

The Story of Spectrum

Strength in Numbers

Presented by FARRAGUT

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“Spectrum and FARRAGUT were literally life savers for our organization.” – Paul Meagher, former President, The Workers' Compensation Rating and Inspection Bureau of Massachusetts

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“Spectrum Partners is an example how business leaders of various entities can resolve common problems in a way that results in greater consistency, value and at less cost.” – Bernard Rosauer, President, Wisconsin Compensation Rating Bureau

“We trust one another. We make each other stronger.” – Monte Almer, former President, New York Compensation Insurance Rating Board

Spectrum Is Born

It was 1994, and the original founders of Spectrum, the bureaus of Minnesota, Wisconsin, Hawaii and North Carolina, were each running their own rating system on disparate legacy environments—systems that were not sufficient to support their day-to-day operations let alone future development.

Also, during this time frame there were a number of varying thoughts and ideas on how the “data submission/collection process” should be handled across the country.

Each bureau was independently working to come up with a solution to bring its own system up to speed. Minnesota, which had perhaps one of the newer systems, was still struggling to come up with a way to modernize its technology within a limited budget. “I had been talking to a lot of consulting firms at that point about the idea of migrating COBOL,” said Kostur. “It seemed to me like a no brainer but everyone else was saying ‘oh, horrendously expensive, very difficult, not likely.’”

Wisconsin was similarly facing an uphill battle. With no IT staff, their policies were processed on the state of Wisconsin's mainframe which was quickly becoming obsolete. The State and the WCRB both knew something needed to be done. The solution? Spectrum Partners.

The North Carolina Rate Bureau wasn't even on a computer system yet. Jerry Hamrick, then the workers compensation manager for the bureau, now retired, remembers being awed during a tour of Minnesota's system. "It was overwhelming," he said, "I thought, wow, we need to get up to this level. These folks are doing so much more with their data."

Minnesota, Wisconsin, North Carolina and Hawaii began discussing the idea of banding together to pool their resources and create a common data capture and management system under the auspices of the American Cooperative Council on Compensation Technology (ACCCT), a consortium of independent workers' compensation advisory and rating organizations.

"It was absolute self-preservation," said Kostur. "The idea was that if four or five of us got together and ran the same system we would be players in the workers' compensation world instead of little individual mice."

The challenge was to find a service provider to build a system. Kostur saw an ad for IIS (re-named FARRAGUT), then a tiny NC operation. He reached Sucheta Jain, one of the two co-founders. In their first discussion, Kostur focused on Minnesota's needs. "She listened well and then she said 'yes, I think we can do that,'" said Kostur. "It was my first glimmer of hope. I had talked to a lot of consulting firms and had gotten no encouragement at all. None."

Shail Jain, CEO of FARRAGUT, traveled to Minnesota. After several days of analysis, Kostur and Bill McTeer, a consultant and former technical coordinator for Spectrum, took Jain out to dinner to broach the idea of creating a common system for all four states. Jain remembers feeling like they were watching his reaction very carefully. "I had a strong sense that they were fighting for a good cause," Jain said, "that they truly felt they were the underdogs. 'Sign me up.' I said. 'I'm ready to do battle.'"

Spectrum Timeline			
DCO	Timeframe	Spectrum Version	Activity
MN	Pre 1995	Prism 1.0 (legacy system)	Cobol and Infos Database
MN	1995-1996	Spectrum 1.0	Micro Focus Cobol Conversion and Oracle database
MN	1996-1997	Spectrum 1.05	USR (Visual Basic) module created
WI	1997-1998	Spectrum 1.09	WI started using USR VB
MN, WI, NC	1997-1998	Spectrum 1.1	Use of Oracle Forms developer suite, Experience Rating app and USR VB
MN, WI, NC	1998-1999	Spectrum 1.2	Policy module added, Experience Rating app and USR VB
MN, WI, NC, MA	2000-2001	Spectrum 2.0	MA Bureau added - 1st DCO to be added outside the original 3
MN, WI, NC, MA, NY	2002-2003	Spectrum 2.0	NY Bureau added
MN, WI, NC, MA, NY	2003-2004	Spectrum 3.0	Spectrum migrated from a client/server environment to an Application Server environment using Webforms
MN, WI, NC, MA, NY	2006-2010	Spectrum 4.0	Spectrum now being developed in a .NET environment. USR is first module in 4.0
MN, WI, NC, MA, NY	2011-2013	Spectrum 4.0	Spectrum Conversion of 3.0 modules completed
MN, WI, NC, MA, NY, NJ	2013-2014	Spectrum 4.0	NJ- Bureau added
MN, WI, NC, MA, NY, NJ	2014-	Spectrum 4.0	Spectrum continues to be enhanced

The Jains then visited the other proposed members of the consortium. “Rather than go in and say: ‘This is what you need to do,’ we listened deeply,” said Sucheta Jain. “It quickly became clear, they were in trouble. We felt their pain.”

