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Case Study

# **The Guardian Life Insurance Company of America**

Improving Business Responsiveness  
with an Extensive Enterprise  
Infrastructure

*By Geoffrey E. Bock  
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*A Patricia Seybold Group e-business on demand case study prepared for IBM Corporation*

# The Guardian Life Insurance Company of America

Improving Business Responsiveness with an Extensive Enterprise Infrastructure

*By Geoffrey E. Bock, Senior Vice President and Senior Consultant, Patricia Seybold Group  
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## EXECUTIVE SUMMARY

The Guardian Life Insurance Company of America is the fourth largest mutual life insurance company in the United States. As a mutual insurance company, Guardian is committed to delivering the highest performance and customer service to its policyholders. Despite the extremely challenging investment environment over the past few years, Guardian continues to deliver consistent results to its policyholders in the form of paying superior dividends.

Faced with increased competition and the continued economic downturn, Guardian began to focus on the business processes and systems that hindered its ability to provide a comprehensive view of market conditions or customer activities. Guardian looked for ways to enhance its ability to respond quickly and effectively to changing conditions and to evolving customer needs. Equally as important, the company realized it could do a better job of providing its sales force— independent agents and agencies—with effective tools for selling Guardian’s products.

To achieve these goals, the company knew that it had to undertake two interrelated steps. First, it needed to reinforce relationships with its sales channel and provide agents with automated tools for increasing their effectiveness. Second, the company needed to redefine its processes and systems in order to eliminate information “silos” and substantially improve the way it managed its information assets.

Toward these ends, the company concluded that it needed to manage its IT infrastructure not simply as a cost center, but rather as a core business function. This would permit the company to provide all its business units with a common platform and a single suite of information resources while controlling costs. Consequently, the company decided to invest in an enterprise architecture to rapidly develop and deploy a suite of competitive enterprise applications.

## Guardian as an Industry Leader

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### **A Mutual Life Insurance Company**

Founded in 1860, Guardian Life Insurance Company of America is the fourth largest mutual life insurance company in the United States. It underwrites a range of financial services products for both the personal and business markets. Guardian and its subsidiaries provide almost three million people with life and disability income insurance, retirement services, and investment products such as mutual funds, securities, variable life insurance, and variable annuities. The company also provides employee benefits programs to five million participants, including life, health, and dental insurance, as well as qualified pension plans.

Guardian has over 5,500 employees at its New York City headquarters and at other offices around the country. In addition to maintaining its own sales force, the company distributes its products through a nationwide network of over 2,800 financial representatives in 94 agencies. Of course, these insurance agencies and independent agents represent other carriers in addition to Guardian.

Customer service is a key to continued growth and profitability. Guardian competes for business by making it easy for insurance agencies and agents to sell its insurance policies and other financial services to individuals and companies.

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### **A Challenging Economic Environment**

Guardian's business relies upon its reputation for accessibility, professionalism, and performance, as well as the depth and quality of the long-term relationships it engenders with its policy-holding customers and their families. As a mutual life insurance company, Guardian is owned by its policyholders and returns profits to them in the form of dividends on their policies. It must manage its business by focusing on the needs of its policyholders and by generating long-term investment opportunities.

With customers as major stakeholders in the company, Guardian faces pressure to deliver both exceptional service and profitability, an increasing challenge in the current competitive and economic climate. In 2002, despite the overall economic downturn, Guardian's annual revenues grew 3.5 percent to \$7,192 million, thanks, in part, to a 19 percent increase in life insurance sales and a 23 percent increase in the sales of variable and fixed annuities. However, the company posted a \$283 million loss, compared to a \$170 million profit the previous year. The company needed to find a way to increase sales by improving the performance of its sales channel—the independent agents and agencies who sell Guardian's products to end customers.

## Guardian's Challenges: The Need for a Responsive Organization

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### **Stemming the Tide of Red Ink**

Guardian runs an information-intensive business. Guardian writes policies for individuals and businesses, collects information from policyholders and their employees, tracks on-going premium payments, and pays benefits.

Until recently, Guardian's existing processes and systems kept this information in vertical information "silos," segmented by separate business units. The company could not easily develop a consistent view of its overall business environment or gain a complete understanding of its customers and thus could not quickly respond to changing market conditions. Moreover, the lack of easy access to comprehensive information made it difficult for Guardian to provide its insurance agents with the resources they needed to quickly and profitably close new business.

