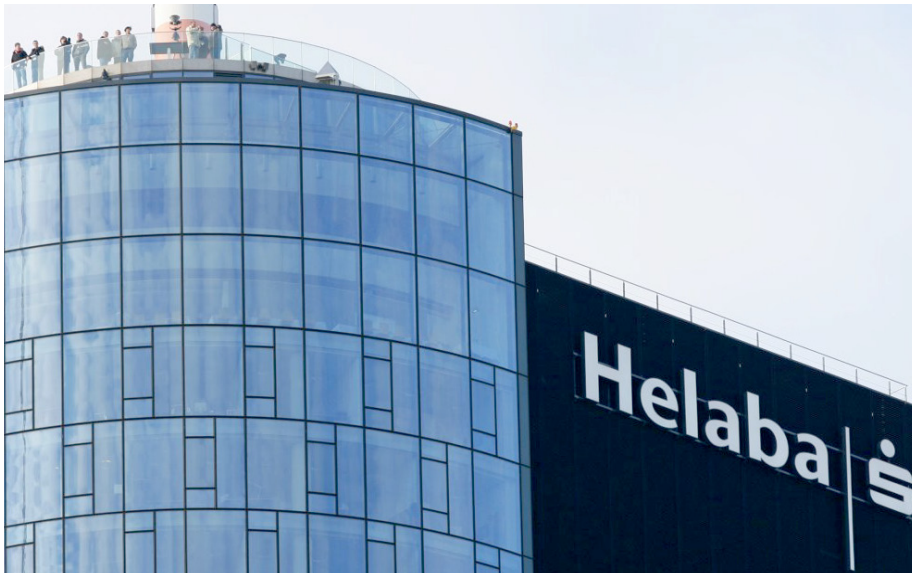


PROFIDATA GROUP XENTIS



Case Study

Helaba Invest introduces XENTIS insurance module



Main building of Helaba Invest in Frankfurt / Main

Helaba Invest

The business strategy of Helaba Invest Kapitalanlagegesellschaft mbH (Helaba Invest) is based on three pillars: the «full-service capital investment company»; «money market, fixed income and equities asset management»; and «real estate and other alternative asset categories». With a managed volume of approximately EUR 72 bn, Helaba Invest is one of the leading capital investment companies in institutional asset management.

The challenge

Since Helaba Invest has started accepting insurance directly held portfolios, a new business model had to be implemented in XENTIS in cooperation with Profidata. In particular, portfolio structure, asset views, business transactions, accounting, investment compliance and insurance reporting had to be adopted in order to cater for new business requirements.

Implementation

The existing fund administration portfolio structure has been extended to include insurance mandates. With the introduction of German commercial coded accounting standards (HGB), business rules for the classification of financial instruments, and limit checks in accordance with the German Investment Ordinance (AnIV), regulatory requirements have been met.

Success

Helaba Invest implemented the XENTIS insurance model successfully in less than six months. German regulatory reports to the Federal Financial Supervisory Authority (BaFin), the Decree on Insurance Reporting (BerVersV), the Foreign Trade Regulations (AWV) and the Banking Act (KWG) were produced in full and all limits were checked against AnIV. The insurance assets can be represented in virtue of accounting-, statutory-, and investment category criteria.

Helaba Invest uses XENTIS for the controlling of capital investments of insurance companies

In taking the strategic decision to manage not only special funds but also directly held bond portfolios and all other asset categories of insurance undertakings in XENTIS, Helaba Invest Kapitalanlagegesellschaft mbH (Helaba Invest) is extending its range of services as a full-service capital investment company. When Helaba Invest acquired two insurance clients, Profidata Group was asked to implement the XENTIS insurance module in just six months. Regulatory reports for capital investments worth more than EUR 8 bn and investment regulation limit checks were firstly accomplished in April 2012.

The insurance module covers regulatory insurance reporting as defined by BaFin, BerVersV, AWW and KWG and an AnIV compliant rule set. It is also currently being upgraded to include Solvency II reporting as well as an investment forecast tool designed to simulate consistent projections of portfolio and earnings positions based on deterministic market data scenarios and pre-set reinvestment assumptions. Implementing the insurance module for the first time required the Profidata Group to successfully rise to what was a major challenge for Helaba Invest.