Ultimately, FARRAGUT was selected to create what would become Spectrum, a software system designed to support the internal operations of the DCOs and to foster uniformity in data filing and processing. The consortium was named Spectrum Partners.

Spectrum Gets Off the Ground (1995-1996)

Clearly, Spectrum was needed. The first version of Spectrum would be deployed at Minnesota. Working out of a 1,000-square-foot office in North Carolina and connecting to Minnesota via a modem, the FARRAGUT developers got to work. Converting Minnesota to a different flavor of COBOL with an Oracle database went fairly smoothly.

The years 1995-1996 were marked by frustration. “It was hard to get the specs under control,” said McTeer. “We didn’t yet have a well-developed capability as an organization. Conversations tended to be circular. People felt things were obvious. Meetings took up lots of time.”

When Wisconsin and North Carolina finally did go live with their first version of Spectrum, each of the bureaus held a celebration. It was the culmination of years of hard work. But it was still just the beginning of a long journey.

Removing the Training Wheels (1997-2000)

In November of 1997, Bruce Tollefson became president of the Minnesota bureau. Although Spectrum was still in its infancy, Tollefson quickly became an evangelist. “It was clearly a great way to save costs, but even more than that, getting the independent DCOs to operate in a more similar fashion helps the whole industry significantly,” said Tollefson.

Tollefson’s leadership came at a pivotal time. “He is a visionary,” said Jain. “And he has great relationship skills. Slowly, the vision began to pull together.”

FARRAGUT added new modules and applications to Spectrum and began to prepare the system for Y2K, a “pretty traumatic time” as Tollefson remembers. “Each of our shops had to go through a major data conversion to migrate the data and time ran out, none of us had yet gone live. It dawned on me that we just needed to pick a date and say come hell or high water we are going.”

The conversion went well, and subsequently Wisconsin and North Carolina followed suit. The Spectrum Partners/FARRAGUT team were picking up steam and gaining confidence as they sailed into 2000.

Expanding the Consortium (2000-2001)

Then the Workers’ Compensation Rating and Inspection Bureau of Massachusetts (WCRIB), the fourth member of the consortium, entered the picture. The WCRIB found themselves in a hopeless situation, having just spent a considerable amount of time and money over a five-year period trying to create its own

system. “The consultants were incompetent and the system never worked right.” said Paul Meagher, former President of the bureau. “We were never able to function more than 16 days in a row without the system being down for a day or more. Experience ratings were not issued on time.

The failed project was abandoned. The WCRIB spent four months evaluating other approaches. Ultimately, Spectrum was selected. “It was working in three other organizations like ours so it had credibility,” said Meagher. “While expensive, it was still cheaper over the long run than the mainframe system that we were operating. It kept us independent, and it provided a more uniform approach from the members’ perspective.”

But the Spectrum Partners were nervous. Although it was believed that the WCRIB would ultimately be a strong partner, it was a risk. The WCRIB needed to be up on Spectrum in one year. “That was a big deal,” said Tollefson. “Essentially, they had to take their whole internal guts, rip it out, and install a completely new system. But ultimately, we decided we needed to share the burden.”

For the FARRAGUT partners, that meant stepping back from their own agendas to focus on the WCRIB installation. Ultimately, it was a risk that paid off. In ten months, Spectrum was live in WCRIB. The software was functional the very first day the conversion took effect.

“Spectrum and Farragut were literally life savers for our organization,” said Meagher. “FARRAGUT delivered a very complicated project on time and on budget. Without Spectrum being available at a critical time in our existence when our license was in jeopardy, I do not think we would still be a viable entity. With Spectrum, the Partnership and FARRUGUT we have grown stronger every year and can focus on improving our services rather than worrying every day as to whether a system that never worked right would be up and running each day we came into the office.”

Soon after Spectrum went live at the WCRIB, Meagher went to FARRAGUT’s annual meeting and talked candidly to the employees about how much the success of Spectrum had meant to him on both a professional and a personal level. “It was a powerful moment,” said Allen Gavilan, Vice President, FARRAGUT. Gavilan had been part of the Spectrum FARRAGUT team almost from its early days. “I don’t think anyone who was in that room that day will forget it. It drove home what kind of personal impact we can have.”

