Amica:
IBM and Amica Build a "Virtual Branch" on the Web

An IDC e-business Case Study

THE RESULTS

"Since we introduced Access Amica, we've experienced a dramatic increase in our Web site traffic. We see this as an indication of the underlying demand for Web-based services in our customer base, as well as a reflection of the quality of the solution put together by the IBM Global Services and Amica team."

THE GOAL

NEAR-TERM:	To improve access to Amica and to provide a rich array of services to policyholders via the Web.
LONG-TERM:	To strengthen policyholder satisfaction and to attract new, Web-savvy policyholders.

THE COMPANY

VITALS:	Established in 1907, Amica provides Automobile, Homeowners, Personal Excess Liability and Marine insurance. With assets of nearly $3 billion, Amica employs 3,000 across 42 offices nationwide.

THE SOLUTION

PROFILE:	B2C customer self-service solution
DEPLOYMENT TIME:	16 months (3 phases lasting 6, 6 and 4 months, respectively)
IMPLEMENTATION TEAM:	IBM Global Services, Amica Corporate Communications and Amica IT personnel

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Table of Contents

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The Solution

Core Functionality

- B2C Web-based customer self-service solution

Software

- IBM WebSphere Application Server
- IBM DB2 Universal Database
- IBM MQSeries
- IBM VisualAge for Java
- IBM CICS

Services

- IBM Global Services
- IBM Global Services Web Hosting

Benefits

- Higher customer satisfaction
- Sustained high level of customer retention
- Increased new customer acquisition

Founded in 1907, Amica has emerged as the gold standard for premium customer service in the insurance industry. By providing its policyholders with highly personalized customer services, Amica has achieved a customer retention rate of over 95 percent. Amica's premium customer service—and the resulting high rate of customer retention—has become an increasingly important source of competitive differentiation. Thus, as competition increases in the insurance industry, Amica has continually sought ways to provide maximum value to its policyholders. This increased competition has also led Amica to strengthen its market presence outside of its traditional area of concentration, the Northeast. Amica views Web technology as one of its most important tools in addressing both of these strategic issues.

Amica's Web-based solution, known as Access Amica, represents the company's interactive platform targeted to both policyholders and non-policyholders. Access Amica delivers rich content as well as transactional services. Designed and developed by IBM Global Services, the Access Amica solution employs a rich array of IBM technologies, including VisualAge for Java, WebSphere Application Server, DB2 Universal Database, and MQSeries. The selection of IBM Global Services reflected Amica's trust in its ability to build a truly end-to-end solution—a trust solidified by IBM's long and successful history of providing Amica with reliable, high-performance solutions.

As its name implies, the primary goal of the Access Amica solution is to improve access to the company for both existing and prospective policyholders. Since Access Amica was first introduced in November 1999, Amica has experienced a dramatic increase in its Web site traffic. The company sees this as an indication of the underlying demand for Web-based services in its customer base, as well as a reflection of the quality of the solution put together by the IBM Global Services and Amica team. In the first month following the introduction of Access Amica, the number of site requests rose 170%, while the number of visits increased by 145%.

Looking back on its IBM Global Services engagement, Amica sees the overall quality of experience as exceeding its already-high expectations on a wide variety of fronts. Amica lauds the sense of pragmatism and 'can-do' attitude that pervaded all aspects of IBM's development effort. Amica also reserves high praise for the IBM technology elements that were used to create a secure, seamless solution linking Amica's Web environment to its server environment. Amica believes that the IBM Global Services and Amica team succeeded in the challenging task of building a Web-based solution that fully reflects Amica's service culture.

! **Business Environment**

Since its founding as America's first mutual insurer of automobiles, the Amica Mutual Insurance Company has emerged as one of the insurance industry's quiet success stories. Growing mainly through word-of-mouth and referrals, Amica now serves half-a-million policyholders, with offerings including automobile, homeowners, personal excess liability and marine insurance. With nearly $3 billion in assets, Amica's financial strength has made it a standout in an industry where financial stability is of paramount importance. But perhaps most importantly, Amica has set the standard for premium customer service in the insurance industry. By providing its policyholders with highly personalized customer services—whereby policyholders often ask for a specific representative by name—Amica has achieved an eye-popping 95 percent customer retention rate.

