SAP FINANCIALS FOR INSURANCE

Michael Volanoski / Paul Farrell
SAP Consulting
Agenda

Overview of SAP Financials for Insurance

Value Proposition

Content of SAP Financials for Insurance

Future Plans: Integration Scenarios FS-CD, FS-CM, etc.
SAP Financials for Insurance is a Packaged Solution based on SAP ERP 6.0 with Best Practices for accelerated and efficient implementation for insurance companies.
Agenda

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Value Proposition

Our Mission is to Help you:

- Improve Financial Transparency
- Enhance Risk and Control
- Manage Growth
- Drive Operational Efficiency

Added Value of Packaged Solution!
Key Benefits to Support Customer Objectives

1. Compliance and Financial Transparency
   - Reduce cost of compliance to SEC, NAIC and SOX requirements
   - Reduce financial reconciliation
   - Increase transparency and reduce monthly closing cycles
   - Reduce and/or eliminate manual accounting tasks and duplicate data entries

2. Risk and Control
   - Improve early warning of risks and trends
   - Enlarge confidence in reported data and forecast
   - Provide full audit trail
   - Replace outdated legacy systems

3. Competition and Growth
   - Support business growth through better analytics
   - Scalable design to quickly add new business
   - Real-time financial information for better decision making and a competitive edge

4. Operational Efficiency
   - Reduced cost of service through standardization and automation
   - Improve efficiency by streamlining core and back office insurance processes
   - Improve integration across the organization
   - Lower technology delivery costs by leveraging common platforms
### Tangible Benefits

#### Financial Transparency

<table>
<thead>
<tr>
<th>Tangible Benefits*</th>
<th>% Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved budgeting</td>
<td>15-45%</td>
</tr>
<tr>
<td>Improved consolidation</td>
<td>35-60%</td>
</tr>
<tr>
<td>Improved financials staffing</td>
<td>5-9%</td>
</tr>
<tr>
<td>Enhanced closing and calculation times</td>
<td>10-15%</td>
</tr>
<tr>
<td>Improved reporting</td>
<td>5-10%</td>
</tr>
</tbody>
</table>

#### Risk and Control

<table>
<thead>
<tr>
<th>Tangible Benefits*</th>
<th>% Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of project risks</td>
<td>30-40%</td>
</tr>
<tr>
<td>TCO improvement (over 3 years)</td>
<td>5 – 15%</td>
</tr>
<tr>
<td>Reduction of post-go-live corrections</td>
<td>20-35%</td>
</tr>
</tbody>
</table>

#### Operational Efficiency

<table>
<thead>
<tr>
<th>Tangible Benefits*</th>
<th>% Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of operating costs due to faster and better decision-making based on accurate on-time information</td>
<td>20-30%</td>
</tr>
<tr>
<td>Time saving thanks to elimination of non-value added tasks</td>
<td>20-40%</td>
</tr>
<tr>
<td>Reduction in training costs</td>
<td>10-20%</td>
</tr>
<tr>
<td>Reduction of process costs</td>
<td>15-25%</td>
</tr>
</tbody>
</table>

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* Source: SAP Customer Experiences

DISCOVER THE POTENTIAL | SAP AMERICAS INSURANCE FORUM | NOVEMBER 12-14, 2007 | MIAMI, FLORIDA
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SAP Financials for Insurance

Packaged Solution

SAP ERP Packaged Solution

SAP ERP Financials

- SAP’s next generation Enterprise Resource Planning solution
- Powered by SAP NetWeaver
- Designed for all industries
- Fully integrated within the SAP Business Suite
- Enhanced with insurance-specific configuration sets

Business Template

- Best-in-class industry expertise built into SAP ERP
- Predefined end-to-end processes
- Industry-specific documentation
- Preconfigured System
  - Preconfiguration settings
  - Master Data
  - Configuration documentation

Services

- Deep insurance industry knowledge
- Focus on value creation and risk reduction
- Delivery excellence

Quick ROI

SAP ERP Packaged Solution

Implementation

Lower Risk
Reduced Timeline

Fast, Proven & Reliable
Content of SAP Financials for Insurance

SAP Financials for Insurance focuses first on Financial Accounting, Management Accounting and Reporting.
Content of SAP Financials for Insurance

SAP Financials for Insurance – Solution Architecture

External Systems
- Policies
- Claims
- Commissions
- Reinsurance

Collections & Disbursement
- Investments
- Human Resource
- Real Estate

FI-AR
Accounts Receivables

FI-AP
Accounts Payables

FI-AA Asset Accounting
- GAAP
- STAT
- TAX

GL
General Ledger
- GAAP Accounts
- STAT Accounts
- TAX Accounts
- Insurance-Specific Dimensions

CO
Controlling
- Overhead Management CO-OM

CO-PA
Profitability Analysis
Insurance Specific Dimensions

Business Warehouse (BW)

Business Explorer (BEx)
Rich Content Delivered for Insurance

- Line of Business – P&C, Life
- Insurance Chart of Accounts
- Organization Structures & Hierarchies
  - Legal Entities, LOBs, Segments
- Flex GL (Parallel Accounting GAAP & STAT)
- Sub-ledgers A/P, A/R, and Fixed Assets
- Accrual Engine
- Banks Accounting (Incoming & Outgoing Payments)
- Sample Management Reports (Profitability Analysis)
- Cost Accounting & Cost Allocation
- Real-time Reconciliation Postings to General Ledger
- Statutory Formatter
- Excel Upload
- Sample Authorization Roles
Content of SAP Financials for Insurance