Challenges

The insurance business and the terminology used bear little relation to how capital investment companies manage their funds and Helaba Invest had to reflect this in XENTIS. As Helaba Invest had not run any direct portfolios on the XENTIS platform before, the new mandates had to be integrated with the existing portfolio structure, while ensuring different views of insurance assets. The mark-to-market view used in fund accounting had to be supplemented by asset views for reporting and insurance accounting according to HGB rules. A particular challenge was the implementation of transaction types and instrument classifications for both, externally managed assets and for assets which are little used in fund administration but which nevertheless directly influence insurance accounting and investment compliance. The bi-directional data exchange between Helaba Invest and insurance clients also had to be automated.

Implementation

Helaba Invest decided to manage its insurance mandates under the same institution/client as the funds, so the same authorised users would manage both funds and direct portfolios and they would not need to change the institute or client. In contrast, the access rights management concept of XENTIS was applied to ensure its insurance clients and external asset managers could



The cooperation between Profidata and Helaba Invest to optimally execute this project is to be emphasized. Once again, Profidata and XENTIS have convinced us.»

Dr. Christian Ebersberger,
IT Department Manager at
Helaba Invest

only access the direct portfolios for which they were expressly authorised. Insofar as the insurance client is organised in insurance divisions (life and non-life, not health at this point), a mandate is set up for each division or rather legal entity, meeting insurance reporting requirements. If a division (non-life) includes a sub-division (accident) with largely undifferentiated assets which are not to be broken down further, a segment is set up for that sub-division below mandate level. The segment structure used for funds to date was otherwise unchanged. Each segment reflects an asset class managed by a given asset manager, meaning that the current management views and performance metrics have been retained. The regulatory reporting system requires capital investments to be grouped differently into security assets, other fixed reserves and free assets. To show fixed reserves, made up of security assets and other fixed reserves, Helaba Invest uses what are known as overlay segments in XENTIS. The content of these segments is defined via business rules, and enables existing

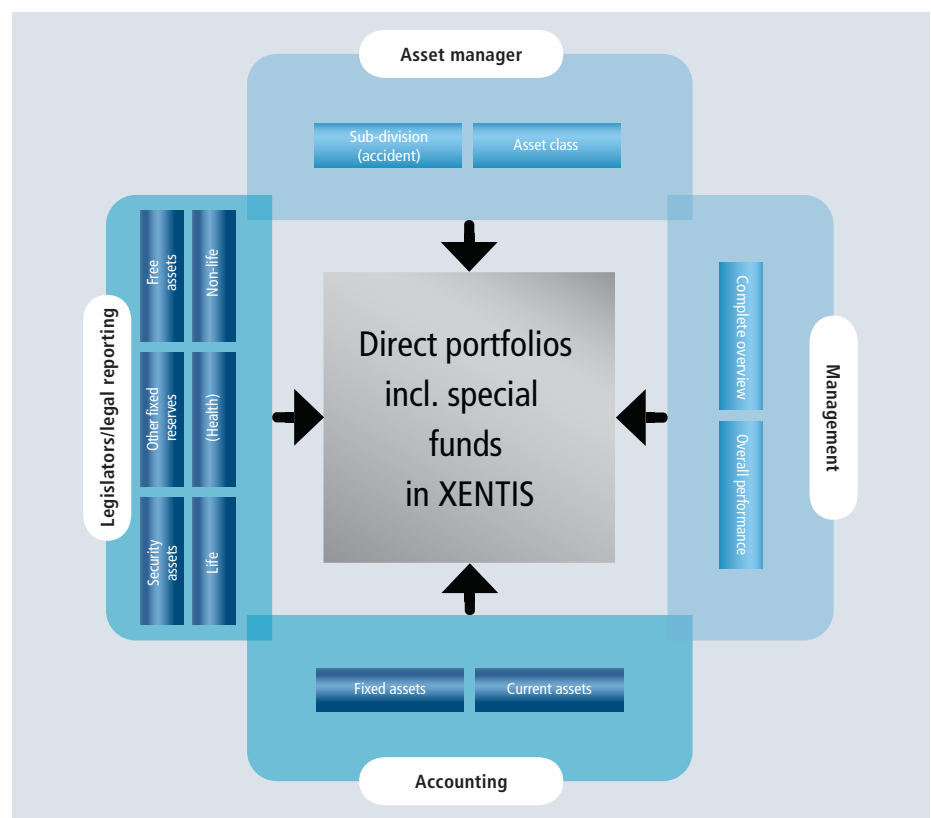


Fig. 1: Dynamic views of insurance direct portfolios in XENTIS

investments to be viewed dynamically (filtered). With this mechanism, Helaba Invest can create a reporting view independent of the regulatory view (**Fig. 1**).

