

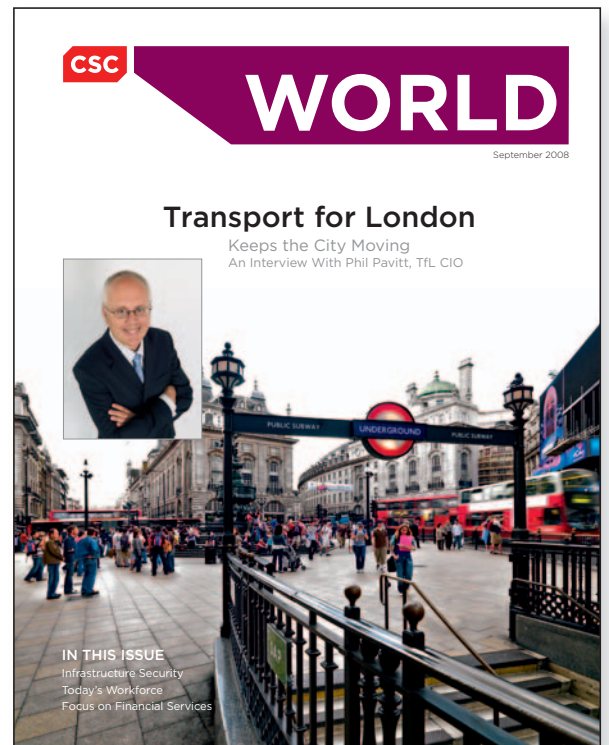


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IN PRACTICE: FINANCIAL SERVICES

Zurich Financial Services: IT Budgets
Down 20 Percent, Productivity Up



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focus on financial services

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Zurich Financial Services IT BUDGETS DOWN 20 PERCENT, PRODUCTIVITY UP

Zurich Financial Services is one of the world's largest insurance-based financial services providers, with customers in more than 170 countries. For most of its history, Zurich has delivered global success as a collection of independent business units.

CLIENT: Zurich Financial Services

CHALLENGE: Create a centralized IT organization aligned with a business strategy aimed at delivering leadership in the group's General Insurance and Life Insurance markets.

SOLUTION: A seven-year applications outsourcing contract with CSC.

RESULTS: Improved IT productivity, 20 percent reduction in IT budgets, 50 percent more flexibility in software component use and 88 percent satisfaction rates for IT users.

By 2003, however, with technology increasingly important to its business operations, that diversity was having a major impact on IT efficiency and productivity. More than one in 10 of its worldwide staff was involved in managing and maintaining almost 4,000 different software applications. Zurich also employed more than 30 CIOs worldwide.

Zurich's independent business unit model was falling out of step with trends in insurance buying, and with the competitive demands of the industry. Corporate customers in particular were now expecting the same products and services across all Zurich's core markets, with consistent service delivery.

At the same time, profitability was under severe pressure across the industry. Streamlined processes and cost savings were now critical to Zurich's competitiveness.

Global IT infrastructure

To meet its goal of achieving leadership in selected insurance markets, the company developed a new global business model and created a centrally coordinated global IT infrastructure. The new IT harmonization strategy focused on flexible access to the right skills and resources for the business, high quality processes, and productivity and efficiency gains.

Central to the IT strategy was a reevaluation of the way the company managed and maintained its computer applications. "We asked ourselves why we needed 20 different claim systems and 20 different underwriting systems," says Michael Paravicini, Zurich's chief information technology officer. "We had to have much higher reuse of our applications."

That imperative drove Zurich's decision to outsource applications development and support across its operations in the United States, United Kingdom, Switzerland and Germany. In July 2004, Zurich announced a \$1.3 billion, seven-year applications outsourcing contract with CSC — one of the world's biggest insurance IT deals.

Knowledge and commitment

Rather than cost savings, the primary goals for the outsourcing program were increased flexibility and productivity, to ensure faster application delivery anywhere in the world. To underpin flexibility, CSC committed to approximately 50 percent offshoring support. CSC bore responsibility for knowledge transfer, and established a single contact point to manage the onshore-offshore mix. CSC was also able to help transferred Zurich employees find suitable positions with attractive career options.

The insurer chose CSC because of its specialized expertise in the industry and its experience in combining global and local support

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(including onshore presence, offshoring capability and proven global processes that were uniform across regions). It was also impressed by the knowledge and commitment of CSC's people, its development methodologies, models and tools, its innovative e4 platform for systems and process integration, and its business achievements with other customers.

Reduced costs, increased flexibility

The program is now delivering a range of important business benefits for Zurich. Productivity is on course to achieve the agreed-upon improvement over the contract's seven-year life, mainly due to deployment of a Global Process Framework, and the principles and processes for software development adopted by CSC — SEI Capability Maturity Model (CMMI) Level 3.

Although cost savings were not a primary focus for the program, reductions of around one-fifth in IT budgets were planned, and this is being achieved. Operational costs will be down by 20 percent over the life of the contract, due to IT platform consolidation and rationalization of IT processes. Maintenance costs are now fixed-price under the contract, delivering more than 20 percent savings to Zurich. A key area of cost control is that the contract ensures true "consumption-based" billing for support services from CSC, and full transparency of spend on individual projects.

The development flexibility sought by Paravicini is also emerging. Flexibility has meant that Zurich has responded to a surge in business demand by providing IT services on a scale that its decentralized operations would have been unable to achieve. Worldwide, Zurich's requirements for applications support exceed the capacity of employees transferred to CSC by around 30 percent.

Midway through the program, Zurich's IT users are registering 88 percent satisfaction in surveys. That exceeds the target of 85 percent and is better than scores achieved under the decentralized program. Almost all the employees transferred to CSC are still with the company.

Zurich and CSC management are regularly implementing new ideas to cement the long-term relationship between the two companies. Joint teams have visited CSC's offshore operation in India, for example. CSC has appointed Strategic Program Office leads in each of the European geographies to manage local interfaces.

Paravicini expects that the achievements of the program will continue to grow as it matures. "We have seen good advances in the way that efficient applications management can support our business and contribute to its profitability. It will contribute in the future to real global transformation and provide the best platform for our business goals." ●



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The mission of CSC is to be a global leader in providing technology enabled business solutions and services.

With the broadest range of capabilities, CSC offers clients the solutions they need to manage complexity, focus on core businesses, collaborate with partners and clients, and improve operations.

CSC makes a special point of understanding its clients and provides experts with real-world experience to work with them. CSC is vendor-independent, delivering solutions that best meet each client's unique requirements.

For more than 45 years, clients in industries and governments worldwide have trusted CSC with their business process and information systems outsourcing, systems integration and consulting needs.

The company trades on the New York Stock Exchange under the symbol "CSC."

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