

pControl helps to optimise processes at Zurich Financial Services Australia



Zurich is one of the world's leading insurance groups, and one of the few to operate on a global basis. Its General Insurance and Global Life business in Australia and New Zealand works through agents, banks and brokers to deliver a wide range of insurance and savings solutions to its 21 million individual, commercial and corporate customers in Australia and New Zealand.

The company has had a presence in Australia since 1961, and its Australian life business continues to receive accolades for delivering market leading service, innovative products and outstanding value. Because of the countries' young professionals and high net-worth customers, the Australian and New Zealand life market offers a significant potential for growth, and more than 1,200 employees are now servicing those customers in Australia and New Zealand.

The growth challenge

Zurich is one of the longest standing fully independent players in the Australian market. It does not have its own distribution channels, instead delivering its products and services through third-party distributors and financial advisers. That independence means the company is committed to working with independent financial advisers and to ensuring that its offerings stand up to scrutiny and highly competitive market conditions on their merits alone.

But if the product innovation, agility and customer-centric ethos for which the company is known are driven by its worldwide know-how and a clear defined global strategy, they are enabled by technology. Zurich had always used the latest technology available; but as the Australian market recognised the strength of its products, and the company experienced continuous growth rates that outpaced

its competitors, it found that its business was also starting to outpace the capabilities of its existing systems and processes.

Stephen Latham, Chief Operating Officer of the Investments business at Zurich in Australia explains: “Any company that develops a leading position in its markets through continuous growth has to keep its technological infrastructure under review. There is the risk that these technologies will eventually



become a hurdle rather than the enabling force they are meant to be.

“The challenge for us at Zurich in Australia was that we had built up our technological infrastructure over time. We had responded to new business requirements and technological advances as they happened and by building a system in a piecemeal fashion we had met our immediate business needs – but were not necessarily set up to support our long-term ambitions. We simply got to the point where the system was no longer capable of scaling with our business. We needed a new approach, and we wanted the flexibility to review our operating model with the possibility of bringing some previously outsourced functions back in-house.”

Zurich recognised that the limitations of their existing ‘middle office’ infrastructure would eventually have a negative impact on their ability to conduct key business functions such as unit pricing in a way that was both efficient and robust. The same was true of cash and rebalancing, distributions, reconciliations and the quality of their performance reporting. Latham said, “Obviously, accurate unit pricing is critical to our business: Over the past 8 to 10 years, the wider Australian insurance market has seen a number of unit pricing errors, followed by regulators imposing enforceable undertakings. We were determined to avoid these problems by retaining the accuracy of our pricing, but it was becoming a particularly labour-intensive process. In order to take that next growth step for our business we needed a strong, reliable platform and, by extension, we also needed a strong, reliable provider.”

[A single, streamlined solution](#)

In order to remain a leading force in the market, Latham and his team knew they needed to design a more efficient operating model with a higher level of automation and lower risk profile. But they were also looking to reduce the company’s IT footprint, rationalising a number of legacy technologies, and bringing down the number of vendor relationships in place in order to increase flexibility.

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Zurich Financial Services Australia

To that end, Zurich in Australia started looking for possible solutions and was surprised to discover a single funds platform that could handle a range of ‘middle office’ functions for the business.

Latham explained: “There are clear advantages to having a single platform: It is more scalable, it is more flexible, it is easier to manage because there are fewer interfaces which means it’s more cost-effective and more accurate than a multi-vendor solution. But we knew that placing our faith in one product and one supplier meant we needed an incredibly rigorous tendering process according to our global policy and guidelines, to make sure we were working with the right supplier.”

The manager of the project and a number of Latham’s team members had worked with Milestone Group in previous roles and had been impressed by the company and its solutions. “Milestone Group was definitely a known factor,” explains Latham. “And the tendering process showed that its pControl solution could clearly deliver both our unit pricing and performance reporting requirements. They respond to all our criteria as defined in our policy and guidelines and have an impressive list of well-known and successful customers globally. They also really know the Australian market and Australian regulation. In our high-growth, fast-paced environment, that is really important.”

Zurich in Australia eventually reshaped its operating model to take advantage of pControl’s ability to service a range of related business functions. It selected a number of core fund processing capabilities from Milestone Group’s pControl solution set. These functions span unit pricing, cash allocation rebalancing, distributions processing, reconciliations, data management, and also the ability to analyse that information to undertake performance analytics and reporting.

Zurich in Australia wanted a robust, scalable and reliable system that would enable the company to report to its various stakeholders without compromising either the accuracy or the timeliness of data, and which could be run by a small team during tight processing windows. The approach provides Zurich with pre-pricing and post-pricing validations to demonstrate that operational controls are fully implemented and consistently applied, ex-post risk and attribution for its portfolios, segregated accounts and inter-fund assets as well as unitised product performance and ex-post risk statistics.

In this type of project there are plenty of data transfer, mapping and business requirements and a number of tests which can be challenging. As such, the implementation was conducted in two phases over the course of a year.

Latham said, “Implementation throws up plenty of challenges, but we developed a close, collaborative relationship with Milestone Group, based on open and honest dialogue, which produced a positive and successful result. Getting that relationship right with trust, expertise and knowledge on both sides, was one of the biggest success factors for the whole project.”

Creating efficiencies, improving processes

Implementing the integrated pControl modules has produced dramatic results for Zurich in Australia. Although the focus had been performance attribution and unit pricing, the implemented solution also handles cash allocation and rebalancing, distribution

calculation, reconciliations and performance measurement from a single platform.

According to Latham, “We have a significant number of products so it soon became clear to us that because pControl was built specifically for our kind of business, it could automate these more complex product structures, and take on much of the middle-office functions and perform them all from a common platform.”

By replacing the diverse range of legacy platforms with Milestone Group’s single solution, the company has been able to create a much simpler operating model.

In addition, by reducing the number of ‘moving parts’ within its overall infrastructure, the capabilities are themselves more cost-efficient and reliable. With fewer interfaces and connections to manage, and significantly fewer opportunities for data to be re-written or re-directed, the level of risk has been dramatically reduced, speed-to-market increased and quality control improved. In addition, staff are more engaged.

Latham explained, “Before implementing pControl, the team here was spending a lot of time manually processing information to get our reports out at the same speed as the rest of the market. They were doing a great job, but it takes its toll. Now we can cut more than 500 unit prices every day and know that they are right at that time – and that they will be right tomorrow and the day after – without placing excessive demands on our people.

“Customers have a right to expect flawless service,” he continues, “And that’s what they get from us. They know that they will get their report on time and it will be high quality. But we now have a much more efficient process for delivering that. We’ve now only got two people administering the middle office for a large number of funds, even though we have up to seven levels to the investment structure with all the interdependencies and operational challenges this creates. Because we have automated the fundamental processes, our people are freed up to work on the real value-generating work for our customers.”

Milestone Group is a global provider of investment technology solutions for fund oversight, fund processing, fund distribution, tax & accounting and investment analytics.

London 68 Upper Thames Street Vintners' Place London EC4V 3BJ United Kingdom +44 20 7019 7190	Luxembourg 12 Rue Leandre Lacroix Luxembourg L1913 Luxembourg +352 2033 2570	Boston 225 Franklin Street 17th Floor Boston MA 02110 USA +1 617 986 0300	Sydney Level 21 9 Castlereagh Street Sydney, NSW 2000 Australia +61 2 8224 2600	Hong Kong Level 8, Cambridge House 979 King's Road Island East Hong Kong +852 2293 2629
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