For Amica, providing high-quality customer service represents a core element of its business strategy, as well as an important source of competitive differentiation. Indeed, its practice of directly writing personal insurance—whereby it eschews the use of agents and brokers in favor of Amica professionals—is intended to ensure a "no compromises" approach to customer service. In

recent years, industry and market dynamics have attached even more strategic significance to Amica's service-based differentiation approach. Specifically, slowing market growth has led to aggressive price cutting, as insurers nation-wide have sought to increase their market share. With the consumer market (the segment served by Amica) increasingly willing to shift providers for lower rates, the need to increase customer loyalty has never been more acute. The high level of loyalty within the Amica customer base attests to the success of its service-centric strategy in keeping churn to a minimum.

! e-business Challenge

Amica's e-business challenge is closely interwoven with its primary business-level challenge: continuing its growth in the face of flat industry revenues, falling rates, and increased competition. Thus far, Amica's main strategy for growth has been geographic expansion—it now operates 42 offices in 27 states—as well as a major advertising campaign designed to raise Amica's profile outside the Northeast, its traditional stronghold. Recognizing the need to expand its range of channels, Amica has also embraced the Internet as a significant new distribution and communications channel.

According to Margaret Munroe, a Senior Assistant Vice President closely involved in Amica's Web initiatives, the embrace of Internet technology posed both a strategic opportunity and a challenge to the company. "We were com-mitted to becoming an e-business early on," says Munroe. "But before we forged ahead it was important for us to articulate exactly how the Web was going to fit into our strategy. Ultimately, we concluded that the Web would essentially function as a 'virtual branch office' for Amica."

Munroe and her team recognized challenges inherent in replicating Amica's highly personal style of customer service delivery on the Web. As such, the Amica team's early planning was guided by the principle that the customer interaction process should be as similar as possible to physical processes. "We were firm in our commitment to ensuring that our Web-based services kept the focus on the individual, which makes Amica stand apart," says Munroe. "This meant that we needed to provide both present and potential policyholders with a rich array of information and services while maintaining the kind of personal-ized feel that we are known for."

> ## e-business Challenge
> ### Amica
>
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>
> —Margaret Munroe, Senior Assistant Vice President, Amica

! First Steps

Amica's recent Web initiatives were driven by its Corporate Communications division, which worked in conjunction with an Internet planning committee whose members were drawn from across the company. Early in the planning process, Amica conducted a series of focus groups among current and prospective policyholders, with the aim of identifying their needs and preferences. The focus groups' findings pointed to information—accurate, timely, and easily navigable—as the key element of a successful Web-based service offering. "Our research was valuable because it confirmed our belief in the importance of delivering solid, useful information to our key audiences," notes Munroe, who headed Amica's Internet committee. "These findings also had a significant impact on our decision process because it underscored the importance of choosing a vendor who could enable us to fully leverage our legacy systems."

! Decision Criteria and Process

Amica considered approximately half-a-dozen vendors in its search for a solution provider, ultimately selecting IBM Global Services to develop and host the solution. As Munroe points out, the selection of IBM Global Services reflected Amica's trust in IBM's ability to build a truly end-to-end solution. "We realized that while any number of vendors could create a compelling Web front end, the ability to provide realtime access to legacy systems is where the rubber meets the road," says Munroe. "We saw IBM as truly unique in its ability to build such a solution—and this is what really pushed our decision."

James Devine, Senior Vice President of Corporate Information Systems, adds that Amica has had a long and successful history with IBM as a solutions provider. "Our e-business initiative was a very important project for the company; it represented a strategic juncture for the company," says Devine. "The strength of IBM's reputation—developed over a long and successful relationship—gave us the confidence we needed to proceed."

In addition to the sheer depth of IBM's legacy integration expertise, Munroe also points to IBM's proven ability to collaborate with Amica's internal staff as a major reason for its selection. "We chose IBM because we wanted a collaboration that would reflect the same kind of dedication to us that we have toward our policyholders," says Munroe. "We wanted a provider who could work with our own people in a team environment—and not simply drop a solution on our lap and walk away."

The final factor underpinning Amica's decision to select IBM as its Web solutions partner was its faith in the strength of IBM's technology—a faith bolstered by years of success running mission-critical applications on IBM-

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Key Decision Criteria
In Selecting IBM

"We realized that while any number of vendors could create a compelling Web front end, the ability to provide realtime access to legacy systems is where the rubber meets the road. We saw IBM as truly unique in its ability to build such a solution—and this is what really pushed our decision."

