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United Heritage Insurance Group

Delivering Healthy Returns



Overview

United Heritage provides a wide range of insurance products for individuals and businesses, including life and group life, annuities, auto, home, farm, fire, and other insurance offerings, throughout the United States.

United Heritage Financial Group supervises three operating entities—United Heritage Life Insurance Company, United Heritage Property & Casualty Company, and Sublimity Insurance Company. Total assets exceed \$550 million and they posted a surplus of \$76 million in 2011.

United Heritage holds a variety of asset types, including municipals (taxable and tax-free), corporates, collateralized mortgage obligations (agency and non-agency) and equities.

In managing the allocation of capital, United Heritage tends to be conservative, but also optimistic, opting to strategically time when they invest in various asset classes.

Challenges

United Heritage was experiencing frustration with many aspects of their existing investment accounting system and processes. Like most

companies in 2008, they struggled to determine their exposures to various securities and sectors. Simply put, their approach to investment accounting and portfolio management had surpassed the capabilities of their existing software platform.

Lack of Timely Data

The United Heritage investment team needed to streamline their efforts not only to drive yield, but also to ensure they stayed ahead of regulatory reporting, compliance monitoring and overall portfolio performance. Most importantly, they needed access to timely and accurate investment information to make informed decisions.

For example, United Heritage makes trade decisions on a daily basis. Yet they did not have the accurate, actionable data they needed at their fingertips.

When a broker approached United Heritage about purchasing a specific bond, the company had no way to quickly and accurately determine whether they already owned it since their investment data was only updated monthly. “If someone made us an offer to buy one of our bonds, we had no way of immediately knowing whether selling it would generate any gain or how much, since our custodian wasn’t amortizing to

book value,” said Jack Winderl, Executive VP, Treasurer and COO at United Heritage.

Extensive Manual Data Entry and Exception Resolution

The existing solution required United Heritage to upload their own transactions and input their own security master data into the system. They also needed to manually adjust schedules, because their vendor was unable to anticipate or handle certain types of transactions, such as equity dividends.

In addition, United Heritage experienced significant difficulty reconciling their accounts. The team had to manually identify exceptions in the reported data positions, research the exception and negotiate a resolution directly with their custody bank. “We were forced to come back and clean up the exceptions—this process took up a large portion of our time,” said Dean Sandros, CPA, Senior Investment Accountant & Assistant Portfolio Manager at United Heritage.

INDUSTRY

- Insurance: Life, Group Life, Annuities, Property & Casualty

ASSET SIZE

- \$550 million

BUSINESS ISSUES

- Manual upload of weekly transactions
- Labor-intensive input of security master data
- Difficulty handling unexpected transactions, including equity dividends
- Excessive cleanup of custody data exceptions
- Inability to incorporate regulatory pronouncements in a timely manner
- Difficulty accessing key portfolio performance and risk benchmarks

“Clearwater has reduced our back-office exception reporting almost completely.”

Jack Winderl
Executive VP, Treasurer and COO

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Dean Sandros, CPA

Senior Investment Accountant & Assistant Portfolio Manager

Difficulty Benchmarking Performance and Risk

United Heritage lacked an efficient and accurate means of benchmarking their portfolio and producing useful performance and risk analysis. “The data we relied on was not dynamic enough to be used for timely performance or risk analysis. We needed to understand our exposures in real time and how we measured up against an established benchmark,” said Winderl.

Software Headaches

To add to the delays, United Heritage’s investment accounting solution provider required them to install new software releases frequently as well as at year-end to incorporate regulatory updates. Unfortunately, the vendor tended to delay providing software updates, frequently resulting in fire drills for the IT staff and causing the investment team to push regulatory deadlines. “Not having control over our own processes as a result of relying on a vendor was ultimately unacceptable,” Sandros recalled.

At the same time, the price tag of their existing solution continued to creep upwards. To solve many of the existing problems, such as automating data input and reconciling information, their vendor was proposing a series of ‘bolt-on’ software packages that continued to add to the cost of a system that was becoming increasingly complicated to use and cumbersome to administer, and offered diminished value in terms of ROI.

Time for Change

United Heritage was introduced to Clearwater Analytics® via peer networks and industry associations. The draw of the Clearwater web-based SaaS technology was immediately obvious. “Clearwater’s solution impressed us immensely—we found Clearwater to be superior in every aspect to our previous system,” said Sandros. With Clearwater, United Heritage receives robust and automated accounting functionality—with the added benefits of fully integrated accounting, compliance, performance, and portfolio risk reporting and analytics. In addition, Clearwater automates manual processes, and incorporates the latest regulatory accounting standards and pronouncements on a timely basis, and without the need for IT involvement.

“The bottom line is that before Clearwater, we couldn’t get a quick and accurate book value to determine potential unrealized gains or losses,” added Winderl. “Now with Clearwater, we log onto the system and see what book value is immediately. We are now making trading decisions with a full set of facts. We had to do so much manually too, between inputting transactions, looking up and changing the factors on our securities, and inputting NAIC data. Clearwater automates all of those items for us now and takes care of any exceptions—it’s huge.”

KEY BENEFITS

- Cash, positions and transactions are automatically uploaded, aggregated, reconciled, and verified daily
- Secure, web-based access provides United Heritage with 24/7 access to independently verified investment accounting reports and Schedules
- Integrated accounting, compliance, performance and risk reporting in a single solution
- Robust accounting functionality; Book of Record, and audit-quality reports
- Extensive security-specific data provides the ability to track different issuers via ultimate parent company, providing pinpoint accuracy when determining overall exposure
- Timely and automatic incorporation of the latest regulatory accounting standards and pronouncements means no more waiting for manual software updates
- Full statutory and Schedule D reporting
- FAS 115-2 impairment capability

“Clearwater allows us to focus on our core strengths rather than spending time reconciling and manually entering data.”

Dean Sandros, CPA

Senior Investment Accountant & Assistant Portfolio Manager



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Gaining Value

Clearwater has streamlined every aspect of managing United Heritage's portfolio. "The daily reconciliation to our custodian has been invaluable," commented Winderl. "We no longer have to manually enter transactions or security master data, labor over exceptions or spend time ensuring our portfolio is correctly amortized or accreted to book value. This has reduced our back office exception reporting almost completely."

Clearwater allows United Heritage to make informed investment decisions through accurate, up-to-date information. The team can now focus their time on analysis rather than processing and reporting. "We look forward to the continued enhancements that Clearwater releases on a monthly basis. We are especially excited to start using the enhanced reporting capabilities," said Sandros. "The ability to create customized reports that are completely flexible will provide immediate value for our team."

And, for the first time, the in-house investment compliance officer is notified when limit or quality rules are violated, allowing immediate correction of the problem or approval of an exception by the investment committee.

"Using Clearwater for our accounting, reporting and analytics affords us the opportunity to focus on our core strengths rather than spending time reconciling and manually entering data," noted Sandros. "As a result, we have been able to make more informed investment decisions."

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About Clearwater Analytics

Clearwater Analytics® provides web-based investment portfolio reporting and analytics for corporate treasuries, insurance companies, asset managers, and custody banks. Clearwater's daily-aggregated and reconciled solutions deliver the highest level of portfolio transparency available on the market today for clients such as Cisco, Dell, Facebook, Oracle, Starbucks and Yahoo!. Launched in 2004, with offices in New York, New York; Boise, Idaho; and Edinburgh, Scotland, Clearwater reports on more than \$900 billion in assets for thousands of institutional investors.

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