

## Groupe Mutuel puts a premium on business flexibility in redesigning its core processes

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### Overview

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#### ■ **Business Challenge**

To achieve its goal of becoming number one in the Swiss health insurance market, Groupe Mutuel needed to become more flexible and cost efficient—but without changing the decentralized structure that is a pillar of its business model.

#### ■ **Solution**

Groupe Mutuel worked with IBM to map the key components of its business processes as a prelude to redesigning them. To support these new processes, the company built an SOA-based infrastructure that enables the reuse of services across all 14 of its business units.

#### ■ **Key Projected Benefits**

- Reduction in operational costs through the standardization of backend processes
- Reduction in the time and cost of integrating new acquisitions via SOA-based integration
- Reduction in time to market with new insurance products



Based in Martigny, Switzerland, Groupe Mutuel provides a wide range of insurance services to more than one million customers representing 1.8 million insurance contracts. The company, made up of 14 loosely coupled business units, is the second largest health insurance provider in Switzerland.

In 1996, Switzerland passed a law that fundamentally changed the nature of the health insurance market in that country. Reacting to rising costs and a tendency for insurance providers to skim the healthiest and lowest risk customers, Switzerland mandated that all of its citizens have health insurance. One hallmark of the plan is a reliance on private insurers, from whom consumers can choose from among multiple policies. With much of the rest of Europe following a state-sponsored health insurance model, this practice sets Switzerland apart. The other key element of the law is that consumers

*“Our unique business model has been a big part of our rapid growth and success. By making our systems and business processes more flexible, IBM has helped us to evolve that business model to make Groupe Mutuel a stronger and more adaptable competitor.”*

— Pierre Marcel Revaz, CEO and Founder, Groupe Mutuel

## Adapting to a dynamic health insurance market with flexible processes and systems

### Projected Business Benefits

- Reduction in operational costs through the standardization of backend processes
- Reduction in the time and cost of integrating new acquisitions via SOA-based integration
- Increase in customer satisfaction and retention through reduction in re-enrollment and claims cycle time
- Reduction in time to market with new insurance products
- Reduction in time required to comply with changing regulations
- Improvements in the cross-selling and proactive customer management capabilities through a portfolio view of the customer

*“Our key challenge was to federate all of our units’ systems for efficiency while continuing to maintain our separate brands for competitive purposes in each part of Switzerland.”*

– Pierre Marcel Revaz

cannot be denied coverage from any provider, regardless of their actuarial risk. To help them balance this risk in their underwriting practices, the law allows private insurers to assess each individual’s risk and reflect that in the premium they charge. For Swiss insurance providers, this change in the landscape created not only a stricter regulatory framework, but also a substantial market opportunity. Part of this stemmed from a general increase in health insurance demand due to government mandate. But a whole other level of opportunity also presented itself in offering consumers a greater variety of choices, with different levels of benefits, deductibles and premiums. The providers that could best meet this new set of needs stood to gain in the marketplace. In this way, the Swiss mandate served to shake up the competition in what had become a very mature market.

Groupe Mutuel, a provider of health and life insurance, has adapted nimbly to this new environment and, as a result, has emerged as one of the market’s most successful insurers. Based in Martigny, Groupe Mutuel ([www.groupemutuel.ch](http://www.groupemutuel.ch)) has grown by a factor of 10 over the past decade, becoming the number two health insurance provider in Switzerland with more than a million members. With the market’s maturity making rapid customer growth through organic means difficult, the company instead focused on growth for acquisition, adding a number of small and medium-sized providers to its portfolio in its quest to become the number one provider in the market. Not surprisingly, a key rationale for Groupe Mutuel’s approach was to achieve scale-based efficiencies by pooling the operations of these companies, especially within more commodity-oriented business processes—such as enrollment and claims processing—that typically represent a large share of the cost of operations.

### Local strength

However, the approach that more deeply defines Groupe Mutuel’s business model is the company’s effort to cultivate and maintain the strengths, character and identity of each of its 14 operating units within their respective locales. By maintaining a local presence—in terms of brand, customer service and other differentiating factors—Groupe Mutuel aims to preserve within each unit the qualities that made them successful to begin with. For this business model to work, however, Groupe Mutuel realized it needed to create a common set of optimized processes at the core of its operations, which would give the company the flexibility and efficiency it needed to win in the dynamic Swiss market. Groupe Mutuel turned to IBM Global Business Services for assistance in designing this new process environment and for the flexible technology infrastructure needed to support it.