For their insurance clients, XENTIS serves Helaba Invest as a sub ledger, in which capital investments are reported according to HGB rules and distinguished via accounting categories into fixed and current assets. The rules for valuing individual instruments here are governed by HGB § 341 b, c and d. Basically, the strict LOBOM principle must be used for positions in current assets and the moderated LOCOM principle for fixed assets. A certain degree of choice is available for receivables such as mortgage and promissory note loans with regard to nominal value accounting with linear premium/discount dissolution or accounting at amortised costs, exponentially amortising the difference to the redemption value over the residual time to maturity. Based on the respective balancing methods the appreciation/depreciation requirements are defined monthly and annually by Helaba Invest, and, in the extraordinary event of impairments, by the insurance customer. Insurers are also allowed to waive impairments on fixed assets if there is reason for a permanent reversal in value. In view of the differences in accounting and valuation methods, Helaba Invest was clear from the start that the investment legal chart of accounts for fund clients would not be extended for insurance clients. Instead, a new financial account plan was set up in accordance with HGB and German Investment Law (InvG) rules since, in addition to a commercial legal valuation, a market valuation of the direct assets based on prices provided by insurance clients must also be made for the management view at the same time.

German insurers' portfolios are mostly characterised by interest-bearing securities. In particular, as well as callable promissory notes, there are also bearer debentures and registered covered bonds, some with complex pay-off schemes. Insurers also invest in real estate, capital participations, issue mortgage and policy loans and lend on their customers' life insurance policies in the latter case. The administration for such investments is often done externally, but these positions must also be valued in XENTIS to control capital investments overall. For these memorandum items, different instrument types are set-up in the financial instrument modelling. The customising console is used to configure the transaction types (trading, corporate actions etc.) for processing the respective financial instrument in each case.

Capital investments must be classified in accordance with the asset categories defined by AnIV for

both, collective directive and limit check purposes. The classification process is thereby based on business rules which derive the investment form from the security master data of individual basis fields (e.g. instrument type, company and country) and subsequently enters the result in an additional field. These business rules can be easily adjusted so that clients' specific instructions can be followed when classifying individual capital investments. Limit rules are also defined via business rules so changes to the legislation can be implemented directly. For limit checking and when conducting stress tests and scenario calculations, own and others' fund certificates (where existing) are completely decomposed into the underlying investments which are then also assigned to the asset categories as listed in the asset catalogue. To produce the insurance reports (**Fig. 2**) in addition to the business rules, Profidata Group also uses other rule sets governing individual reports, such as the list of assets for security assets.

- BaFin R 3/2000 – Using derivative financial instruments
- BaFin R 1/2004 – Conducting stress tests
- BaFin – Scenario calculations
- BaFin Collective directive – Capital investment
- BaFin R 12/2005 – List of security assets
- BerVersV – Balance sheet, capital investment statement, income statement
- Large Exposure and Million Loans Regulation (GroMiKV)/KWG § 14 – Lending
- AWW Z 4, 5, 5(a), 5(b), 10, 14 – Foreign trade regulations
- Insurance Supervision Law (VAG)- Reporting for fund mandates

Fig. 2: Insurance reporting in XENTIS

Once XENTIS was fully parameterised, the direct portfolios of the insurance clients were migrated at a given cut-off date. Should externally managed real estate and capital participation positions change, the insurance client concerned sends Helaba Invest a notice of change; the relevant transactions are then imported. Collective positions are posted monthly for mortgage and policy loans, enabling XENTIS to keep track of updated book values. The system displays differences between new and old positions, meaning these changes can also be retraced at any time. If other positions change, Helaba Invest sends the corresponding transaction data to the insurance clients' main ledgers on a monthly basis.

Success

After a project duration of only six months, Helaba Invest now also manages insurance clients' direct portfolios in XENTIS. The project's successful completion is a testimony to the system's flexibility and parameterisation that allow new business models to be implemented within a very short time-frame. The insurance module is available as a standard version, which, can be customised to suit individual clients' requirements. Through the introduction of the XENTIS insurance module at Helaba Invest, Profidata Group has established its position in the insurance segment.



The success of this project is testimony to the commitment of everyone involved and the quality of XENTIS.

Our strategic decision to offer insurance companies to manage their direct portfolios has paid off.»

**Dr. Christian Popp,
Managing Director at
Helaba Invest**

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