With the economic downturn that began in 2000 and the ever more competitive business conditions engendered by the American recession in 2001 and 2002, Guardian decided that it had to focus on its overall business operations in general and its ability to manage its information resources in particular. Guardian had to stem the tide of red ink because investments in information technologies were increasing year over year, while projects fell behind schedule and did not achieve their intended objectives.

In short, the company had to make it easy for Guardian agents and brokers to sell Guardian's financial services products to their customers.

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## **The Business Issues Driving Responsiveness**

As the company began to assess the problems facing its sales and marketing operations, Guardian recognized that it was doing little to actually help its independent insurance agents, the lifeblood of its sales organization, close new business.

Agents did not have a single, consistent view of their clients and what products these people were actually buying from Guardian. They had no easy way to cross-sell or up-sell Guardian products. Rather, agents had to spend a great deal of time looking in multiple databases managed by separate business units in order to piece together information about all the different products their customers were buying from Guardian. They then had to develop their own strategies about what offers they should make to their existing customers. More often than not, agents did not have the time to do this kind of customer-centric research, and, as a result, they were not as well prepared as they could have been to help customers solve their problems.

### **KEY COMPONENTS**

#### **SOFTWARE**

- IBM WebSphere Application Server
- IBM WebSphere Portal
- IBM WebSphere Studio
- IBM WebSphere MQ
- IBM DB2 Universal Database
- IBM Rational Unified Process
- IBM Tivoli Access Management
- IBM Tivoli Identity Management

#### **SERVERS**

- IBM eServer zSeries

Furthermore, with the increased competition in the marketplace to sell insurance and annuities, Guardian needed to strengthen the value of business relationships across its sales channels. The company had to help the owners and managers of the independent agencies that represented Guardian's products retain key sales people and recruit new ones. While Guardian offers one of the best sales compensation programs in the industry, the insurance agents and investment brokers who worked for the independent agencies had no easy way to understand just how good it was.

Maintaining the integrity of the sales channel was key to driving a responsive offering. Guardian needed to develop effective business strategies for working with the independent agencies and helping the owners and senior managers retain and motivate their agents. The company sought to enhance relationships with these agents by providing them with essential information for closing more business and for remaining loyal to Guardian.

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### **The Costs of Information Silos**

Finally, Guardian needed to improve the ways it fostered internal employee communication, coordination, and collaboration by sharing information among business units. Traditionally, the separate business units within Guardian managed their own product lines and maintained their own information systems. For instance, the Individual Markets business unit, which sells life insurance through independent agents, functions separately from the Equity business unit, which sells investment products and annuities. It also functions separately from the Group Insurance business unit, which sells such products as medical, dental, and life insurance to small businesses.

These information silos lead to inefficient and costly operations. With separate business processes being implemented by separate systems, the company was not realizing the expected return on its IT investments. It was unable to integrate information across business units, which, in turn, limited the company's ability to quickly spot and to rapidly respond to changing market conditions. Faced with the need to reengineer many of its internal business processes, Guardian concluded that it should provide all of the business units with an integrated enterprise information infrastructure: a common platform, running on a company-wide Intranet, and relying on a single suite of information resources.

## **Guardian's e-business Strategy: Doing More with Less**

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### **A New Business Model**

Guardian needed to redefine and integrate its business processes—and the enterprise information infrastructure that supported them—to improve company responsiveness. Not only did it need to increase efficiency, but it also had to reduce costs. Guardian found that it had to do more with less.

For instance, as one of the first set of projects based on this enterprise information infrastructure, Guardian decided to launch an initiative to strengthen connections substantially with the agencies and their agents by providing its entire sales channel with more and better information about Guardian's products. This included providing:

- Insurance agents with faster and more efficient ways to determine what products their customers are buying from Guardian.
- Agencies and agents with a realtime financial model of what their future earnings are going to be, given their current book of business.

Guardian believed that, when agents can quickly assess sales opportunities and easily research cross-sell and up-sell options, they become more productive and have a better chance of closing more business. And, when agents can readily determine their future earnings in realtime, Guardian concluded that they will be more likely to remain loyal to the company and its products.

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## **Restructuring Internal Operations**

Guardian decided that it needed to substantially improve the way it organized and managed critical business information. The company realized that simply investing in information technology to improve stovepiped business processes was not enough.

