



RANDY WHEELER, CEO of Valley Oak Systems, says that often technologists don't listen to the needs of the people for whom they are supposedly writing software. As a result, adjusters and claims professionals feel a sense of frustration.

● **PROFILE**

An Executive Blossoms

Randy Wheeler nurtures a sapling of a company into a serious software contender. BY CYRIL TUOHY

In Randy Wheeler, CEO of Valley Oak Systems, the insurance claims industry had its own version of the young entrepreneur toiling away at a startup in the garage. Except that in this case, it was in the spare bedroom of Wheeler's apartment.

That was back in 1994, when he was starting a company known as Valley Oak Systems, a claims software company that was sold to Aon in March for an undisclosed sum.

In those days, as is so often the case with companies in their infancy, it was touch-and-go for Wheeler. The weeks and months were marked by a mixture of trepidation and excitement at being

on his own after more than a decade with software companies.

At a time when young graduates were grabbing the headlines by making it big and bigger with a phenomenon called the Internet, Wheeler was plugging away writing code in the solitude of an apartment trying to make the paper-clogged claims pipeline of the insurance industry more efficient.

"We had nothing to do with the dot-coms at the time," he recalls. "We were just another small company."

Growth was difficult and incremental, and it certainly was nothing like some of the Silicon Valley

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startups that splashed into the popular media. No venture capital titans came calling, no national magazines commissioned cover shoots.

For Wheeler, back in 1994 when San Ramon, Calif.-based Valley Oak Systems was born, it was just himself, his new company and a little help with seed money and encouragement from customers like Allianz.

Wheeler, who had spent more than a decade with larger, more established software firms, finally got the break he was looking for in 1999. Catholic Healthcare West, a San Francisco-based network of 42 hospitals in California, Arizona and Nevada, with more than 7,000 acute-care beds, signed up to use the company's software to process claims.

The University of California followed in 2000, and then Marriott International in 2001. With those three "majors" under his belt, Wheeler and Valley Oak were on the claims map.

"It was not the classic 'hockey stick' growth, but it was steady upward movement," he says.

Since then, a number of companies have signed up for Valley Oak's software: Federated Department Stores, the retail giant and owner of Macy's; Acacia Pacific Holdings, an insurance holding company; Broadspire, a third-party administrator that has since been bought by Atlanta-based Crawford & Co.; Attenta, a provider of claims and risk management services to the self-insured marketplace, which has since merged with Frank Gates Cos.; and LTC Alliance LLC, an Albuquerque, N.M.-based provider of risk management and loss-control services to the healthcare industry.

On the public-sector side, Valley Oak has also captured some large clients over the past five years. They include California State University Risk Management Authority; the city of San Francisco; the city of San Diego; Workforce Safety & Insurance, the workers' comp carrier for North Dakota state employees; the Canadian provincial government of British Columbia; San Bernardino City Unified School District; and Golden State Risk Management Authority.

Now that Valley Oak is an independent subsidiary of Chicago-based brokerage behemoth Aon, and Wheeler doesn't have quite as much influence as when the company was on its own, he looks back upon the past decade and is proud of the organic growth his company was able to achieve.

FILLING A NEED

The story of Valley Oak is the story of how Wheeler found a need in the insurance industry and then filled that need to the best of his ability. It was from 1989 to 1994, as director of client services for San Francisco-based Marathon Systems Inc., which managed a DOS-based claims management system for carriers, self-insured companies and TPAs, that Wheeler got his first glimpse of the insurance industry.

What he found was an industry with "smart people where there are probably good reasons for people using paper," he says.

Indeed, the foot soldiers of the industry were swamped in paper. But the reasons for it appeared even more mundane: computer systems that were incapable of bridging different platforms, government jurisdictions requiring paper copies of policies, inertia on the part of claims departments that saw no reason to change.

Wheeler says he just went deep into the details of the claims industry and asked people what was going on. He went so deep, in fact, that people still mistake him for a former claims adjuster and underwriter.

“I still go out, and people say, ‘Did you used to be an adjuster or an underwriter?’” he says.

Wheeler considers these among the most satisfying moments of his career because they show he took the time to learn about the industry and listen to what people were telling him.

“I still get goose bumps thinking about it,” he says.

What also struck him about the industry, despite the mountains of paper used to process insurance claims, was the willingness of people in the claims industry to take the time and explain the shortcomings of

the systems they were working with.

Wheeler says he learned that, all too often, complaints from claims adjusters were falling on deaf ears because they were just talking to technologists who were more interested in adding yet more features to applications for which they were responsible, instead of meeting the needs of adjusters.

