



Case Study

Case study: FRS Client Success Story

How Invest|Pro[™] changed one insurance company's business

Overview

Solution

Data conversion, systems integration, training & documentation.

Benefits

Single platform for investment operations and accounting requirements.

Partner

Financial Risk Solutions

Denzil Williams, RL360° Director of Infrastructure, commenting on the project said:

“Following a tendering process it became clear that FRS’s Invest|Pro[™] system, which is specifically designed for the life industry, was the best proprietary solution for the complex set of requirements of an international life company like RL360° which administers both portfolio bonds and unit linked funds. FRS’s staff demonstrated an understanding of these requirements which was unrivalled among other bidders reflecting their unique experience and focus on the life assurance investment administration market.

RL360° is now enjoying the expected benefits of Invest|Pro[™] as a single investment system and a single investment database. The costs of the investment administration and investment accounting departments have reduced by almost 20% and we are confident RL360° can now write increased volumes of business without a proportionate increase in staff head count in these areas.”

Key Outcomes since implementing Invest|Pro[™]

- a) Almost 20 % reduction in the costs of the investment administration and investment accounting departments;
- b) The investment data is centralised in a single database so that the same data is used for financial reporting, client reporting, compliance and risk management, custodian reconciliations, cash reconciliations etc;
- c) Policyholder reporting is greatly improved on the RL360° extranet;
- d) Knowledge of complex products can now be shared among all staff through clear operating procedures on a system familiar to all;
- e) Invest|Pro[™] is integrated seamlessly with the two policy administration systems and the RL360° extranet. Overnight batch processing time on the policy administration systems has been halved;
- f) Using Invest|Pro[™] for unit pricing has led to a significant improvement in efficiency and operational controls;
- g) Investment accounting is produced from a single general ledger and reporting timescales are significantly reduced;
- h) Staff productivity has improved significantly;
- i) Operational risk is greatly reduced;

Background

Royal London 360 (“RL360°”) is the international division of The Royal London Group, the biggest mutual insurance company in the UK. Based in the Isle of Man it has in excess of £2 billion in assets under management. It markets both single and regular premium investment products and regular premium risk products to the Far East, Africa, the Middle East and other international markets. It offers an open architecture investment proposition, including equities, bonds, collective funds, deposit accounts etc., through its portfolio bond products in addition to over 1,000 internal unitised funds.

In 2012, following a rigorous tender process, RL360° chose to implement FRS’s Invest|Pro[™] system to create a single investment platform for the company.

The Challenge

RL360° was created by the merger of Scottish Life International and Scottish Provident International. This meant there were two distinct books of business with two separate sets of investment systems and different approaches adopted to managing similar business processes.

The challenge for FRS was to create a single platform for RL360° to consolidate and manage the range of investment management processes from the five existing systems - investment deal creation and validation, automated trade order management, portfolio valuation, policyholder reporting, unit pricing and fund accounting. The major objective was to introduce a single system to allow RL360° to scale business volumes without scaling costs by:

- a) Creating efficiencies in staff operations using straight through processing;
- b) Reducing risk and errors by having a single operating procedure;
- c) Introducing a single database for investment transactions, unit pricing and investment accounting;
- d) Creating seamless integration between Invest|Pro™ and the two policy administration systems and the RL360° extranet.

As RL360° is very much a global business it has complex investment products which involved a considerable amount of investment processing. A high priority in the implementation was the inclusion of straight-through-processing particularly where high frequencies of trading and management of instructions from policyholders were involved.

The Invest|Pro™ implementation was part of a larger project to rationalise business processes between the two companies and it ran in parallel with other RL360° projects to rationalise custodian relationships and transfer all unit-linked policies to a single policy administration system.

RL360° has two policy administration systems and part of the Invest|Pro™ project was to use the same set of web services to integrate with both policy administration systems. Web services were also to be used to communicate with the RL360° extranet which is used by RL360°'s brokers and clients for portfolio valuations, transaction statements etc.

In 2011 RL360° met with consultants from FRS to rigorously map out every aspect of RL360°'s existing business processes and how Invest|Pro™ could help improve, re-design and in some cases eliminate these processes. This developed into an extensive framework covering every aspect of their business including:

- Collective Fund Valuations and Unit Pricing
- Portfolio Valuations
- Fund Accounting
- Asset Trading (manual and electronic)
- Market Pricing Data Links
- Custodian Reconciliations
- Charging Structures
- Policyholder Instruction Links
- Corporate Actions Processing
- Communication with Policy Administration Systems
- Communication with the RL360° Extranet

This allowed the full project team to have a clear view of the requirements and targets associated with the project and how these targets would be met.

