

The Chittenden Group



“IN THREE YEARS, WE’D BE OUT OF BUSINESS IF WE WEREN’T MAKING THIS INVESTMENT NOW.” DAVID CHITTENDEN, PRESIDENT, THE CHITTENDEN GROUP

Overview

Founded in 1972, The Chittenden Group is one of the largest wholesale insurance brokers in the Southwest. With offices in Phoenix and Tucson, the company works with more than 2000 licensed agents throughout Arizona, New Mexico, and Nevada.

Insurance companies constantly seek other distribution avenues because traditional sales through independent agents impose a large up-front cost. Between providing agent commissions and keeping nationwide agents updated on relevant information, an insurance company spends a large percentage of first-year revenue for new policies. To control these costs, the insurance industry has rapidly embraced Web-based tools and electronic distribution of forms and information.

Surviving in this environment requires that wholesale brokers add value for the insurance companies they represent and the agents they serve “If we can do it smarter, cheaper, faster—we have a value. If not, our value becomes questionable,” says David Chittenden, President of The Chittenden Group.

Using Technology to Run Smarter

As a wholesale broker, The Chittenden Group provides benefits to both the insurance companies it represents and the licensed agents who sell those companies’ products.

The Chittendens aggregate the production of their 2000 agents to maintain the sales volume the insurance companies require to qualify for a contract. They train

agents on products, process proposals, assess client suitability and screen applications. The company also matches businesses, products, and clients to determine the best solution. All this with a staff of only 15 people. And with its time-consuming phone and mail communication system, the wholesale broker needed to improve its application processing times or lose business.

The Chittenden Group decided to go on line to dramatically improve communication with its 2000 agents. With e-mail, the response time to agents and insurance companies dramatically reduced to as little as three hours instead of a

week when it used the phone or U.S. mail. The Chittenden Group also posts application information on line, so its agents can access it anywhere, anytime. And submitting applications electronically avoids duplicate data entry.

New networking technology also allows The Chittenden Group to maintain the same workforce and handle more workload; to respond quickly and efficiently to

changes in product mix and demand; and to meet the demands of varying production levels without compromising customer service.

“If we weren’t on a networked Web-enabled system, we couldn’t add this value,” says Dale Chittenden, Operations Manager.

“I want to be on the leading edge of our business and employ technology to keep us there. But I want to use technology that’s tested and proven.”

David Chittenden

President

The Chittenden Group

Old World Technology

The original system for The Chittenden Group consisted of a minicomputer with dumb terminals on a time-share basis. Backup and maintenance of the system required as much as 30 hours a month—mostly performed after hours. It was also increasingly difficult to get software updates and support for the text-based, proprietary system software. Worse yet, the system provided neither fax nor e-commerce capabilities. The company provided e-mail and Internet access on a single workstation with a 56K modem, resulting in lines and long wait times for personnel.

The Chittenden Group's reliance on phone, fax, and mail tied up staff, led to days of phone tag, increased work hours, and decreased turnaround times on applications. The company also manually stored and forwarded hundreds of forms for its agents and disseminated insurance company bulletins several times a week, which not only took time to maintain but also required a large storage area.

Technology 2000

The new Web-based local-area network has made differences in every area of the business, allowing employees to work more efficiently and productively.

- **Interoffice Communication**—Employees now communicate between the two Phoenix buildings with e-mail instead of using the overhead paging system. And the receptionist uses instant messaging to notify coworkers of waiting calls, dramatically cutting fax and phone costs and customer waiting time.
- **Outside Communications**—Before, one employee was designated to check e-mail twice a day on the company's single Internet-connected PC. Now, e-mails and bulletins are simply forwarded to the right desktop. Field employees now dial in to the network from the field. If they're calling on an agent, they can even dial in from the agent's office and get the status of an application.
- **Application Processing**—Processing clerks can easily check account status or get quotes on line because the insurance companies have posted more information on the Web. Chittenden personnel also communicate with insurance companies via e-mail to ask questions or verify information. By reducing phone calls and hold time, processing clerks have dramatically boosted their productivity.