From a competitive standpoint, the most basic impact of Switzerland’s 100 percent-insured policy is that it creates a zero-sum game for health insurance providers, with each new customer coming at the expense of another provider’s base. This means providers have little or no margin for error in any of the business

processes that affect the acquisition and retention of customers. One such process governs the annual reenrollment of members, a function that requires Groupe Mutuel to calculate a new premium for each member and then send out a new application in the shortest time possible, to avoid giving any customer a reason to switch. Another is new product development, under which the company can quickly adapt its product line to changes in available drugs and treatments—based on breakthroughs as well as changing regulations—to ensure members have access to the broadest range of options. Still another is claims processing, which must facilitate a speedy, transparent and error-free experience for the customer to ensure satisfaction and retention.

### Diving into process improvement

Groupe Mutuel's plan for addressing these requirements had two parts. First and most important, it sought to create a common set of business processes in these areas that could be used across all of its units. Second—and a precursor to the first—Groupe Mutuel aimed to redesign its IT infrastructure to deliver the flexibility and IT asset reusability it would need to create the common business processes it envisioned. To this end, Groupe Mutuel engaged IBM Global Business Services to lead its corps of internal business process experts and analysts through the IBM Component Business Modeling (CBM) methodology, a framework that breaks a client's organization into logical groupings of people, process and technology called "components," enabling the alignment of business strategies, processes and underlying technology. The CBM methodology enabled Groupe Mutuel to gain a deep and fundamental view of how the company's processes needed to work to enable maximum efficiency and competitive differentiation.

Using the CBM as a roadmap, IBM Global Business Services helped Groupe Mutuel redesign and rebuild its core infrastructure with SOA capabilities, principally the ability to create a layer of abstracted services that can be easily reassembled or redeployed in any of the company's operations with little to no integration effort. The main enabler of this capability is IBM WebSphere® Enterprise Service Bus (ESB), which simplifies connectivity between Groupe Mutuel's backend systems. At the hardware level, Groupe Mutuel consolidated a large number of its existing servers with IBM BladeCenter® HS20 blade servers and a pair of IBM System p5@ 595 servers; the latter run its new core applications and employ IBM High-Availability Cluster Multiprocessing software to manage additional partitions and memory to support Groupe Mutuel's ongoing rapid growth. The company's older applications run on two IBM System i® 595 servers, while storage is handled by IBM TotalStorage® 3500 Tape Library devices that are connected to servers via IBM SAN Switches. With the infrastructure foundation in place, IBM Global Business Services turned to the process side, providing Groupe Mutuel's executive management with guidance on business process transformation strategies that

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## Solution Components

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### Software

- IBM WebSphere Enterprise Service Bus
- IBM WebSphere Application Server
- IBM High-Availability Cluster Multiprocessing (HACMP™)

### Hardware

- IBM BladeCenter
- IBM System p5 595
- IBM System i 595
- IBM TotalStorage 3500 Tape Library devices
- IBM SAN Switches

### Services

- IBM Global Business Services
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## Transformation at a glance

Groupe Mutuel fully capitalized on the changing market landscape through a series of successful acquisitions. By enabling the optimization of core processes across the entire business—while maintaining each business unit's unique market identity—Groupe Mutuel's new SOA enables the company's operational efficiency to catch up with its rapid growth.

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drew heavily from best practices from other IBM insurance engagements around the world. Lower in the organization, IBM is leading a series of change management seminars and workshops to propagate the benefit of process change more broadly to employees.

### **Building on strength**

The most important benefit of Groupe Mutuel's work with IBM is that it makes a good business model even better. While Groupe Mutuel can continue to leverage the local market strengths of its individual units, the fact that it can do so on a foundation of flexible, standardized and lower-cost processes makes it a more nimble and efficient competitor. Take, for example, the account renewal process. Because each unit now follows common business rules related to the measurement of risk, the company as a whole is better able to manage risk and calibrate its premium structure in a way that maximizes profitability for the company as a whole. For Groupe Mutuel, the broader benefits of leveraging common business rules are two-fold. First, they facilitate the automation of a wide range of key processes, thereby increasing their efficiency and reducing their costs. Second, the fact that common business rules can be extended—to new business units, channels and acquisitions—gives Groupe Mutuel far more operational flexibility.

Groupe Mutuel's SOA infrastructure also provides a strong basis for differentiation based on agility. For instance, the company's ability to provide an overall "portfolio" view of each customer's coverage profile positions it to respond to the growing importance of consumer-oriented offerings, thus increasing customer satisfaction and retention. This same quality also supports Groupe Mutuel's top-line growth by enabling it to find additional cross-selling opportunities, while the application reuse qualities of SOA gives the company the means to introduce new plans and features faster than competitors. CEO and Founder Pierre Marcel Revaz sees the company's new business process framework as an important step in its quest for market leadership. "Our unique business model has been a big part of our rapid growth and success," says Revaz. "By making our systems and business processes more flexible, IBM has helped us to evolve that business model to make Groupe Mutuel a stronger and more adaptable competitor."

### **For more information**

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