The company needed to change the way it managed IT operations from being technology-driven to being business-driven. It needed to focus on the technology requirements that extend across the enterprise. Guardian decided to run and manage its IT organization as a business function. The business units would define their business needs and drive IT investment strategies and plans. The IT organization would then deploy cost-effective enterprise solutions, designed to meet or exceed these predefined requirements across all of the business units.

## **Managing IT as a Core Business Function**

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### **New Senior Management**

Guardian's emphasis on creating a responsive information infrastructure, targeting the needs of both its sales channels and its internal operations, was driven from the top.

The company reorganized its Information Technology Division and hired Dennis Callahan as the CIO in December, 2000, with a mandate to manage the IT organization as a core business function, supporting the efforts to redefine and automate business processes. His goal was to reduce overall IT development and maintenance expenses by 30 percent over three years, streamline application development activities, and deploy a responsive enterprise information infrastructure.

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### **Linking IT Operations with Business Strategy**

Callahan sought to develop strategic IT projects that would advance the company's business objectives while reducing costs. He proceeded to restructure and centralize the Information Technology Division to ensure that it would be responsive both to Guardian's policy-holding customers and independent agents, as well as to meet the needs of its operating business units.

Organizationally, Callahan linked IT operations with business strategy and defined a formal enterprise application architecture. Operationally, he invested in a component-based infrastructure that relied on the open standards of the Internet and the Web. "We

introduced a project management office,” Callahan emphasizes, “and established priorities to manage a portfolio of products.”

Callahan brought in Rick Omartian, Information Technology CFO and Chief of Staff, to manage IT as a business and to establish the project management office. Callahan also organized a central IT architecture group to drive technology strategies and product directions, headed by Jaime Sguerra, Second Vice President and Chief Architect. He is responsible for defining and managing the implementation of technology standards across the organization and reports directly to Callahan.

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### **Emphasizing Operations and Architecture**

Omartian concentrates on managing the cost of ongoing operations. He develops processes and procedures to run IT as a business and to ensure accountability for all investment decisions. He has formalized the financial management functions, the vendor management functions, and the project management functions across the enterprise.

Under Callahan’s leadership, Omartian implemented a business process to cost-justify technology investments. Every project over \$100,000 is evaluated against a return-on-investment (ROI) and a payback criterion of less than three years and must be approved by the CIO. Projects above \$1,000,000 now need to be approved by the Corporate Finance Department, as well.

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### **A Responsive Environment**

Callahan and Omartian have emphasized long-term planning to ensure that Guardian builds and deploys a responsive business environment. Rather than simply developing technologies with the expectation that line-operating divisions will adopt them, the Information Technology Division depends upon the business units to define functional requirements, to quantify business benefits, and to cost-justify investment decisions.

The Information Technology Division works with the separate operating divisions—including the Individual Markets Business, the Equity Business, the Group Insurance Business, as well as the Investment Business—to create technology blueprints for multi-year systems development initiatives, exploiting the capabilities of a Web-based infrastructure. These initiatives are designed to support the business objectives and revenue targets for the individual operating divisions and also to optimize the use of IT assets across the enterprise. Senior business systems officers (SBSOs) within the Information Technology Division are now paired with line managers and task teams in various business units to ensure ongoing communications and continuity of business planning functions.

Operating divisions are continually challenged to improve the quality of their customer service with sound investments while also economizing on their variable costs. They can respond to competitive challenges, market trends, and new business opportunities through a flexible, component-based enterprise architecture. The key to the success of these initiatives is providing Guardian’s agents and brokers with the relevant information they need.

## Guardian's e-business Initiative: Developing an Enterprise Architecture

### Beyond Information Silos

Guardian's enterprise architecture is a key driver for creating a responsive e-business environment, one that builds connections to insurance agents and brokers and also enhances information sharing among company employees. An overall timeline for defining, designing, and deploying this information architecture is shown in Illustration 1.