"The worst pressure for any of my employees is the phone. They get tied up. Phone tag. Voice mails. You can be on a call and 12 other messages come in. Even people who resisted the new system are excited when we tell them e-mail can reduce voice mails," says Dale Chittenden.

- **Sixty Days of Change**—In two months, The Chittenden Group has changed from dumb terminals to an Internet-connected, Windows-based system. The company has changed its basic computer operating system, its entire office management system, and the way it communicates. "I don't think we can overemphasize the distance we've traveled in the last 60 days," Dale Chittenden says.

Hosted Applications—A New Business Model

Essentially, hosted applications allow businesses to outsource the deployment and maintenance of software over networks instead of running the applications from local PC hard drives. Available for everything from enterprise resource planning to e-commerce applications, hosted applications are typically deployed and operated on remote data centers, giving corporate users access to applications over the Web or leased lines.

Outsourcing applications can often speed deployment of new applications, help IT managers cut implementation headaches, bypass IT skills shortages, and cut up-front capital expenses—allowing users to focus on their core business. Hosted applications can also cut the costs needed for client hardware, lower administration overhead and training costs, provide universal access to applications, and open the door to new services and applications.

- **Hosted Management Application**—One of the biggest changes for The Chittenden Group was its new insurance management system. Developed and hosted by AgencyWorks in Salt Lake City, Utah, it provides on line access to the company's current policy applications, business records, and agent database.

"The Chittendens caught on to the [hosted application] concept early. They saw they didn't have to spend money to develop an application, and would rather spend it on their business," says Greg Reynolds of AgencyWorks.

Processing clerks log on line to check status or delivery status. Agents who work with The Chittenden Group can also log on to check case notes and the status of their applications using this hosted application.

AgencyWorks tracks all the communication and information about all the cases that are in process, as well as agent information such as license expiration, where agents are licensed, which companies have appointed them, which agents have E&O coverage, and when coverage expires.

Using a hosted application has almost eliminated backup time, since all the data is backed up on the AgencyWorks host servers in Salt Lake City. AgencyWorks also provides 24 x 7 application support, virtually eliminating software consulting fees. Because it's a Web-enabled application, there have been no cross-platform problems between the more than 40 insurance companies they work with or any of their independent agents.

The Chittenden Group had two major concerns about using a hosted application—speed and security. As David Chittenden explains, "Our most valuable information is that agent database. It's the source of all our business. So we looked very closely into the security systems, the backup, and how they tracked information. I found they're using the same security systems and formats most of the banks are using on their online transactions." This security consists of firewalls, with digital signatures for login, RSA key-pair encryption, and digital certificates. Data is logically separated on the server. And the application is hosted in a Class 5/Class A telco, earthquake-tolerant facility. Daily backups are stored on site, with weekly backups stored offsite.

Another major goal was to maintain the screen refresh rate the company had with its old text-based system to keep productivity high. A 100-Mb connection to the router and a 512 digital subscriber line (DSL) connection to its ISP, US WEST, made the hosted application just as fast as the old application.

The New System

The new system at The Chittenden Group consists of two Cisco Catalyst® 2924 10/100-Mb, 24-port switches, and one voice-enabled Cisco 2611 router with a firewall feature set for Internet security in Phoenix. The Tucson office has one voice-enabled Cisco 1750 modular access router and one Cisco Catalyst 1924 10/100-Mb, 12-port switch. The Chittendens decided to use the voice-enabled routers so they

can eventually integrate voice and fax traffic over the data connection between the Phoenix and Tucson offices. This setup will reduce future long-distance toll calls.

Plans for the Future

"I want to be on the leading edge of our business and employ technology to keep us there. But I want to use technology that's tested and proven," says David Chittenden.

The company installed a 100-Mb local-area network (LAN) for future growth. It's now developing a portal Web site, where agents can download application status reports, insurance industry information, forms, and software updates from all the insurance companies. Eventually, the company hopes acceptance of hosted applications will force standardization in the industry to make working with multiple insurance companies less complex.