“Paul is a very authentic, genuine person,” said Jain. “It’s part of what makes him a great leader—his deep personal investment in the success of his organization. It’s also part of what makes Paul a great partner.”

Spectrum Opens the Throttle

The New York Compensation Insurance Rating Board was the fifth partner to sign on. Once again, the Partners had to take a step back from their own agendas. “We recognized that the other partners did sacrifice for us. For a time, all resources were focused getting us live,” said Lucy DeCaro, Vice President of Operations, New York Compensation Insurance Rating Board.

But because the WCRIB installation had been so successful, the stress level for the Spectrum Partners was relatively low. For the FARRAGUT development team, however, there was anxiety. The issue was scale. With 450,000 employers in the state, the New York bureau processed more policies than all the other DCOs put together. “I remember flying into New York at night, seeing that skyline and thinking about how every employer in the state of New York was going to be somehow represented in the information system we were about to build,” said Gavilan.

But FARRAGUT, which had also scaled up its own operations, winning numerous accolades for sustained growth including the Inc 500, was able to meet the challenge.

Now a strong consortium of six, Spectrum continued to grow. With every subsequent version, not only has the technology, the features and the functions improved, but the people involved, have likewise grown. “We’ve gotten much, much smarter,” said McTeer. “It’s been a beautiful thing to watch.”

Take the NC Bureau. The DCO, which started with a paper-based system, has arguably had to make the biggest leaps, both from a systems and an organizational standpoint. “Although we’ve participated in Spectrum from the beginning, we didn’t use a lot of the features as the other bureaus,” said Sue Taylor, former Director, Insurance Operations. “But these days, in some cases, we feel like we are leading the pack.” In 2006, NC was processing 44% of policies and USR submissions electronically and moved to 100% for USRs in 2007 and 100% policy data by 2010. With moving to Spectrum over 15 years ago, NC was able to reduce headcount from 45 to 21 workers compensation personnel.

The most recent version of the software, Spectrum 4.0, is improving the day-to-day work flow of the bureau. For example, new work queues have added a new level of order and accountability. “We love that the work is now divided up evenly and we can easily track what’s been done and what’s remaining,” said Taylor. “We have a lot more control.” Spectrum provides a number of work queue reports, Real Time Trends, Average Close Times, and Monthly production reports with numbers by associate. All of these items give supervisors and managers the ability to maintain all work in Spectrum for better quality and production standards.

Still, there has been—and continue to be—bumps in the road. Collaborative development rides on openness to change, on compromise, on consensus. These things take time. They take a willingness to look at ideas with fresh eyes. It can be difficult, painful even. “There is a cost, said Tollefson. “Collaborative development is not necessarily the most efficient route, but what I tell people is that the best result is not always a straight line. There may need to be three or four zigs. This may seem to add cost, but at the end of the day, you actually reduce costs. Instead of worrying about nickels and dimes, focus on the dollars.”

But the most important benefit comes back to the quality of the end product, to the sharing of best practices. “No one is as smart as all of us,” said Kostur. “Over the years, although it’s been very difficult because everyone likes the way they do things, there has been a drift toward commonality. We ask ourselves: Why are we doing this different? Why don’t we all do it the same way? What can we do better?”

The New York Bureau has likewise come to appreciate the value of uniformity. “In a way, it was a hard thing for us—to let go of our independence. But as time has gone on, we see the advantages of being uniform,” said DeCaro. “We also see the advantages of always having someone to call if an issue comes up, of never feeling alone. We always know we will have help from the other bureaus if we need it.”

New Jersey Joins Spectrum Partners (2012-2016)

It was March 2012; only seven months after Fred Huber became Executive Director of the New Jersey Bureau. Monte Almer had reached out to Huber and asked whether New Jersey might be interested in joining Spectrum Partners. Huber was a long-time employee in New Jersey and knew full well the limitations of its

existing mainframe system. Huber, accompanied by Associate Executive Director Paul Witko and Director of Information Technology Services Bob Eichler, visited the New York Bureau later that month to see how Spectrum worked.

“I remember that day clearly,” said Huber. “I was very impressed with the Spectrum system. The three of us were excited about the possibilities that Spectrum offered New Jersey, and knew immediately that this was a partnership we had to join.” Huber was aware that the conversion to Spectrum would not be without issues, but believed that New Jersey would benefit tremendously from the previous efforts to add New York and Massachusetts to the consortium. The idea of using updated technology on a common platform with other DCOs sealed the deal. By the fall of 2012, Farragut’s work to add New Jersey to Spectrum Partners began.