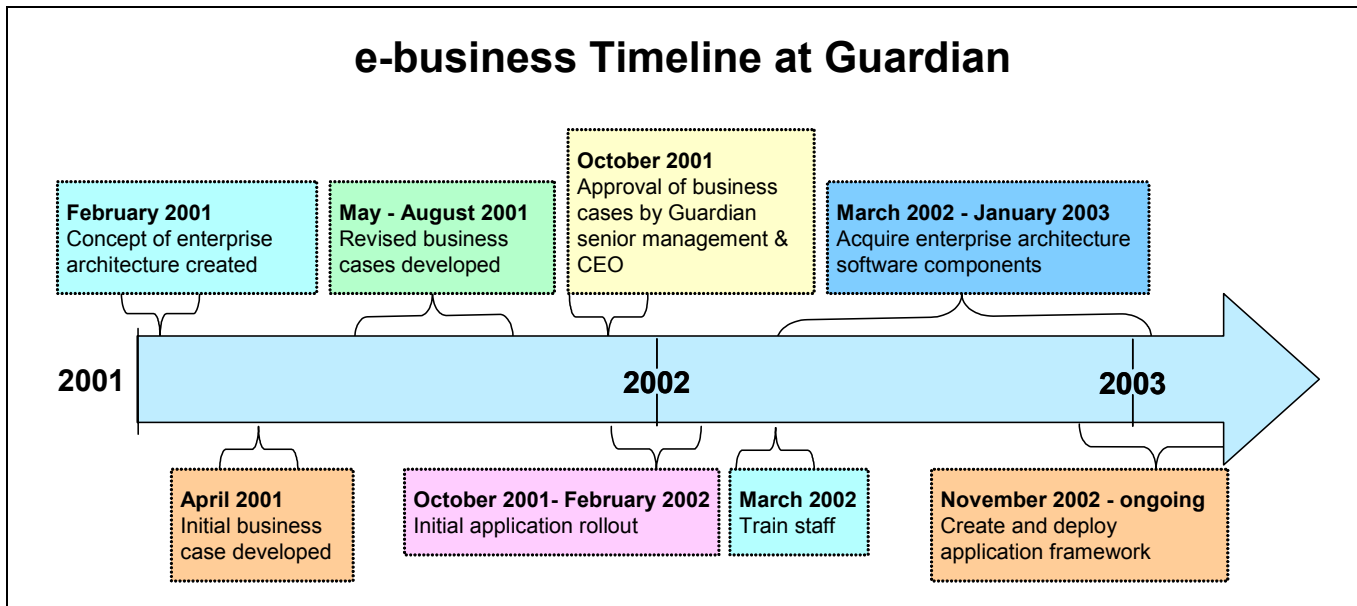


Illustration 1. Guardian has developed its enterprise architecture over a number of years.

As the Chief Architect, Sguerra designs the capabilities for a component-based infrastructure—combining select technologies with open standards and descriptions of best practices. He defined the capabilities of the enterprise architecture, identified the individual business components, and developed the related business processes for managing operations. Along the way, he and the architecture group organized the training “boot-camps” for application developers to learn about developing J2EE applications. The architecture group also develops sample code for individual applications and extensively documents the component-based infrastructure.

“Our strategy involves having a unique set of tools, standards, and best practices,” Sguerra explains. “We no longer have a siloed approach [to application development]. We want to get some uniformity across the tools and the ways we use them.”

The Guardian enterprise architecture relies on a Web-based infrastructure (see sidebar). It includes capabilities for integrating existing legacy systems. “We bet on open standards as the driving force behind our enterprise architecture and our ability to integrate with legacy systems,” Sguerra continues. As a result, he says, “we buy what we can and build what we must.”



## The Guardian Life Insurance Company of America

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Guardian implements individual business components once and then reuses them in multiple applications. This reduces the cost of implementation and saves time. For instance, Guardian provides standard components for changing the addresses of policyholders, accessing legacy databases, and distributing content to a series of Web pages.

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### **Relying on IBM Applications, Systems, and Tools**

IBM is a strategic technology provider to the Guardian initiatives. After considering offerings from competing vendors, Guardian selected WebSphere Application Server as the J2EE application server for the foundations for its Web-centric infrastructure. Guardian also selected WebSphere Portal as the end user-oriented environment for distributing information. IBM delivers essential Web-centric applications, systems, and tools, including WebSphere Studio, IBM's Java development environment.

“We rely on IBM to provide the best solution, at the best price, with the least risk,” Callahan comments. “But IBM has to win our business on its merits.” With an open systems infrastructure, there is no vendor lock-in. Rather, Guardian can select best-of-breed solutions that it can easily integrate into its industry-standard infrastructure. On occasion, after a thorough analysis of business requirements and technical capabilities, Guardian chooses applications from competing vendors.