—Margaret Munroe

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powered solutions. Having established the Web enablement of its business processes as a long-term goal, Amica was acutely aware of the need to build a solution that could keep pace with its changing needs—as the volume and complexity of its e-business ramped up. As Dave Dwyer , Amica's Web Supervisor explains, IBM's Application Framework for e-business provided valuable guidance to Amica as it was laying the groundwork for its e-infra-structure. "We anticipate that e-business applications will become more and more ingrained in all our processes," says Dwyer. "As such, we were drawn to IBM's Application Framework for e-business because of its focus on scalability—which will help us as we grow—and its ability to integrate with other applications we've built—which will minimize our development costs and the length of our development cycle."
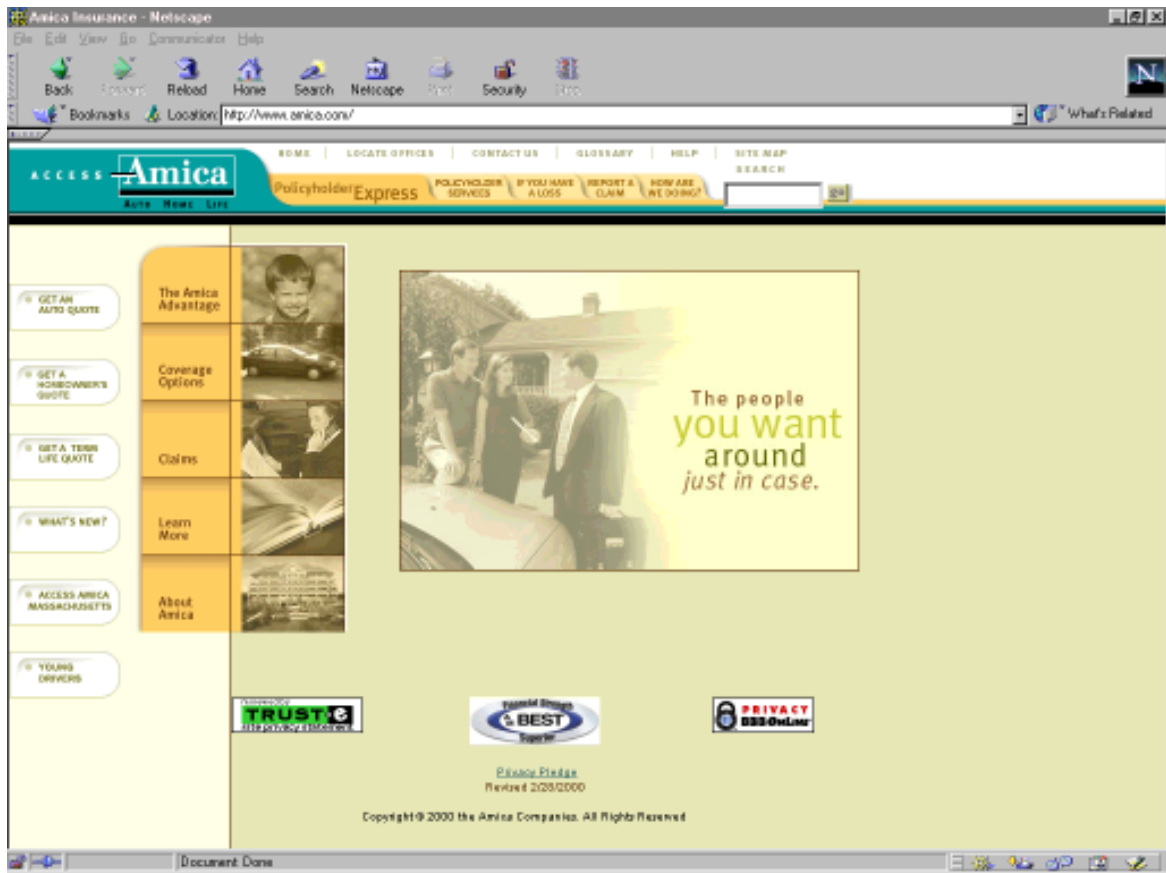
! The Access Amica Solution

Amica's Web-based solution, known as Access Amica (www.amica.com) represents the company's main platform for interacting with both existing policyholders and the general public. In addition to company information, non-policyholders accessing the general Amica site can presently view information designed to support their insurance decisions as well as consumer safety information. Under the Access Amica umbrella, Amica targets its policyholder community with a range of advanced services collectively known as "Policyholder Express." Amica customers using Policyholder Express can gain access to detailed billing and account history information, pay bills and report claims online.

