

California FAIR Plan/openFlex

OpenFlex helped the state of California automate much of its policy work—and reduce overhead at the same time.

If you found a way to nearly double the amount of business you are doing and cut personnel costs by 25 percent, would you be interested? We thought so. Such a huge turnaround has been exactly what the California FAIR (Fair Access to Insurance Requirements) Plan has experienced in the last two years, thanks to help from software developer openFlex.

“We went from approximately 110,000 policies and 120 employees to 200,000 policies and 90 employees,” said Cesar Flores, VP of information systems for California FAIR Plan. CFP was established by the California legislature as an association of property and casualty insurers in the state to provide basic property insurance to property owners who are unable to obtain insurance in the normal market.

Flores said there were several problems that CFP had to deal with to become more cost effective. “Everything was very manual-labor intensive,” he said. “Policy assembly was all manual. We had to insert printouts and fold them.” Other problems involved using manual labor for mailing policies, billing, and policy processing.

Flores said CFP began researching an alternative system in 1996, but was unable to find the right answer. “We went from vendor to vendor, but it seemed like the pre-built systems would put us back in the same place eventually,” he said. “We knew that whatever way we went, it would take us a year and a half to two years.”

The evaluation period went on for six months before the company made a decision to work with openFlex. “When we

signed up with them, we sat down and identified the different parts of the system that needed changes, and did a general design.” Put another way, “We gave openFlex the rough draft and they built the different modules,” Flores said. Those modules, which make up the insBack system, automate the policy administration, claims processing, workflow management, and CRM systems for the CFP.

The new system was ready to go live in October 1998. According to Flores, the CFP decided to use the system only for new business, and to convert renewals as they fell due, beginning on Jan. 1, 1999. Each day, as the renewal dates came up, they were

added to the new system. “Basically, we ran two systems for one year,” Flores said. “They were both accessible [from] the desktop, so that made it fairly painless.”

Getting the right system was the bottom line, though. “We wanted a system that was flexible for rating, billing, and processing,” Flores said. “It was a massive effort, but we felt that being on a client-server platform would create that flexibility.”

Entering new business into the system was no problem, but the renewals were a different story. When the system went live, openFlex spent the first six weeks helping the CFP fix small problems with the renewal system—for example, policy information had

to be re-entered for old customers. “That was our biggest hurdle,” Flores said.

Training was done initially by openFlex, which taught the system to key CFP employees first. A model office was set up and used as the training site, Flores explained. Training took approximately six months because approximately 80 percent of the CFP’s employees use the system on a daily basis.

Flores said CFP is happy with the system and the work done by openFlex. “Everything is operating well,” he said. “The only problem we still have is with the billing system. OpenFlex is re-writing that system now and will be implementing a new system soon.” (He explained that while annual renewals have worked well in the billing system, implementing the installment system that some customers prefer has been troublesome.)

One of the biggest changes the California FAIR Plan had encountered has been in the assembly of the policy documents. “It is fully automated now,” Flores said. “The entire packet is on our printer and bar coded. When it is sent to the mail room, the bar code is scanned and the paperwork is assembled right there.” In the old system, CFP had to hire temporary workers to assemble many

of the policies, but manpower needs have been reduced greatly. Through attrition and the elimination of the temp force, CFP has seen its staff reduced from 120 to 90 in the last two years.

That has proven to be a “fair plan” for California insurers, who are required to underwrite a percentage of each policy based on the same percentage of property insurance the company writes in the state. —Robert Regis Hyle

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openFLEX

The Company:
California FAIR Plan
Net written premium: \$100 million
www.cfpnet.com

The Product:
insBack from openFlex
www.openflex.com