Guardian continues to use IBM eServer zSeries to run transaction-oriented, line-of-business applications. Guardian relies on IBM WebSphere MQ as the messaging system for accessing and exchanging data and DB2 Universal Database as an operational data store. Guardian is in the process of implementing Tivoli Identity Management and Tivoli Access Management for key system management functions. It uses Rational Unified Process as its integrated development environment.

## **Guardian’s e-business Roll-Out: Empowering Insurance Agents**

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### **Making Information Readily Accessible**

Guardian is in the midst of rolling out a series of enterprise applications that cut across the information silos of its separate business units. It is initially concentrating on its sales channel by targeting Guardian insurance agents and brokers. “Guardian’s primary points of contact are the general agents who can sell anybody’s product,” Sguerra observes. “What we have been trying to do is create a number of tools to empower insurance agents to be more productive. We want to create slick products that make information readily available to them.”

These products, running on a company-wide intranet that agents also access, emphasize the two things that matter most to Guardian agents: Their customers and their overall compensation. These tools organize and present customized information from disparate sources stored in a data warehouse.

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### **A Single View of Business Information**

Guardian has launched two applications for its insurance agents that are designed to solve these problems—a Unified client view application and Financial Representative Modeling application. Both require Guardian to integrate information from its multiple

operational systems and provide its insurance agencies and agents with consistent views of disparate information sources. “We can now better attract and retain entrepreneurial agents and brokers based on the quality of the information technology we deliver,” reports Marc Linder, Second Vice President of Information Technology, who drives the implementation activities with the field sales organizations.

Time is of the essence. Guardian relies on WebSphere Application Server to support a range of component-based Web services. With this enterprise architecture in place, Guardian has been able to rapidly design and deliver these first two applications within six months.

**UNIFIED CLIENT VIEW.** The Unified Client View shows insurance agents all the financial services products that individual customers have purchased from Guardian. The Unified Client View consolidates data from disparate enterprise systems and provides insurance agents with a unified view of a customer’s entire book-of-business with Guardian.

Using a Web browser, insurance agents can search for information on a customer-by-customer basis and find all the information about individual customers on an integrated set of screen displays. They can enter a single query and quickly determine what insurance and financial services products various customers are purchasing from Guardian. As a result, insurance agents can easily identify cross-sell and up-sell opportunities.

**FINANCIAL REPRESENTATIVE MODELING.** Financial Representative Modeling shows insurance agents what the future value of the business they are doing with Guardian will be. Agents are compensated on an annuity basis—as a percentage of the premiums their customers pay.

This modeling tool is an important aspect of a larger business process. As Sguerra describes it, “If an insurance agency has a few employees and the owner wants to convince individual people to stay, the employer can model an agent’s income for the next 10 years and show him what he would lose” by moving to another agency.

“Future earnings can become a golden chain for people to stay, particularly when they know what they’re walking away from if they leave,” Linder continues. Once agents have the relevant information readily at hand, they can assess the financial impact of joining another insurance agency and having to reestablish a customer base.

Providing current information is essential for employee retention and for enabling agents to maintain ongoing relationships with their own customers. Dave Yager, Director of Field Operations, estimates that, “We have doubled the retention rates for agents in the life insurance business. This one application is universally hailed as an effective recruiting and retention tool.” Agents access all information from a consistent, browser-based environment that utilizes the underlying enterprise architecture, which is based on WebSphere Application Server.

## **Guardian's Results: The Business Benefits of an Integrated Environment**

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### **A Total Turn-Around**

Based on a well-defined enterprise architecture, Guardian's investment in an integrated environment is producing results. The Unified Client View and the Financial Representative Modeling applications have been big hits with Guardian's key business partners, the agents who sell its products. These applications demonstrate Guardian's responsiveness and ability to focus on core business processes.

"Overall, we've seen a total turn-around with our agents," Linder emphasizes. "I hear from these people, 'I used to do business with Guardian in spite of their technology. Now I do business with them because of it.'"

An enterprise architecture that leverages the open standards of the Internet and the Web is not only a means to an end it is also a way to reclaim leadership and ensure competitive advantage in a dynamic marketplace.

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### **Ensuring Responsiveness**

Managing IT investments to ensure responsiveness are key to Guardian's success. Over the past two-and-a-half years, IT expenses are down by more than 30 percent, and at the same time, the Information Technology Division is delivering increasingly strategic technology to the company.

