 for OS/390® IBM CICS® Transaction Server for OS/390 IBM ImagePlus® VisualInfo™ IBM Visual Warehouse™ IBM HTTP Server
Hardware	IBM S/390® Parallel Enterprise Server™ IBM RS/6000® IBM ThinkPad®

Insurance is a risky business. Because not only will disasters happen, but when they do, the paperwork and processing delays often associated with handling claims can severely impact customer satisfaction.

Recognizing this, Heritage Mutual Insurance (HMI), a \$250 million property and casualty insurance company based in Sheboygan, Wisconsin, moved quickly to purge the paper from its processes. Seeking a scalable, integrated electronic document management and information-sharing solution, the company turned to IBM. Says Gary Henderson, director of information technology (IT) at HMI, "Continuing our tradition of being an innovator in the insurance industry, we've successfully deployed IBM's e-business, document

management and business intelligence solutions to dramatically improve our operations and raise customer service to new levels."

"The Lotus Notes and Domino extranet has enabled us to close all 12 of our district claims offices, saving \$6 million and achieving a 100 percent ROI in less than one year."

—Gary Henderson, Director, Information Technology, Heritage Mutual Insurance

The insurer built an extranet, powered by IBM HTTP Server and Lotus Notes



HMI's headquarters is one of its few brick-and-mortar sites; its field adjusters now work out of virtual offices, thanks to Lotus Notes and Domino.

It's about business, not just technology.



Using Lotus Notes on ThinkPad laptops, employees can dial in to headquarters to get new claim information as well as forms and reference material.

“...we’ve successfully deployed IBM’s e-business, document management and business intelligence solutions to dramatically improve our operations and raise customer service to new levels.”

—Gary Henderson

and Domino applications, connecting HMI adjusters to corporate headquarters to facilitate claims processing. “By serving the adjusters through *virtual offices*, the Lotus Notes and Domino extranet has enabled us to close all 12 of our district claims offices, saving \$6 million and achieving a 100 percent ROI in less than one year,” says Henderson. “The extranet is expected to save the company \$2.4 million annually in the years to come.”

For policy approval, HMI now uses IBM ImagePlus VisualInfo, part of the IBM Enterprise Document Management Suite (EDMSuite) on IBM RS/6000 servers to feed electronic documents to an Expert system for evaluation. Consequently, applications are processed 15 times faster, with nearly 69 percent fewer people. With the shorter turnaround on new policies, agents can bring in nearly three times more business.

Extranet keeps adjusters on the job

For years, customers insured with HMI would report losses to their agents, who would then fill out a paper claim form and either mail or fax it to HMI. The larger claims were handled by field adjusters working out of district offices. The fact that the adjusters had to report in to the offices to get their assignments and access the HMI network was part of the problem. “We wanted the field adjusters to concentrate on doing what’s of most value to the insured—looking at damage and settling claims,” explains Brenda Cirricione, director of IT at HMI.

HMI’s new extranet makes it easier to report claims and inform the adjusters, wherever they may be. Now, adjusters can work on claims electronically through a Lotus Notes and Domino application, which uploads the information to the claims system running on an IBM S/390 9672 Parallel Enterprise Server. Alternatively, claimants can report their losses by telephone or fax directly to HMI, where service representatives enter the data into the system.

Once the claim is in the system, a Lotus Notes paging server alerts the local field adjuster, and another Lotus Notes server notifies the adjuster by e-mail. Whether at home or on the road, the adjuster uses a Lotus Notes client on an IBM ThinkPad laptop to retrieve the e-mail and dial in to the HMI mainframe to access information about the loss. A few minutes after the claim is reported, the adjuster is ready to contact the insured.

Cirricione adds that the various forms, reference materials and mainframe-generated administrative reports the adjusters use to do their jobs also reside in Lotus Notes databases. Current versions can be replicated over the extranet whenever they are needed. "So, we save all the mailing delays and costs associated with those materials," she says.

The last district claims office was closed in February 1999, and the resulting reduction in operating costs will be passed on to customers in the form of lower premiums. Cirricione notes, "The faster service and lower rates will help agents sell even more policies."

ImagePlus VisualInfo helps make every agent an expert

To sell insurance policies, it's not enough for agents to convince customers to submit their applications; HMI must also approve them as policy holders. Electronic document management helps speed up this process.

HMI uses Expert system software from Neuron Data, running on an IBM RS/6000 server, to evaluate all documentation an applicant submits. It can either approve the policy on the spot or automatically forward the file to an underwriter for review.