Solution

SAP Financials for Insurance solution for the insurance industry contains:
- Insurance-specific Business Blueprint template
- Proven rapid implementation methodology/strategy
- Implementation concept based on SAP ERP 6.0

Coverage

The insurance Business Blueprint template covers ready-to-use industry standard processes:
- Predefined processes for Financial Accounting
- Predefined processes for Management Accounting
- Reporting

Customer Requirements

Customer-specific requirements that are not contained in the SAP Financials for Insurance solution can be tailored to individual customer needs.
## Content of SAP Financials for Insurance

### FINANCIAL ACCOUNTING

#### Accounting Process Architecture
- Best-practice parallel accounting architecture:
  - Using parallel accounts
  - Common, GAAP, and STAT
  - Full-Full/Delta posting logic

#### General Ledger
- Sample insurance chart of accounts with placeholders for Common/GAAP/STAT accounts
- Predefined dimensions for insurance-specific reporting
- Closing process based on fast close
- Preconfigured customizing:
  - Account groups
  - Document types, number ranges
  - Document splitting
Content of SAP Financials for Insurance

FINANCIAL ACCOUNTING

**Sub-ledgers**

A/R and A/P

- Includes non-core insurance business sub-ledgers
  - Vendor invoicing
  - Business transactions with employees (travel expenses, etc.)
  - Settlement of other payables and receivables

Closing processes: account balances, intercompany settlement

**Sub-ledger AA**

- Pre-defined Asset Classes. SAP Financials for Insurance provides predefined Customizing:
  - Asset classes for tangible and intangible assets
  - Asset classes for GAAP and STAT reporting (admitted/non-admitted assets)
  - GAAP and TAX depreciation methods/keys
  - Automatic Account determination
Content of SAP Financials for Insurance

MANAGEMENT ACCOUNTING

Overhead Management
- Basic cost center structure
- Cost allocation process (incl. demo cycles)
- Financial cost distribution to functional areas and line of business
- Reconciliation postings to general ledger

Profitability Analysis
- Pre-defined profitability dimensions
- Cost allocation process (incl. demo cycles)
- Flexible reporting on accounts and profitability dimension combinations

“This is an extremely challenging time for the accounting profession and the nation's financial reporting system, but these challenges provide a fantastic opportunity to improve financial disclosure and help rebuild investor confidence.”

Donald T. Nicolaisen SEC Chief Accountant
(US Security and Exchange Commission)
Deliverables of SAP Financials for Insurance

- **Business Scenarios Blueprint**
- **Configuration Guide**
- **Implementation Tools**

- **Preconfigured Content**
- **Guided Procedures**
- **Accelerators**
Traditional Implementation vs SAP Financials for Insurance

Impact on Implementation Time and Efforts

Traditional ERP Project

- Project Preparation
- Business Blueprint
- Realization
- Go-live Preparation

SAP Financials for Insurance – Packaged Solution

- Project Preparation
- Business Blueprint Gaps
- Realization
- Go-live Preparation

Project Timeline

Reduced implementation effort by 25–40%
Reduced project duration by 25–40%
SAP Financials for Insurance provides the SAP ERP application (Financial Management & Analytics), the technical platform, Business Excellence and Services

- Implementation with fixed scope in a fixed time-frame
- Ensuring rapid Return of Investment (ROI) and lower risk

SAP Financials for Insurance Provides a Complete Turnkey Offering

- SAP ERP Application License Package Powered by SAP NetWeaver™
- Business Blueprint
- Part of the Service Offering!
- Delivered by SAP Consulting or Partner
- SAP Consultant Service Offering Fixed Days
SAP Value Proposition
as Prime Integrator

SAP Customer Services Network

- SAP Consulting
  - More than 10,000 consultants worldwide
  - Expertise ranging from business process and strategy consulting to implementation-related engagements

- SAP Managed Services
  - Application Hosting services, SAP can manage a company’s entire application infrastructure. Including data center facility, power, hardware, telecom, DB/OS & basis administration.
  - Application Management Services (AMS) establishes a long-term custodial relationship with SAP delivering post-implementation application support, enhancements and also assisting customers with strategic issues surrounding their SAP applications.

- SAP Active Global Support
  - 24x7 global support, guaranteed response time with on-site support provided as a premium service

- SAP Education
  - Third-largest IT-training organization in the world with 200,000+ students trained annually
  - Classes offered in 15 languages

- SAP Global Custom Development Services
  - Direct access to premier custom-development resources
  - Tailored solutions that are synchronized with SAP’s release strategy

- Global Partner Network
  - More than 120,000 consultants worldwide
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SAP Financials for Insurance Packaged Solution

**Phase 1**
- Global Master Template
- SAP ERP 2006
- Insurance Business Blueprint Template
- Financial & Management Accounting Documentation
- Service Offering

**Phase 2**
- US Specific Template
- SAP ERP 2006
- US Preconfigured Client
- US specific Insurance Business Template
- Financial & Management Accounting
- US Specific Service Offering

**Phase 3**
- Additional enhancements and integration
- SAP ERP 2006
- Enhancements to FI BW, SEM
- Integration with first preconfigured Core Insurance Solution SAP FS-CD
- Procurement Management
- Service Offering

Future Outlook
- 2006
- 2007
- 2008

…next steps…
Contacts

Michael Volanoski  
SAP Consulting  
3999 West Chester Pike  
Newtown Square, PA 19073  
T 610.661-1000  
M 302.898-4826  
michael.volanoski@sap.com  
www.sap.com

Paul Farrell  
SAP Consulting  
Five Westbrook Corporate Plaza, Suite 1000  
Chicago, IL 60154  
T 708.836-1513  
M 312.622-1820  
paul.farrell@sap.com  
www.sap.com