"A big part of our success," Omartian explains, "is ensuring that our technology resources are aligned with the business strategies of the individual operating divisions and that our big investments have defined and measurable returns."

Investing wisely in Web-based systems and solutions brings a competitive edge. The services-oriented enterprise architecture, supported by WebSphere Application Server, provides Guardian with that edge.

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### **On Demand Business Results**

Guardian can respond to sales channel and market demands. With a keen eye on defined paybacks for IT expenditures, Guardian can quickly adapt its cost structures as its needs change.

On demand business results require effective management. "We are looking to get three things out of our investments in an enterprise architecture and an enabling infrastructure," Callahan emphasizes. "First, we want to enable the insurance agencies and agents who sell our products to distribute them more quickly and service our customers more effectively. Second, we want to be able to develop new products faster, based on a robust product portfolio and with a quicker time to market. And, third, we want to streamline our operations, take cost and time out of our operations, and enable us to benefit our policyholders as well as Guardian's bottom line."

An enterprise architecture defines an overall technology strategy. Guardian now optimizes its investment decisions by carefully managing its vendor relationships. Guardian is able to develop and deploy competitive business applications, emphasizing top-line business benefits while also carefully managing its bottom-line costs

## Future Directions: Delivering Business Services On Demand

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### **A Portfolio of Enterprise Applications**

For the future, Guardian will continue to focus on the portfolio of applications delivered through its enterprise architecture.

The Unified Client View and the Financial Representative Modeling applications demonstrate the technical feasibility and business benefits of the underlying enterprise architecture. Guardian is moving to create a series of Web-based applications, reusing the components of its enterprise infrastructure.

Guardian continues to invest in enterprise solutions that cut across existing information silos. A single project can meet multiple needs. For instance, Guardian is implementing a consolidated proposal system for its Group Insurance Business. Since it is built using a component-based infrastructure, Guardian can easily adapt individual components to deliver a comparable proposal system for its Individual Life Insurance Business as well as for its Equity business.

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### **Enabling Company Growth**

All in all, investing in an enterprise architecture is a means to an end because it builds a responsive organization that can reinforce relationships within the company's sales channel. Guardian is developing a resilient enterprise architecture that will enable the company to grow and effectively respond to promising business opportunities.

With its enterprise infrastructure in place, Guardian is well positioned to define and implement a series of customer-facing enterprise applications, driven by business value, that will create effective business processes for issuing insurance.

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## **Guardian's Architecture**

Guardian has defined a multi-tiered enterprise architecture as shown in Illustration 2. The company relies on reusable components, based on the open-standards of the Internet and the Web, to integrate the flow of information within its enterprise infrastructure.

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### **Incorporating XML**

Guardian's architecture uses a J2EE application server to organize and present Web browser-based page displays to Guardian's employees, insurance agents, and customers. The architecture incorporates XML as the self-describing information format for exchanging information among disparate enterprise applications. The architecture supports Web Services to invoke remote application functions.