Examples of recently added features of Policyholder Express are the ability to obtain auto, homeowner and excess liability insurance quoting online. In the near future, Amica will offer policyholders the ability to view their policies online. This feature, known as policy presentment, represents an especially complex aspect of the solution due to its reliance on linkages to Amica's legacy systems.

Amica's solution employs a rich array of IBM technologies, including VisualAge for Java, WebSphere Application Server, DB2 Universal Database, and MQSeries. Amica's Web server—running on a Windows NT server located at the IBM hosting facility in Boulder, CO—is connected via a frame relay private line to another NT server running WebSphere Application Server at a data center in Amica's Lincoln, RI headquarters. Located behind Amica's firewall, the server running WebSphere Application Server is linked in realtime to a number of DB2 databases via MQSeries. These databases, which reside on Amica's IBM S/390 Parallel Enterprise Server as well as a small number of database servers, are used to store a wide variety of customer, policy and pricing information. The development team employed VisualAge for Java as its primary development platform, and used IBM MQSeries to create realtime linkages between WebSphere Application Server and the DB2 databases running on Amica's S/390 platform.

Access Amica
at a Glance

User Profile

- Existing and prospective Amica policyholders

Security

- Password-based access for existing policyholders
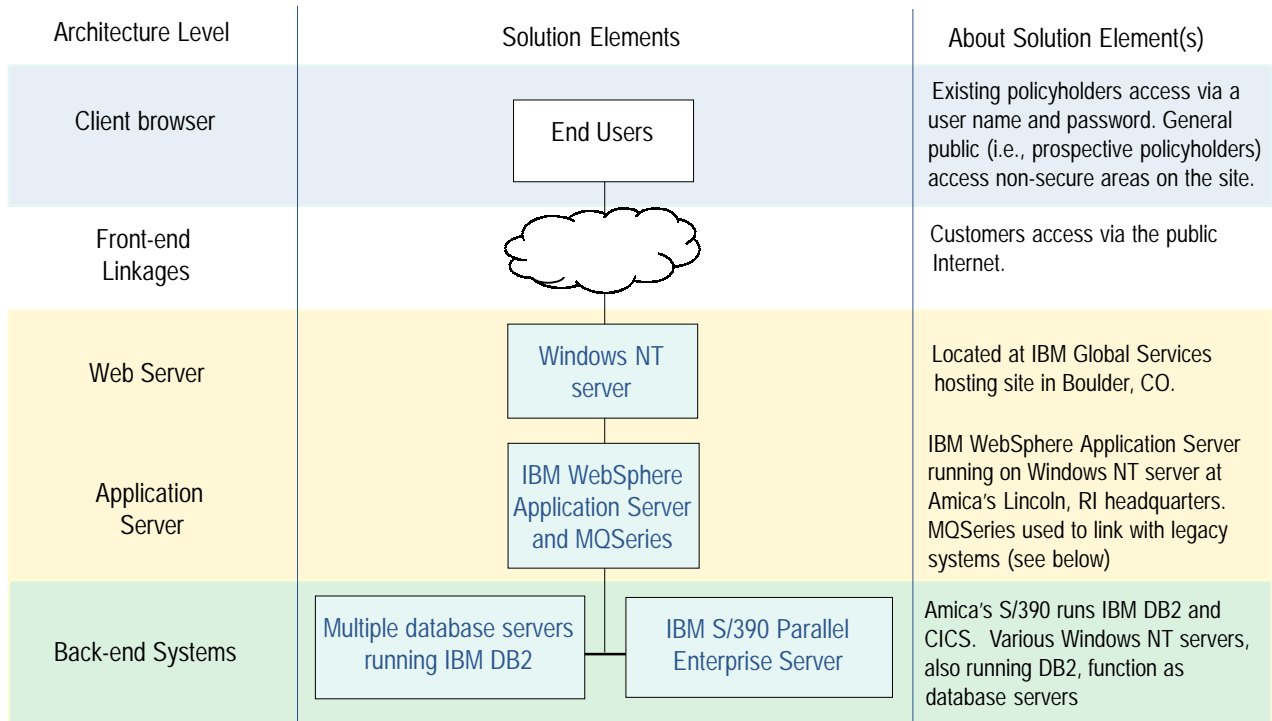
Content-based Services

