



ZURICH FINANCIAL SERVICES GROUP INSURER USES SAP® SOLUTION TO CENTRALIZE GLOBAL INVESTMENT ADMINISTRATION

“We have everything we need to expedite the preparation of financial statements while ensuring data quality and process security.”

Thomas Graf, Head of Investment Administration Services Switzerland, Zurich Financial Services Group

QUICK FACTS

Company

- Name: Zurich Financial Services Group
- Headquarters: Zurich, Switzerland
- Industry: Insurance
- Products and services: Insurance and financial services
- Gross written premiums: US\$59 billion (2008)*
- Employees: Over 60,000
- Web site: www.zurich.com

Challenges and Opportunities

- Manage large security positions and a substantial number of portfolios with a minimum of employees
- Efficiently implement the various local and international accounting standards and the increasing number of governance requirements
- Make data for financial statements available within just 4 working days after the closing date

Objective

Create a company-wide shared service center – a solid, flexible, and scalable platform for investment administration across the entire group

SAP® Solutions and Services

- SAP Financial Asset Management application
- SAP NetWeaver® Business Warehouse component

Implementation Highlights

- Only 7 months to bring the UK subsidiary to its first month-end close on the new platform
- Quick integration of new country organizations
- Customizability of standard functions to meet local requirements

Why SAP

- Standard solution in the insurance industry
- Consistency with corporate strategy
- Flexibility, design allowing quick integration, and a high degree of investment protection

Benefits

- Highly automated and scalable process platform for investment accounting services
- Secure and quick posting of local data in the general ledger
- Accelerated month-end financial reporting for securities (fast close)
- Rapid and precise mapping of country-specific requirements
- Efficient connection of national and international subsidiaries

* Gross written premiums, policy fees and insurance deposits



Security and customer satisfaction lie at the heart of the Zurich Financial Services Group (Zurich). The company also prioritizes these values internally – a fact reflected in its actions to provide international subsidiaries with efficient investment administration services based on the SAP® Financial Asset Management application. Zurich prides itself on “The Zurich Way of Finance” to harmonize all core business processes and enable the international subsidiaries and employees to work together efficiently. A common language and standardized procedures, measuring points, and tools for the more than 60,000 employees in over 170 countries are the keys to the company’s success. It is particularly important for the leading insurance group to post all its investment transactions quickly and securely and to value financial statements correctly. To do this, the company must comply with many local and international legal requirements. Previously, each of the international subsidiaries was responsible for ensuring this was the case.

Establishing a Single Platform for All Subsidiaries

At the Zurich subsidiaries in Sweden, the Netherlands, Luxembourg, Belgium, Italy, and the United Kingdom, however, the setup has changed: they now use centralized investment administration services based on a flexible platform and provided by Zurich Switzerland. SAP Financial Asset Management helps ensure fast, efficient, and secure data entry, posting, and valuation of securities investments.

The UK General Insurance Project

The SAP software platform based in Switzerland has supported investment administration for the general insurance group at Zurich UK, for example, since August 2007. Within just a few months, the team – led by Thomas Graf, head of investment administration services in Switzerland, and Karsten Necke, enterprise application solutions specialist – migrated all the data and processes for the complex portfolio with a significant volume of assets.

Using Standard Software with Minimal Modification

Since the new software system was introduced, the employees at the UK subsidiary have benefited from fast, automated processing, high-quality data, and the extensive know-how of the group’s internal IT organization in Switzerland. The central platform required only a few modifications. Since the software is designed for customizing adaptations and integration with financial accounting, projects can be completed in a much shorter time frame.

“The standard SAP Financial Asset Management software already offered us many of the functions and content we required,” says Graf. “These could be flexibly adapted to map all the local requirements.” The openness of the software also readily allows integration of Society for Worldwide Interbank Financial Telecommunication (SWIFT) and reconciliation processes.

Integrating Depository Banks and External Asset Managers

At Zurich UK, one priority was to add new interfaces for end-to-end processes to integrate external depository banks and asset managers. “It was actually more challenging to push through the necessary process changes and system adaptations with our external partners,” explains Graf. The necessary adjustments to meet the high quality standards of the Zurich Financial Services Group



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took some time to implement. Nevertheless, after just seven months, in July 2007, the project team was able to test the system by running the first month-end closing for Zurich UK.

