

LOSSRUNS carves out market niche with responsive IBM solution.

Overview

■ Challenge

LRI needed to respond to the insurance industry's need for fast access to claim histories and enhanced information integrity

■ Why Become an On Demand Business?

LRI needed to respond effectively to the demands of insurance carriers and agent brokers for rapid, cost-effective access to information while providing a flexible pricing structure

■ Solution

A Web-based, on demand service that provides a standardized, secure channel for sharing highly sensitive claims information

■ Key Benefits

For LRI: LRI has carved out a successful niche market for itself in the insurance industry by delivering a solution that provides a safe and secure service to carriers and agent brokers

For LRI carrier customers: By automating the loss run business process, insurance carriers can take control over a procedure primarily controlled by competing agents, while eliminating all costs associated with loss run report distribution



LOSSRUNS delivers a safe and secure service that helps insurance carriers set coverage prices for new and existing policy holders.

Like most entrepreneurial companies, LOSSRUNS (LRI) knew a good idea when it saw one.

LRI sensed opportunity in the labor-intensive processes insurance carriers used to produce loss runs, the reports required by agents and underwriters to properly evaluate risks and set coverage prices. Often done manually, producing a loss run report is a costly, tedious and time-consuming process for most carrier companies.

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—David Fiacco, President and COO, LOSSRUNS

Integrating solutions that help enable On Demand Business

On Demand Business Benefits

- LRI can respond quickly to customers with safe and reliable service
- Variable cost structure through hosting
- Agent brokers can reduce their costs—by an average of \$50 per loss run report—and deliver better service to their prospects and customers
- Ability to interact with multiple carriers through a single transaction
- Based on industry-standard WebSphere®, Linux, Java™ and XML technology, solution easily integrates with the business systems of insurance companies
- High security and reliability, scalable for future growth

LRI wanted to jump into the market with a product and a service to make the process faster and more efficient. The young company believed that once an on demand technology for spurring greater efficiency became available, competition would quickly drive this improvement industrywide.

The opportunity was clear. The loss runs issue was plainly a bottleneck, making the process of obtaining coverage a longer process for the insured. One study of a top-tier carrier found that the insurance company distributed approximately 50,000 loss runs a month. Half of those were handled manually at a cost of \$70 to \$90 each—about \$18 million annually.

Solving the problem would require transforming the loss run process in order to eliminate the manual effort involved in creating a report. Streamlining the process and extending it to insurance carriers on demand would reduce personnel costs and enhance the ability of agents to provide customers with timely responses to policy applications.

Unfortunately, LRI, founded in 1999 and based in Macon, Georgia, only had an idea. It lacked the technical resources to realize its dream. Because LRI would be extracting highly personal information from insurance carriers, it had to be very sensitive to the technology concerns of the individual carriers. It needed to assure potential customers that it was capable of storing and distributing loss run data in a secure and reliable fashion.

“We desperately needed a total solution provider to help facilitate our on demand software application and provide a responsive solution that would help ensure data integrity on a stable, accessible platform,” recalls David Fiacco, president and COO, LOSSRUNS. “As a young and nimble company, we required a fully managed hosted service to take the burden of IT maintenance off our staff.”

“After we had clearly identified our place within the \$302 billion property and casualty insurance market, it was time to execute,” says Fiacco. “But to turn our vision into reality, we needed to invest in an on demand infrastructure that would help our customers automate their business processes.”

LRI transforms loss runs process

With rapid time-to-market a key imperative, LRI began searching for a solution provider. It quickly ruled out Sun and Oracle because it didn't want a mixed bag of solutions. In the end, the company turned to IBM for a fully managed, hosted solution.

"IBM is a total solution provider with access to an unequalled depth of expertise in our industry," says Fiacco. "We needed a technology partner that could work with our newly defined business processes and help us respond to the needs of our customers. Plus we were looking for a variable 'pay-as-you-go' cost structure to optimize resources and lower our overall computing costs."

"It was important that we develop a strong level of trust in our working relationship," says Adams Ropp, IBM client representative for LRI. "LRI was depending on IBM to help bring its product to market."

