

# Farmers Mutual

## Fire Insurance Company of Salem County Case Study

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Tom Cornish  
Controller  
Farmers Mutual Fire Insurance  
Company of Salem County

Improving working capital management remains a primary focus for businesses of all sizes.

Farmers Mutual Fire Insurance Company of Salem County -- serving homeowners and businesses in New Jersey and Maryland -- has streamlined its receivables management, and reduced operations overhead and complexity in process, using a Check 21 solution from Creditron and Huntington Bank.

### Eliminating Manual Tasks

Like many small businesses, Farmers Mutual Fire Insurance Company of Salem County used to manually process mailed-in payments from its policyholders. Employees would balance and hand stamp each transaction, and enter the payment information into the insurer's receivables system for posting. The checks would then be transported to the insurer's depository institution for clearing.

The process was slow, costly and error-prone.

In 2006, Farmers Mutual Fire Insurance Company of Salem County deployed Creditron's ItemAge platform, which replaced most of the insurer's manual remittance tasks with image-enabled processes and workflows. ItemAge uses courtesy and legal amount recognition to automatically read the amounts on checks and remittances, significantly reducing the need for manual keying. The system also electronically archives images of payments, eliminating paper-based storage, and allowing staff to instantly retrieve processed items to respond more quickly to inquiries from policyholders regarding payments. And, ItemAge allows the insurer to set hot lists of cancelled policies, or policies set to be cancelled; the system automatically stops payments from being posted to these accounts.

What's more, at the end of each processing day, ItemAge creates a file of payment information that is imported into the insurer's SCIPS receivables system; all of the payments are automatically posted.

The efficiencies provided by ItemAge has enabled the insurer to eliminate the equivalent of one full-time employee -- a big savings for a relatively small operation. Additionally, Farmers Mutual Fire Insurance Company of Salem County now processes all of its remittances the same day they are received, usually in about two hours. When it manually processed remittances, the insurer frequently had to "hold-over" work on its busiest days (typically Mondays), impacting funds availability.

### Building on Success

In 2010, Farmers Mutual Fire Insurance Company of Salem County began using a third-party Check 21 service to electronically deposit checks. The service eliminated the need to physically transport checks to the insurer's depository institution, and provided next-day funds availability. However, the service didn't offer adequate reporting, online research or returns management capabilities.

## Robust & Affordable Check 21 Solution

"These were big issues," recalled Tom Cornish, the insurer's controller. "The service had an inferior Web site, poor reporting, and items were often incorrectly flagged as returns. It was pretty bad."

After investigating the availability of a solution from its depository institution, in 2011 Farmers Mutual Fire Insurance Company of Salem County selected the Check 21 service from Creditron and its partner, Huntington Bank, a \$56 billion regional bank holding company based in Columbus, OH.

The insurer's positive experience with Creditron was a key factor in its decision. Additionally, Creditron's existing partnership with Huntington Bank, and its familiarity with the specifications for the bank's transmittal file, meant the insurer could be "up and running" in a matter of weeks (in fact, most of this time was to provide the bank with paperwork required for the Patriot Act). And, the insurer could use the Check 21 service without impacting its existing depository relationship.

At the end of each processing day, the insurer's ItemAge system generates a Check 21 file that is transmitted to Huntington Bank for processing and electronic clearing. The insurer automatically receives an e-mail notification that the file was transmitted and received by the bank. "This limits the opportunity for human errors," Corish explained. The insurer also can visit Huntington Bank's Web site to verify that files were transmitted and research funds being wired into the insurer's account at its depository institution -- something it couldn't do with its old service. The bank's Web site also allows the insurer to electronically manage any returns, which are displayed with a reason code.

Moving to the Creditron/Huntington Bank Check 21 service has eliminated the frustration the insurer experienced with the reporting, online research, and returns management capabilities of its old Check 21 service -- all with the same funds availability and same per-item Check 21 fees it used to pay.

"It doesn't get much easier than this for ItemAge users looking for a robust and affordable Check 21 solution," Cornish concluded. "The implementation is pretty easy, and the benefits are tangible and immediate. For non-ItemAge users, this service is another reason to partner with Creditron."

"After 5 1/2 years, we still think Creditron is at the top of its game," Cornish said.

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