Generating Financial Statements Quickly and Securely

The successful dress rehearsal was followed by an equally successful premiere in August 2007, when the

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first UK-only financial statement was compiled in Switzerland. The highly automated processes to transfer and process data met all expectations: within just three days, the closing figures had been prepared and transferred back to the UK office. The significant time savings, enabled not least by the optimized processes, have set new standards for the company.

In addition to the accuracy of the data, a further key to success is speed. Ultimately, the data for the financial statements must be available within just four working days after the closing date. “By being directly integrated with

the SAP general ledger, we have full control of the posting of all local data and can operate with the greatest security and efficiency,” adds Graf.

The application from SAP automatically monitors whether all the purchases and sales of securities are consistent with the cash flows. Similarly, Zurich UK’s securities accounts are constantly reconciled electronically with Zurich’s financial asset management system

and with the connected banks. Valuation prices and supplementary securities data are provided on a daily basis by a database that is integrated directly into the process. A specialist service provider based in Luxembourg provides this database.

The application then automatically posts all the financial statement key figures in accordance with the local UK accounting standards and the International Financial Reporting Standards (IFRS) in the SAP general ledger at Zurich UK. This direct integration ensures a secure electronic reconciliation of all accounts – and also saves a lot of time and money.

Managing a Large Volume of Transactions and Complex Portfolios

The high degree of automation in all the processes has enabled Zurich Switzerland to simultaneously manage large securities positions and a substantial number of portfolios with just a few employees. The employees at the UK subsidiary alone deal with up to 3,000 transaction postings a month. Supported by the SAP Financial Asset Management application, an IT specialist and accounting specialist complete the task effortlessly and securely.

“We have everything we need to expedite the preparation of financial statements while ensuring data quality and process security,” says Graf. At Zurich UK, managers are very pleased with the high service level at an impressive price: the automated processes and competent support provided by their colleagues in Switzerland leave them with more time to concentrate on operational business.

Establishing a Pan-European Shared Service Center

Zurich plans to use the platform in Zurich and Frankfurt as a Pan-European shared service center for investment administration. This strategy will allow as many of the group’s international subsidiaries as possible to benefit from the IT organization’s expertise and highly automated, cost-oriented work processes. Zurich is already managing

a large percentage of the European securities portfolio on the platform. The software currently supports 10 different local charts of accounts of Zurich's subsidiaries and a similarly high number of accounting standards (IFRS and the country-specific accounting standards for the United Kingdom, Switzerland, the Benelux countries, Ireland, Germany, Italy, and Denmark). The system's interfaces also integrate various depository banks and asset managers.

Being connected to the shared service center can pay off even for smaller securities portfolios. "The accounting standards and governance requirements today are so complex in many countries that it would be too time-consuming for smaller countries to build up the required expertise locally," explains Graf. When considering which countries to integrate, the Swiss project team first checks whether there is a business case by carrying out a preliminary study to ensure that every transition to the new system is profitable.

Taking Advantage of Economies of Scale

The more countries that use the flexibly scalable system, the greater the economies of scale are. In other words, the centralized systems in Switzerland and Germany generate an ever-greater

return on investment. "With fast, accurate end-of-period figures and automated processing, we can really put 'The Zurich Way of Finance' into action," says Hansjörg Germann, chief investment officer in Switzerland. "At some point in the future, there will be Pan-European standards for investment administration, and with our platform based on SAP Financial Asset Management, we are optimally prepared for this change."

Looking to the Future

Currently the focus is on migrating the life insurance business of Zurich Italy to the centralized platform. The Italian subsidiary has already taken the first step by integrating the general insurance business. Similarly, Zurich Morocco has also decided to take advantage of the platform services, and Austria and Russia will follow in 2009. Ultimately, competent, cost-oriented services have compelling benefits for subsidiaries.

Looking beyond investment administration, Zurich is now using the SAP NetWeaver® Business Warehouse component to deal better with the increasing number of reporting requirements and to consolidate all views across the group. "We are convinced that we have made the right strategic decision by choosing SAP software and are best prepared for further developments in the future," says Graf.

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