- Online billing and account history information

- Online quoting of auto, homeowner, and excess liability insurance

- Online policy presentment

Transactional Services

- Online bill paying

- Online claims reporting

Figure 1:
Basic Architecture of the Access Amica Solution

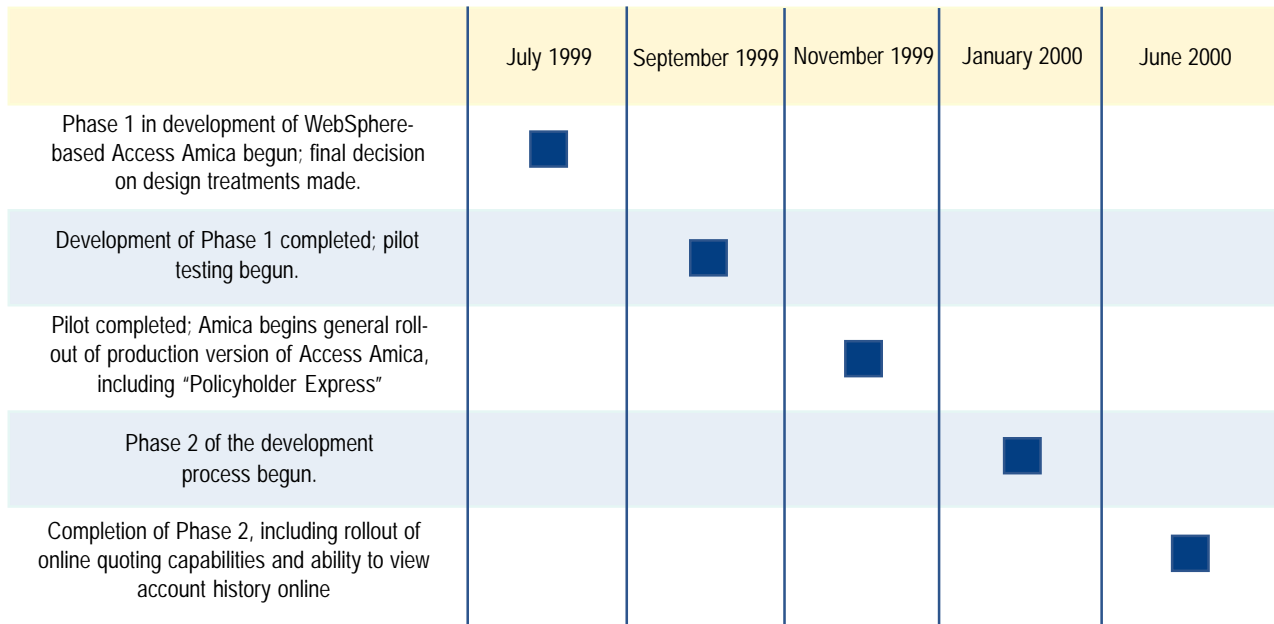| Architecture Level	Solution Elements	About Solution Element(s)
Client browser	End Users	Existing policyholders access via a user name and password. General public (i.e., prospective policyholders) access non-secure areas on the site.
Front-end Linkages		Customers access via the public Internet.
Web Server	Windows NT server	Located at IBM Global Services hosting site in Boulder, CO.
Application Server	IBM WebSphere Application Server and MQSeries	IBM WebSphere Application Server running on Windows NT server at Amica's Lincoln, RI headquarters. MQSeries used to link with legacy systems (see below)
Back-end Systems	Multiple database servers running IBM DB2 IBM S/390 Parallel Enterprise Server	Amica's S/390 runs IBM DB2 and CICS. Various Windows NT servers, also running DB2, function as database servers

Source: Amica and IDC

! Implementation Approach and Timetable

Amica's e-business solution was developed in three phases. Under the first phase, begun in July 1999 and launched in November 1999, Amica introduced its newly designed Web site (developed jointly by IBM Global Services and the Center for IBM e-business Innovation in Atlanta). Amica's Policyholder Express and online quoting features were also introduced during the first phase. Under the second phase of the deployment, begun in January 2000 and completed in June 2000, Amica broadened its online quoting capabilities and added the ability to view account history. Under the third and final phase of the current engagement, the IBM Global Services and Amica team is developing online policy presentment capability, under which policyholders will be able to view a copy of their insurance policies via the Web. As part of the current development phase, Amica also plans to introduce the ability to track the claims appraisal process (the standard procedure followed when a claim is filed) via the Web, providing realtime information on whether and when the process began and its current status.