The Chittenden Group chose voice-ready routers to help the company implement voice over IP to Tucson. When the company puts a data line between Tucson and Phoenix, it will add a voice module to the router that enables employees to send e-mails and voice calls between offices over one dedicated data line, dramatically reducing toll costs. The Chittenden Group is also considering streaming video training for its agents.

According to David Chittenden, replacing the entire network cost the company about \$100,000. He plans to replace half of the company's desktops every year, with the expectation that the new network, with the 100-Mb LAN capacity, will last for the next five years.

Value-Added Resellers

When The Chittenden Group decided to make all these changes, it didn't have the in-house expertise to set the network up. The company turned to Eltrax, a value-added reseller with a local office to augment the efforts of AgencyWorks.

Eltrax surveyed the existing equipment in both Phoenix and Tucson. Because of the Chittendens' concerns about security, Eltrax recommended the Cisco 2614 for the integrated Cisco IOS® Firewall Feature Set. The Cisco 2614 allows all company workstations to access the Internet, even though the company's contract with US WEST provided only five IP addresses. This allowed The Chittenden Group to avoid paying for a more expensive contract. Static

translation enabled the company to let the hosted application access printers and servers from the Internet. Its hosted application can now print to in-house printers to generate letters, without compromising security.

Eltrax installed and configured the entire network in Phoenix and Tucson. It customized the firewall and performed post-installation network support.

Conclusion

With the new network, The Chittenden Group has already realized increases in productivity, improvements in communications, and a decrease in employee overtime. Moreover, the company is convinced that the network will continue to add value in a rapidly changing industry.

With support from AgencyWorks and Eltrax, The Chittenden Group's need for expensive consultants has decreased, while its ability to stay current with leading-edge

technology has increased. In addition, using a Web-based, hosted application reduces duplication of effort by allowing all its "customers" to easily access information.

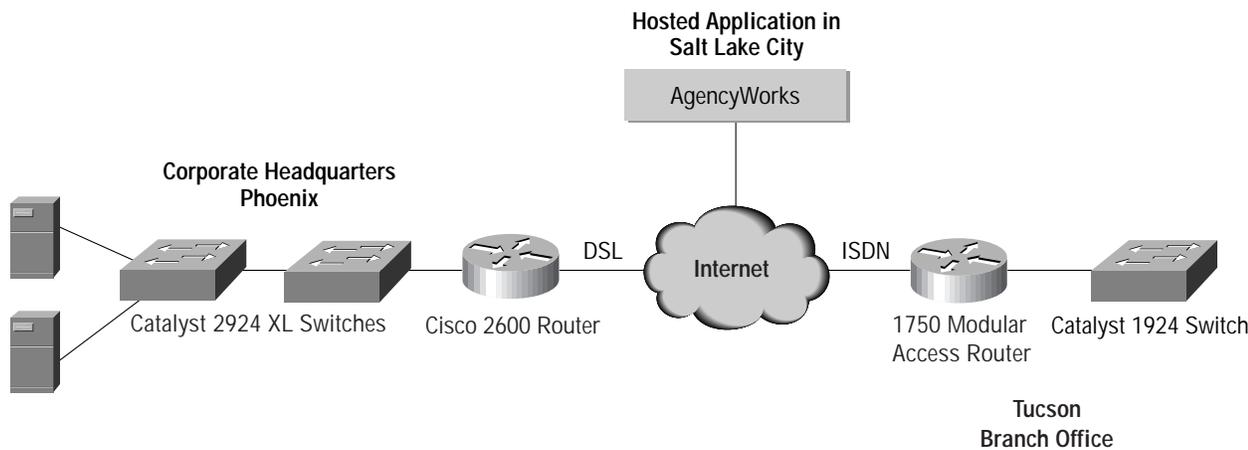
Despite the large investment in time and money, David Chittenden is pleased that the network helped the company achieve all of its goals within budget. He's also excited about the potential growth using these new networking technologies.

"I was surprised everybody recommended Cisco products. I'd heard of them, of course," he says. "But I thought they were just for the big guys—not a small company like us."



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Figure 1 The Chittenden Group Network Diagram



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