The Solution

There were three major aspects of the project:

- a) The data conversion process;
- b) Systems integration;
- c) The roll-out of the Invest|Pro™ system into the company including staff training and documentation of new procedures.

Data Conversion

The data conversion process involved compiling all historic transactions, i.e. investment trades, premium inflows, withdrawals, charges, FX deals etc., on every portfolio bond, since inception of the bond, from the five existing systems, loading this onto the Invest|Pro™ database and reconciling the Invest|Pro™ valuation to the valuation from the existing systems. This was done for all 12,000 portfolio bonds and over 1,000 unit-linked funds.

The trial balances from the Invest|Pro™ general ledger (generated by Invest|Pro™ from the primary transaction records imported) were also reconciled with those from the existing accounting systems.

It was decided to convert the two existing books of business onto Invest|Pro™ in a phased approach as part of the wider group of projects being run by the RL360° programme management staff. The initial phase was set for the end of December 2011 to coincide with the financial year end. Over a three day period this work was successfully completed and this ensured that the company was ready for business processing in the New Year.

In 2012 the second book of business was converted to Invest|Pro™. This meant that RL360° now had a single investment platform to operate from as was their primary objective.

Systems Integration

RL360° needed robust controlled communication between their policy administration systems and Invest|Pro™. This was addressed by using the Invest|Pro™ suite of Web Services to manage policy creation, premium application, claim and surrender requests.

Communication between the RL360° extranet and Invest|Pro™ also used the Invest|Pro™ suite of Web Services to make available client portfolio valuations, full transaction histories and other client facing reports.

Training

FRS provided consultants as a full-time resource on-site who worked in conjunction with a team of experienced RL360° staff assigned to the project. Staff training was carried out in parallel with the UAT phase of the project. Training was carried out on a 'train the trainers' basis where FRS trained the project implementation staff and the project staff subsequently trained the wider user group.

Major Outcomes of adopting Invest|Pro™

The main aims of the project were to create a single platform for investment operations and accounting requirements, increase staff efficiencies and reduce operating risk. These have all been met.

Straight Through Processing

Introducing Invest|Pro™ created straight-through-processing for trade order management with Citi, AllFunds, Capital International, Morgan Stanley and Royal London Asset Management for the full range of collective funds, bonds, equities and derivatives. Invest|Pro™ also produces a settlement request file for automated settlement with Citi.

Additional efficiencies were introduced by using the integrated link with Bloomberg on Invest|Pro™ to source external asset prices.

Stock reconciliations between external custodians and the Invest|Pro™ database were automated. Corporate actions could now be entered at asset level rather than at individual policy level.

RL360° provide offshore bonds for multiple UK wrap platforms and also provide portfolio bonds where assets are managed by external discretionary fund managers. The flexible data import tool provided by Invest|Pro™ allowed RL360° to process multiple trade file formats and structures from the different wrap platforms and discretionary fund managers.

Sarah Knipe, Financial Controller RL360°

“Prior to the implementation of Invest|Pro™ the preparation of a set of investment accounts from multiple different systems was quite inefficient. Having a single database of investment transactions and a single Invest|Pro™ general ledger from which to extract a trial balance has significantly reduced timescales and greatly improved the robustness of the process. The automated reconciliation between the Invest|Pro™ general ledger and the primary investment records in the Invest|Pro™ database ensures that the valuations shown to clients are entirely consistent with the financial accounts produced by RL360°. Invest|Pro™ has completely transformed our operations.”

Richard Wadsworth, RL360° Head of Projects, commenting on the project said:

“Working in partnership with FRS allowed RL360° to leverage the deep body of knowledge built up by FRS staff to challenge existing RL360° business processes and practices and to build straight through processes using Invest|Pro™. The partnership approach and external challenge provided by FRS added considerably to the redesign of the RL360° business processes and overall project planning.”

Shaun Wainwright, RL360° Project Manager commenting on the project said:

“The data conversion of all historical transactions on every individual portfolio since inception onto Invest|Pro™ was a significant task in the overall project. FRS agreed the data format for the data extracts in conjunction with RL360°’s IT staff, provided the tools to import these extracts into the Invest|Pro™ database, ran a valuation on each portfolio and reconciled this with the valuation from the existing system. The capture of the entire history of every portfolio allowed RL360° to decommission all legacy systems and provided a single (historically complete) data source for all business purposes. One of the most significant benefits of this project has been the creation of a single company database of investment transactions.”