According to Amica's Dwyer, who worked closely with the IBM Global Services team, the development effort was conducted in a modular fashion, with discrete teams focusing on specific aspects of the solution. "Each project team proceeded down their own development track and implemented their part of the solution individually," notes Dwyer. "For each element, the process was to deploy it, test it, and—if successful—open it up to the public." As Dwyer points out, this modular approach sped the development effort by enhancing the team's ability to isolate, diagnose and correct problems.

Throughout the process, the IBM Global Services team collaborated closely with Amica staff. During the legacy integration process, the IBM development team worked closely with Amica's technical, underwriting and marketing specialists to ensure that the solution conformed to Amica's vision. As the second phase of the development effort wound down, IBM Global Services again worked closely—and successfully—with Amica's technical staff on transfer-of-knowledge.

Figure 2:
Implementation Timetable for the Access Amica Solution

	July 1999	September 1999	November 1999	January 2000	June 2000
Phase 1 in development of WebSphere-based Access Amica begun; final decision on design treatments made.	■				
Development of Phase 1 completed; pilot testing begun.		■			
Pilot completed; Amica begins general roll-out of production version of Access Amica, including "Policyholder Express"			■		
Phase 2 of the development process begun.				■	
Completion of Phase 2, including rollout of online quoting capabilities and ability to view account history online					■

Source: Amica and IDC

IDC

As its name implies, the primary goal of the Access Amica solution is to improve access to the company for both existing and prospective policyholders. As Patricia Stadnick, Amica's Communications Manager, explains, Amica's Web solution is designed as an extension of Amica's traditional, highly personalized approach to customer contact—and in this regard, it is clearly succeeding. "Since we introduced Access Amica, we've experienced a dramatic increase in our Web site traffic," says Stadnick. "We see this as an indication of the underlying demand for Web-based services in our customer base, as well as a reflection of the quality of the solution put together by the IBM Global Services and Amica team." In the first month following the introduction of Access Amica, the number of site requests rose 170%, while the number of visits increased by 145%. Based on the latter metric—which provides a measure of the number of customers and prospects using the Access Amica site—the number of users has since increased nearly every month.

Stadnick believes that an expanded focus on delivering services will aid Amica in both attracting new customers and in keeping existing policyholders satisfied. "By providing a rich array of services and information via the Web, we
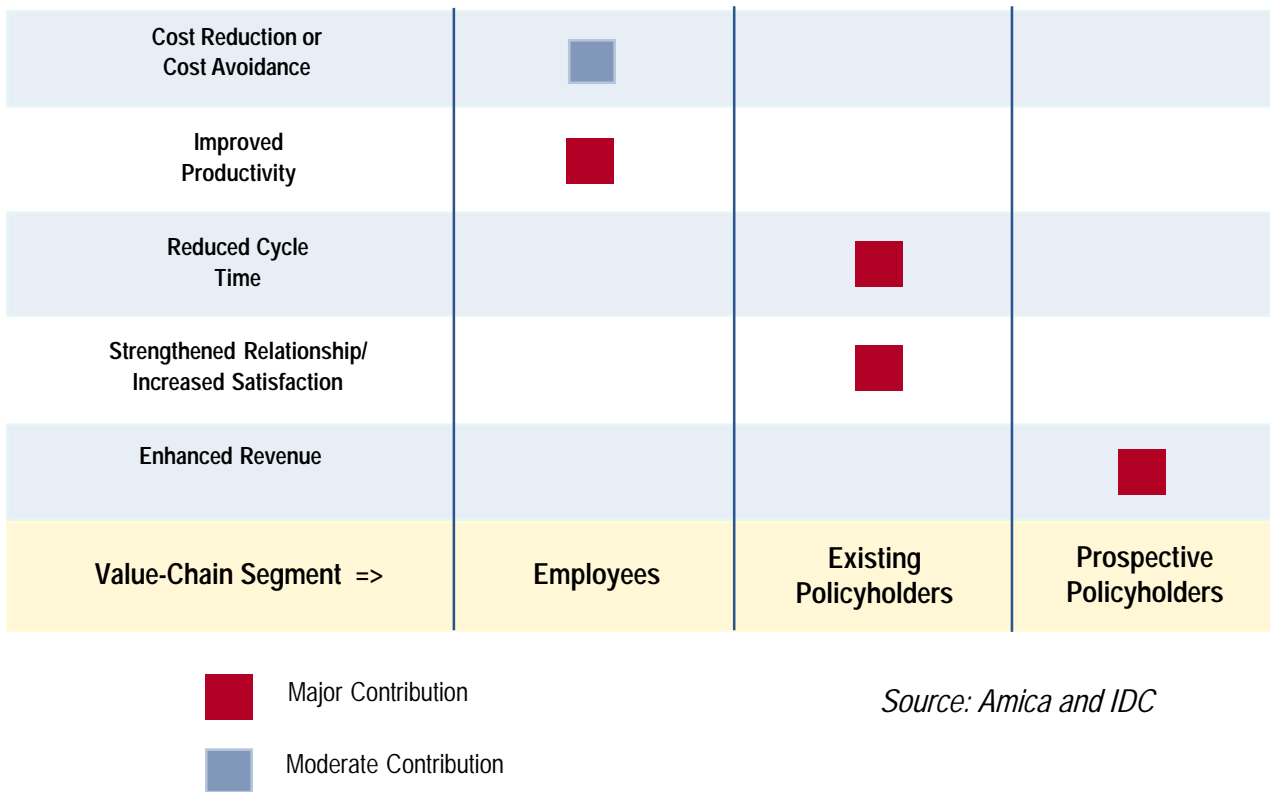
Figure 3:
Overview of Amica's Business Results Achieved