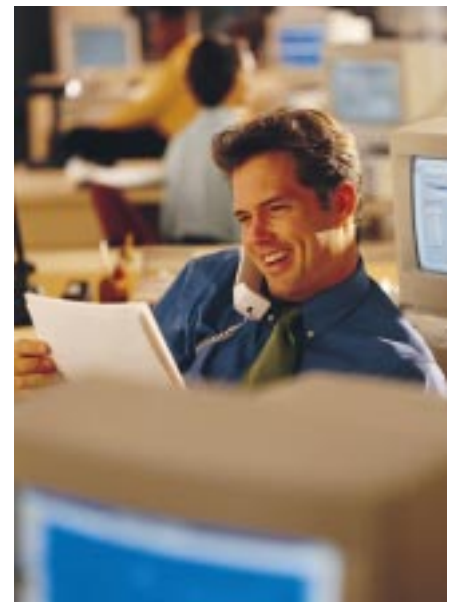
However, before the Expert system can work its magic, all application material must be made accessible in electronic format. Until now, a paper file reviewed by an underwriter had to be transferred physically to a policy input person and then back to the underwriter for approval. Now, all application information is stored in digital format in an electronic folder created and managed by ImagePlus VisualInfo. An index of the contents of the new file is added to the ImagePlus library server, while the electronic file itself is stored on the ImagePlus object server. Both the library and object servers reside on IBM RS/6000 systems.

This has resulted in a drastic reduction in policy processing time. "It used to take us about 14 and a half days to process a new application," says Laura Conklin, HMI director of business systems. "We can now do that in 24 hours. And we've reduced the staff in our personal lines underwriting unit by 50 percent—from 36 people to 18. In addition, data entry staff was cut from 13 to 4."

Even with that reduction, the underwriters are able to handle a larger volume of work. "They used to handle approximately \$3 million of business each year," Conklin reports. "They are now handling business worth approximately \$8.5 million on average—almost three times as much."

"CICS has been with us for many years as the front-end input to all of our processing systems, and it will continue to serve us long into the future. I cannot imagine life without CICS."

—Gary Henderson



At HMI, new policy approval doesn't require a ton of paperwork. ImagePlus helps keep all the digital paperwork in order.

This is only the tip of the iceberg for IBM electronic document management solutions at HMI. "One of the reasons we chose ImagePlus VisualInfo as our imaging system was its scalability," says Neal Ruffalo, HMI vice president of IT. "We started out with personal insurance lines. There are not a large number of images required for each policy, because most of the data required to approve an application already exists in electronic format on the mainframe. We're now developing a similar system for the commercial insurance lines, which carry a much larger volume of business and have many more documents to image."

CICS—the core of the processes

Supporting this growing volume of business are the company's back-end transaction systems, which are managed by IBM CICS Transaction Server for OS/390. CICS operates in eight regions on the S/390 host, processing approximately 450,000 transactions daily, with an average response time of 0.24 seconds.

Despite this hectic pace, Henderson is confident in the systems' performance. "CICS has been with us for many years as the front-end input to all of our processing systems," he says. "And it will continue to serve us long into the future. I cannot imagine life without CICS."

Data mart gives actuaries faster access

The data residing in HMI's transaction systems is also the source for a data mart that provides a more efficient way for actuaries to perform product pricing and market analyses. IT Director David Jablonski explains, "Instead of requesting a new report or information from the IT department—which could take significant hours of coding time—the actuaries will have hands-on access to that data and will be able to provide a quicker response to a variety of queries."

HMI is using IBM Visual Warehouse to build and manage the data mart, loading data from the host DB2 database to DB2 Universal Database on AIX residing on an RS/6000 server. "With both the source and target data in DB2, it's easier to build the warehouse," Henderson notes.

Technical advantages aside, Henderson notes that the success of information technology projects is measured in terms of HMI's customers. "With IBM's solutions, we've gone a long way towards our goal of being the easiest insurance company to do business with," he says. "But we have much more in store. With IBM as our partner, we will be limited only by our imagination."

**For more information,
please contact your
IBM marketing representative or
IBM Business Partner.**

Visit us at:
www.ibm.com/e-business

For more information about
Heritage Mutual Insurance, visit:
www.heritageinsurance.com



© International Business Machines Corporation 1999

IBM Corporation
Internet Division
Route 100
Somers, New York 10589

Produced in the United States of America
4-99
All Rights Reserved

AIX, CICS, DB2, DB2 Universal Database, the e-business logo, IBM, ImagePlus, OS/390, RS/6000, S/390, S/390 Parallel Enterprise Server, ThinkPad, VisualInfo and Visual Warehouse are trademarks of International Business Machines Corporation in the United States, other countries or both.

Domino, Lotus and Lotus Notes are trademarks of Lotus Development Corporation in the United States, other countries or both.

Other company, product or service names may be trademarks or service marks of others.

This case study illustrates how one customer uses IBM products. Many factors have contributed to the results and benefits described. IBM does not guarantee comparable results. All information contained herein was provided by the featured customer and IBM Business Partners. IBM does not attest to its accuracy.

References in this publication to IBM products or services do not imply that IBM intends to make them available in all countries in which IBM operates.



Printed in the United States on recycled paper containing 10% recovered post-consumer fiber.



G325-1347-00