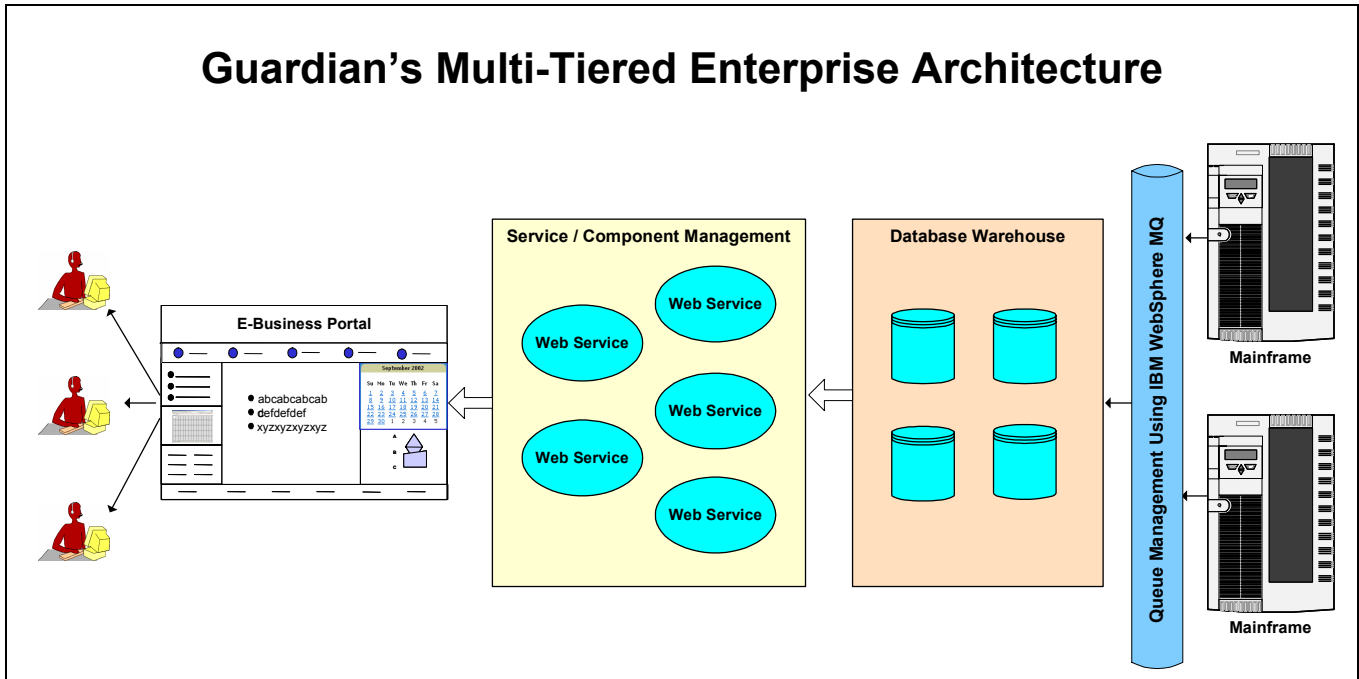


Illustration 2. Guardian has implemented a multi-tiered enterprise architecture. End-users access information from an integrated display environment, based on an e-business portal. This display environment relies on a J2EE services and component management infrastructure. Data from transaction-oriented, mainframe systems are organized and stored within a data warehouse and are then called by various services-oriented components.

**WebSphere Application Server**

Guardian relies on WebSphere Application Server as the underlying J2EE application server that is a core part of its enterprise infrastructure. The company uses WebSphere Portal together with Stellent Content Management Server (which provides a wide range of enterprise content management capabilities), as the environment for managing the customized delivery of information to end-users. Guardian developed a data warehouse for organizing and transforming operational enterprise data. The operational data for individual business units are maintained on eServer zSeries systems running CICS applications, as well as on other kinds of enterprise systems. Guardian uses IBM WebSphere MQ messaging as the request/response queues to access mainframe data and to move it into the application server environment.

**Tivoli**

The company is in the process of incorporating Tivoli Identity Management and Tivoli Access Management for key system management functions. Tivoli Identity Management provides policy-based identity management across legacy and e-business environments. It includes intuitive Web administrative and self-service interfaces that integrate with existing business processes to help simplify and automate managing and provisioning users. Tivoli Access Management for e-business is a policy-based access control solution for e-business and enterprise applications. It provides Single Sign-On (SSO) for authorized users and integrates with e-business applications to deliver a secure, personalized e-business experience.

### **Rational Unified Process**

Guardian uses Rational Unified Process as the integrated development environment enabling the development of its enterprise architecture. Guardian realizes that their software development process needs to be tied closer to their business processes. By incorporating the Rational Unified Process throughout its enterprise architecture team, Guardian ensures that developers can rapidly adapt to changing conditions and build applications that are reliable, scalable, and provide value to the company, its business partners, and its customers.

Guardian is now able to cost-effectively deliver line-of-business applications that empower insurance agents and foster customer relationships based on this enterprise architecture. Guardian has been able to implement a services-oriented rapid application development environment. Developers are able to implement a component once and then reuse it extensively within Guardian's enterprise infrastructure.

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### **Using WebSphere MQ**

Such applications as the Unified Client View and the Financial Representative Modeling require policy, cost, and other business data maintained by disparate legacy systems. XML adapters, and IBM WebSphere MQ messaging are key to pulling data from the existing operational data stores and data warehouses and aggregating the information into a series of Web-page displays. The WebSphere Application Server maintains the state of the individual applications and also provides the services for accessing and transforming the information, as shown in Illustration 2.

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