Business Process Area	Nature of Benefit	Description or Metric
Customer Service	Strengthened Relationship	Increased satisfaction among Amica policyholders
Sales and Marketing	Increased Revenue	Increase in new customer acquisition
Customer Service	Increased Access to Amica	145% increase in the number of visits to the Access Amica site
Customer Service	Strengthened Relationship	Maintenance of high (95%) customer retention rate.

Source: Amica and IDC

expect to strengthen our customers' satisfaction even further," says Stadnick, "which is consistent with our mission of being a completely customer-focused insurance provider." Amica also believes that its Web initiatives will have considerable appeal to prospective customers who see the Web as an ideal tool for making informed decisions about insurance.

Figure 4:
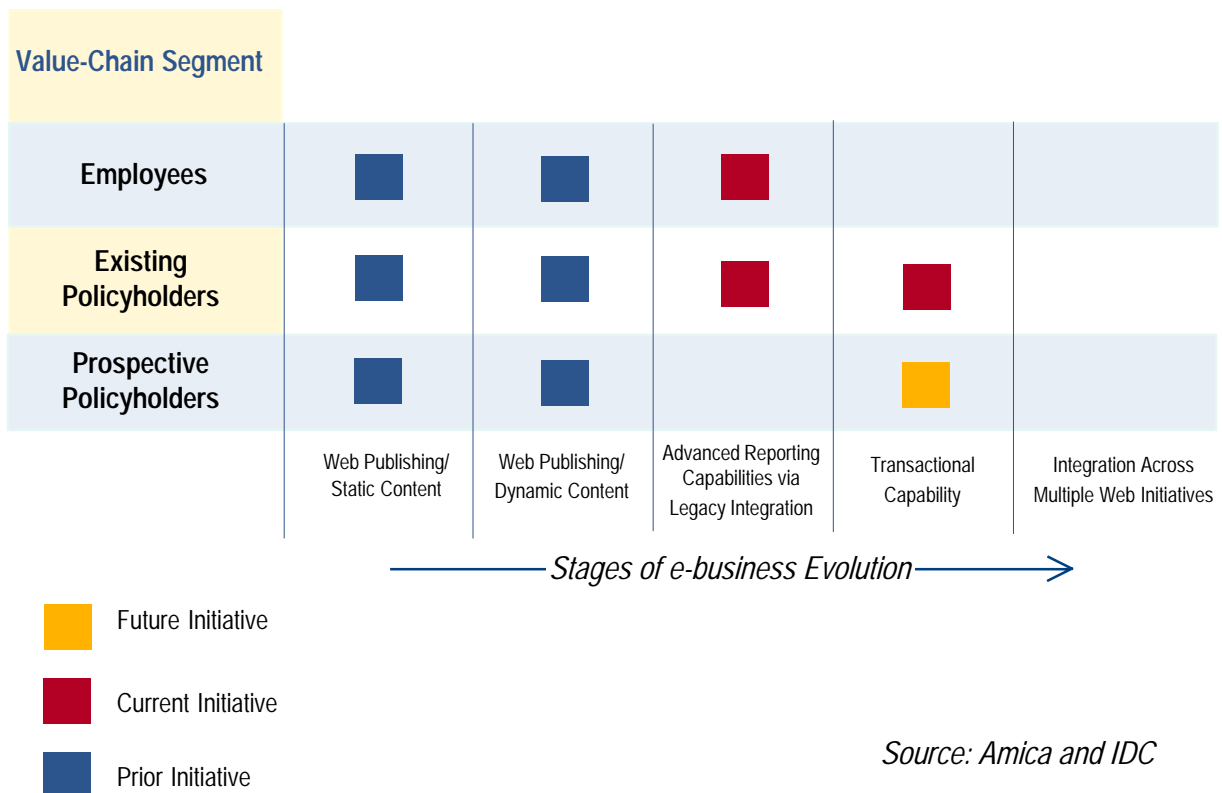## Expected Contribution to Amica ROI by Value Chain Segment