Now up and running for almost two years, New Jersey has never looked back. Spectrum marked a new chapter in how quickly and efficiently data can be processed. “The support of our fellow Spectrum partners, the experience of the IT group at Farragut, and our strong relationship with its management team, took a lot of the anxiety out of the conversion,” said Huber. “We can now look to the future knowing that our system will be able to meet the needs of our stakeholders for many years to come.”

The New Jersey bureau is only the most recent example of the tangible benefits of Spectrum. “I frequently travel to the various DCOs, and I can’t help but see Spectrum’s impact,” said Gavilan. “There has been a radical improvement in the offices. In the early days, I’d walk in and see piles of paper and stacks of electronic tapes. Now I walk in and there is hardly any paper, absolutely no tapes, people are calm, desks are organized.”

The numbers tell a similar story. In Wisconsin alone it estimated that the Wisconsin Compensation Rating Bureau increased the number of transactions it processed by 150 percent enabling employee attrition without replacement for years to come.

For the Minnesota bureau, the MWCIA has seen staff count drop from 49 in 2007 to 38 in 2016 (a 22% reduction) since mandating electronic filings and relying much more heavily on Spectrum systems. Through robust automation and processing edits, the bureau has been able to process a growing number of policies and USRs with fewer people than 10 years ago. “After helping to found Spectrum Partners in the late 1990’s we have never regretted our decision,” says Brandon Miller, president of MWCIA. “The investments from a time and dollar perspective have been ongoing since those early days, but our efficiencies, expanded capabilities and value to our carrier members have expanded immensely. As a result of ongoing efficiencies, our proposed 2017 budget is back down to the same level as in 2011.”

Since the Massachusetts Bureau began using Spectrum nearly 15 years ago, WCRIBMA has gone from a headcount of more than 90 to 54 and from processing 60 percent of its transactions by paper to being 100 percent electronic.

The New York Bureau has had a similar experience. Since joining Spectrum, the data processing turnaround time decreased from an average of 4-5 days to just 1 day. Further, experience ratings, which had been issued just once per month, are now issued on a daily basis in New York.

A Long Journey (17 Years and Counting ...)

Spectrum has been, if nothing else, full of surprises. Jain, who was originally brought in for a one-time data conversion project says he could never have imagined how the scope of the project could have evolved. Spectrum has become a well-established brand in the insurance industry, an entity that carries weight, credibility. Today, Spectrum represents approximately \$13 billion or 22% of total written premium for worker's compensation in the United States which provides a high level of consistency for carriers. The six DCOs that make up Spectrum no longer feel like "little mice." They stand on solid ground.

Some things haven't changed. Although many of the key players at the bureaus that helped form Spectrum Partners have since retired, much of the FARRAGUT development team that built the first version of Spectrum are still actively involved. "It's almost unheard of to have a development team remain so steady," said Kostur. "The team that we have there that has stayed on board –they are superb. They are actually worth their weight in gold."

It's been rewarding for the team as well. "When we started this project, we were young bachelors and since then we have gotten married, we've had kids, we've grown as Spectrum has grown," said Gavilan, who started at Farragut developing the Policy module of Spectrum and is now VP of Innovation. "Our life stories are playing out right alongside."

The word "family" is one that Tollefson uses a lot. "We may squabble at times," he says. "Like any family, disagreements happen. But the strength of the group is to focus, to get together and to do what we need to do. It just happens time after time. Even though we have new people come in, at the end of the day, it comes back to the strength of the organization and the belief in it."

The Spectrum Partners family has been fortunate enough to welcome some great additions to the fold as some of the original leaders at the bureaus have since passed on the management reigns. This wave of leadership ushers in the beginning of a new age for Spectrum, full of original ideas stemming from fresh perspectives focused on innovating a now well-established product.

McTeer, who as a consultant has been involved with various consortium efforts, says he never expected Spectrum to come together with such a coherent vision. "Consortiums are a fragile thing," he said. "At some point, I expected a rift where you have the founders who say we've always done it that way and the new folks who say we don't want to do it that way. But it hasn't transpired. The founders have not thrown their weight around as founders. The newer partners have accepted the fact that software is a continually evolving phenomenon. FARRAGUT has been quite stable. I consider all this to be quite astonishing."

Tollefson considers Spectrum to be completely unique: "I am convinced this has to be the longest existing ongoing collaborative development effort in the country. You might be able to point to some other projects that are long term, but not to this kind of extent and result."

"We are very proud of what we have forged here and the people that are involved," said Monte Almer, former President of the New York bureau. "It's so much more than just a group of associates getting together. We trust one another. We make each other stronger. And we see the benefits in *so* many different ways."

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