“The lesson doesn’t get absorbed,” he says. “The tech folks would rather say, ‘I’d rather do the fun stuff.’”

DOS-based systems, he says, were just not good at processing workers’ comp and general liability claims,

A Chapter Comes to an End

In March, the claims software company Valley Oak Systems was sold to Aon, ending a 13-year chapter for its CEO Randy Wheeler, who started Valley Oak in 1994.

Asked about the most important lesson of the past 13 years, Wheeler says it boils down to listening to clients.

“In going after carriers my advice is to truly listen to what people are telling you and consult with them to understand what their needs are. Understand the carriers’ structure and the challenges they present, and the hot buttons that carriers have.”

The advice sounds like something straight out of a sales manual. Yet it’s amazing how often the advice is ignored, he says.

Too often, he says, technology companies surrounding the insurance industry are more interested in selling the latest version of a software application than making sure the original application meets the needs of potential clients.

Carriers come in all shapes and sizes, and their managerial structures differ even though the carriers all have the same goal: to make whole companies that have suffered a loss. They all have “vastly different DNA,” he says.

Publicly held stock companies, mutual insurance companies, self-insured companies and companies that spread risks through a pooling mechanism are all very different, he says. Each requires a different approach.

“You’ll get twisted into a pretzel if you go in thinking they are all the same,” he says. The only way to solve the issue is to spend hours and hours talking to the carriers themselves, and make sure you listen. “Understand that they come in different shapes.”

Wheeler also says that for technology companies like Valley Oak, hiring the right people is of paramount concern.

“The one key thing with technology companies is hire great people and put focus on that,” says Wheeler. “I still interview everybody that joins the company. It’s the questions that I ask folks. Hiring good people should be the only challenge.”

Valley Oak’s employees, Wheeler included, are expected to remain with the company, an independent subsidiary of Aon.

—Cyril Tuohy

hence the need to come up with a better system. He wasn’t alone in his dissatisfaction with DOS-based technologies.

A generation of young technical talent working in Silicon Valley was about to transform the landscape of desktop applications with browser-based software that in a blink would make the previous generations of desktop software obsolete.

Three days after leaving his job at Marathon, Wheeler, a 1979 graduate of Worcester Polytechnic Institute in Worcester, Mass., and an avid gardener, headed north of Bakersfield into California’s Inland Valley, home to the Valley Oak tree. There he started Valley Oak Systems. The oak leaf became the company’s logo.

In a spare room in his home, he began writing code in an effort to process insurance claims more rapidly and more accurately.

Not only did Wheeler write code on his computer, he wrote it all over the walls of his apartment, recalls Scott Schimke, executive director of risk management, Golden State Risk Management Authority, a risk-sharing insurance pool for property, liability and workers’ comp risks. “Every inch of the room was covered in it,” says Schimke.

EVEN-KEELED

Wheeler is as even-keeled as they come, says Schimke. While writing code may have been Wheeler’s obsession once upon a time, that’s no longer the case. Now a father of two, Wheeler’s interests also run from horses to fine wine to ice hockey.

“He’s very personable,” says Schimke. “He’s not A-type. You don’t get the impression he’s wound so tight he’s going to explode. Underneath that, he’s turning and burning. He’s worked a lot of hours. This hasn’t happened overnight.”

Perhaps that’s why Wheeler encourages his employees to take risks and venture out on their own, as he did.

Former employees of his have left Valley Oak to start small businesses. One started an embroidery shop, another a sandwich shop. Some have even left to start competing companies, he says.

Wheeler says he has no plans to leave Aon, and the existing staff of Valley Oak will remain in place, according to an Aon statement. In fact, Wheeler talks as if his work’s just getting started now that the company’s finally got the backing of a *Fortune* 250.

For the moment, he’s busy filling out the rest of his management team and trying to steady a firm that grew by 45 percent last year.

The latest addition to the management team is Jim Wedster, director of new product development, who is expected to help Valley Oak blossom as Aon, with more than 500 offices in 120 countries, pushes for growth into new markets for Valley Oak’s browser-based claims management system known as iVOS.

“Some of our carriers have 12 languages,” says Wheeler. “That’s a whole new area for us.”

FUTURE PLANS

In a joint statement issued earlier this year with Kathleen M. Burns, CEO of Aon’s eSolutions Group, the executives announced plans to expand the iVOS software on a global scale.

“Moving forward, VOS will be able to leverage Aon’s premier network to accelerate growth and globalize its iVOS solution,” the statement read.

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