	Employees	Existing Policyholders	Prospective Policyholders
Cost Reduction or Cost Avoidance	■ (Moderate)		
Improved Productivity	■ (Major)		
Reduced Cycle Time		■ (Major)	
Strengthened Relationship/ Increased Satisfaction		■ (Major)	
Enhanced Revenue			■ (Major)
Value-Chain Segment =>	**Employees**	**Existing Policyholders**	**Prospective Policyholders**

■ Major Contribution

■ Moderate Contribution

Source: Amica and IDC

IDC

Looking back on its IBM Global Services engagement, Munroe sees the overall quality of experience as exceeding Amica's already-high expectations on a wide variety of fronts. "We really can't say enough good things about IBM's project management skills," says Munroe. "Nearly every aspect of this project has been on time and under budget." Munroe adds that IBM's project management skills were further complemented by its solid track record of team-building and collaboration with Amica's internal IT staff—especially in the legacy integration phase of the project. "The highly constructive relationship between our mainframe IT people and the IBM Global Services staff was largely the result of IBM's ability to create a team environment where everybody pulled together toward a common goal," says Munroe.

Amica's Dwyer, after working closely with the IBM Global Services team, points to an unremitting sense of pragmatism and 'can-do' attitude that pervaded all aspects of IBM's development effort. "Any issue that we have had, the IBM project manager has been willing to go to the ends of the earth—literally—to obtain the necessary resources for its successful resolution," explains Dwyer. "The IBM team has also shown an ability to think unconventionally, pointing us in directions that we didn't think of."

Figure 5:
Amica's e-business Evolution and Value Chain Focus

Value-Chain Segment	Web Publishing/ Static Content	Web Publishing/ Dynamic Content	Advanced Reporting Capabilities via Legacy Integration	Transactional Capability	Integration Across Multiple Web Initiatives
Employees	■ Prior	■ Prior	■ Current		
Existing Policyholders	■ Prior	■ Prior	■ Current	■ Current	
Prospective Policyholders	■ Prior	■ Prior		■ Future	

——— Stages of e-business Evolution ———→

- ■ Future Initiative
- ■ Current Initiative
- ■ Prior Initiative

Source: Amica and IDC

Dwyer also reserves high praise for the IBM technology elements that were used to create a secure, seamless solution linking Amica's Web environment to its server environment. "We're satisfied not only with the best-of-breed performance of solution building blocks like DB2 and WebSphere—but also with the way they interact and generally make for a more streamlined application development process," says Dwyer.

The final phase of the Access Amica engagement, begun in July of 2000, will add a number of new features to the Amica solution. One such feature, an online appraisal status tracker, provides policyholders that have filed a claim with information on the status of an in-process claim, including whether it has been done and when it was done. Another service now under development is the ability to save quotes that are generated online. "One of the key technical challenges of the [quote saving] service is the need to ensure secure storage, given the highly confidential nature of this information," notes Dwyer. "We're extremely confident that the IBM platform in general—and DB2 in particular—will deliver the robust, secure storage demanded by this service. We originally chose DB2 because of the richness of its functionality and performance, and its always lived up to its promise."

Munroe believes that the IBM Global Services and Amica team succeeded in the challenging task of building a Web-based solution that fully reflects Amica's service culture. "As a mutual insurance company—that is 100 percent owned by our customers—all our efforts are directed toward the interests of our customers. We feel IBM really helped us capture that special relationship on the Web. The success of Access Amica shows that in today's technological age we can still emphasize simple, core values that have led to customer satisfaction since our founding almost 100 years ago. Certainly it puts us on solid footing as we approach the next 100 years."

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