Today, LRI provides its rapidly growing customer base with a service that is safe and reliable. By using multiple levels of security technology, LRI delivers peace of mind to insurance carriers, underwriters, agents and insureds across the globe. It has reduced the costs of carriers and helped them streamline their internal processes for more efficiency. At the same time, the IBM-based solution has allowed LRI to carve out a niche market for itself with unlimited growth potential.

The new solution fully automates the process for generating loss runs. Authorized users simply access the LRI Web service, enter the client information and request the report. After LRI receives a letter of authorization signed by the client, it processes the request and compiles the information. System-generated e-mails are then sent to the agent and underwriters. The e-mails include a link back to the completed reports, which LRI publishes on its Web site. LRI also mails or faxes the reports if necessary. "We do it faster, more accurately and less expensively than current hardcopy, manual methods. And we provide carriers and agent/brokers with additional value-based features that have never been available in our industry," says Darin McClure, co-founder and vice president of products and services.

Variable cost structure provides favorable pricing options

The on demand infrastructure for the new solution includes IBM software, systems and services. "We decided early on to outsource our hosting to IBM, because we weren't ready to commit the resources necessary to maintain this type of solution," says Fiacco. "This strategic decision has enabled us to focus on building the business value of our applications."

IBM Global Services houses LRI's infrastructure at an e-business Hosting Center and supports it with a comprehensive suite of managed hosting services that includes enhanced features for security, backup, reporting, administration and monitoring. "IBM Global Services has an impeccable reputation as a proven provider of hosting solutions that deliver the utmost in security and reliability," says Fiacco.

Key Components

Software

- IBM WebSphere Application Server Advanced Edition, Version 4.0
- IBM DB2® Universal Database™ for Linux
- Red Hat Enterprise Linux AS, Version 2.1

Servers

- IBM @server xSeries® 342 and 330
- IBM 3583 Ultrium Scalable Tape Library

Services

- IBM Global Services - Managed Hosting services from IBM e-business Hosting™
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"WebSphere software from IBM provides us with a reliable and scalable software infrastructure upon which we can build our business. It's the foundation for our development and runtime environment, providing over 99.9 percent site availability."

The IBM Global Services Managed Hosting price structure has enabled LRI to develop a favorable price proposition for its customers, and has helped to make the company an agile player in the loss run market. Hosting allows LRI to be responsive to the peak demands of companies that don't want to commit to an underutilized infrastructure.

LRI is using two resilient IBM **@server** xSeries 342 systems as the company's backup, application and database servers, as well as one xSeries 330 as the Web server. The xSeries 342 servers are running Red Hat Enterprise AS Linux V2.1 and DB2 Universal Database with multiple failover firewalls. LRI chose Linux for its open architecture and high reliability. "A deciding factor in favor of Red Hat was IBM's commitment to Linux," explains Fiacco. "Also, the systems management tools of xSeries were important to us—manageability is a lot easier now."

Historical claims data is being managed by DB2 and stored on an IBM 3583 Ultrium Scalable Tape Library, which enables LRI to ensure fast recovery from any threat to its data. The xSeries 330 server is running WebSphere Application Server on an xSeries 330 system as the Java engine for the company's Web service interface.

"WebSphere software from IBM provides us with a reliable and scalable software infrastructure upon which we can build our business," says Fiacco. "It's the foundation for our development and runtime environment, providing over 99.9 percent site availability."

Carriers benefit from lower costs, improved productivity

Through its relationship with IBM, LRI now disseminates information quickly, accurately and with high security to authorized recipients by combining its industry expertise with IBM on demand infrastructure technology. At the same time, LRI's patent-pending LOSSRUNS Report provides complete, correct and current claims information—everything required to properly initiate coverage.

By using LRI's service, carriers can focus on their core business strengths, increase the integrity of loss run data and lower their operating costs. In addition, LRI is able to generate a loss run as a Web service, charging insurance carriers or brokers \$30 per report on average, about a third of the previous cost. The service also speeds up the process for agent brokers to get proposals back to potential customers. That means they can respond to their customers in a more rapid and relevant manner. "By using LRI's service, our carrier customers and agent brokers can provide their policy holders with information on demand," says McClure.

"IBM's commitment to helping us respond to the needs of our customers has enabled us to launch a successful new business," says Fiacco. "And we are first to market with a truly groundbreaking service that enables carriers to respond to agents and underwriters—both now and well into the future."

For more information

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