



DEUTSCHER RING

FASTER PAYMENT PROCESSES WITH SAP® SOFTWARE

“Our processes are significantly faster with SAP Insurance Collections and Disbursements. We can now fully assign all customer payments to contracts on the day they come in.”

Rolf Göder, Head of Productivity and Projects,
Deutscher Ring

QUICK FACTS

Company

- Name: Deutscher Ring
- Location: Hamburg, Germany
- Industry: Insurance
- Products and services: Health, pension, nonlife, and life insurance for private customers; financial services
- Revenue: €1.5 billion
- Employees: 1,765
- Web site: www.deutscherring.de (German only)
- Implementation partner: SAP® Consulting

Challenges and Opportunities

- Replace legacy software with a single solution
- Minimize disruptions to existing processes

Objectives

- Consolidate collections and disbursements software into a single business solution
- Reduce total cost of ownership
- Streamline accounting processes

SAP Solutions and Services

- SAP Insurance Collections and Disbursements application
- SAP NetWeaver® Application Server component

Implementation Highlights

- Completed data migration on time, with an error rate below 0.001%
- Enabled same-day assignment of incoming customer payments to contracts

Why SAP

- Ability to connect to downstream systems using central interface
- Comprehensive functionality for day-to-day tasks

Benefits

- Converted bank data exchange to online bank data transfers
- Accelerated period-end closing thanks to integration with financial accounting
- Improved assignment of incoming payments
- Enhanced flexibility

Existing Environment

SAP R/3® software (functionality now found in the SAP ERP application)

Third-Party Integration

- Database: IBM DB2
- Hardware: IBM Power 5
- Operating system: IBM AIX

Deutscher Ring 

Following in the automotive industry's footsteps, insurance companies now count modernizing their business processes as their highest priority. The hope is that such modernization will help lower costs, increase service quality, and improve risk management. Achieving these goals calls for modern and powerful IT. That is why insurance companies are increasingly replacing their costly homegrown applications with standard solutions.

"Many solutions that were developed in-house have now reached their limits and don't offer the necessary flexibility, integration, and performance," says Rolf Göder, head of productivity and projects at Hamburg, Germany-based Deutscher Ring. "What's more," Göder continues, "heterogeneous system landscapes are expensive to maintain." Despite these facts, companies do not sufficiently examine how they could increase performance in non-business-critical areas by deploying standard solutions.

IT as a Success Factor

Deutscher Ring is very well aware of the potential benefits of implementing a standard solution. Founded in 1913, the insurer now employs over 1,700 people. With 2.8 million contracts for insurance policies, home loans, and investments, it is one of the leading financial service providers in Germany

for pension, health, and risk coverage solutions for private customers. In 2001 Deutscher Ring adopted a strategy of standardizing solutions, particularly in cross-company functions, to maintain its leading position. Its aim was to streamline operating procedures, speed application development, and reduce maintenance and process costs in the long term.

Deutscher Ring identified a need for modernization, in particular with its collections and disbursements solutions. The fact was that it was using five different collections and disbursements solutions to handle the incoming and outgoing payments of the various lines of business. In addition, these solutions each communicated with a host of downstream systems. "By consolidating our collections and disbursements solutions, we have achieved long-term savings and made numerous improvements to quality and processes. Deploying a standard solution has also made it easier to connect to the downstream systems," reports Göder.

Open Architecture

For decades Deutscher Ring has used the general ledger, special ledger, and procurement functionalities found in the SAP® R/3® software (functionality now found in the SAP ERP application). As a result, the SAP Insurance Collections and Disbursements application was an obvious choice. Various renowned insurance companies helped develop this software. Today, it serves as the central interface between Deutscher Ring's core insurance business and the supporting financial software from SAP. "We chose the SAP software because of its open, modern architecture," says Göder.

The challenge was to connect some 30 applications: "It wasn't a problem with SAP Insurance Collections and Disbursements, though," says Göder. The application not only integrates other SAP solution functionality, it also has a central interface developed especially for insurance-specific transactions. "All of the data from the third-party systems is handled through it – including the receivables and payables processes," Göder explains.

But there was a lot more work to be done before the cross-line of business invoicing process could go live. After all, there was more to the project than simply implementing SAP Insurance Collections and Disbursements. The



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project was made more complex by implementing further functionalities for controlling processes and the development of a business partner database.

Deutscher Ring was especially keen to map and optimize the existing collections and disbursement processes in the new solution, “but without making any significant changes or modifications to the SAP solution,” stresses Göder. This meant that drawing up the “as-is” and “to-be” concepts was a vital part of the project. “We examined each collections and disbursements process right down to the very last detail. Working closely with the relevant departments, we mapped everything in comprehensive to-be concepts, from receivables settlement, dunning procedures, and extra payment agreements to installment plans and manual transactions,” says Göder. The experts from the SAP Consulting organization supported the company during this extensive planning phase.

Smooth Data Migration

Once all the concepts were in place and aligned, the project team enhanced the existing SAP R/3 software with the SAP for Insurance solution portfolio and prepared the hardware. The next task was to transfer the production data to the database of business partners. “While doing so, it became clear

that our central customer database provided much more detailed information than the business partner database required,” says Göder.

The database of business partners maps customer profiles flexibly and in a role-based fashion – depending on whether the person requesting the

information is the insured party, the beneficiary, or someone else – and solely on the basis of the master data. Deutscher Ring’s central database provided additional customer information that the company wished to retain. “Because we wanted to retain this extra functionality, we decided to continue to manage our customer and partner master data in our central database and simply make the necessary information available to the database of business partners,” explains Göder.

The foundations for implementing the collections and disbursements functions were thus laid. In February 2004

preparations for the application’s go-live were made, and the required data was transferred to the new solution. A total of 4 million master data records, 3 million open items, 68 million cleared items, 5 million dunning information records, and 2 million other data records were migrated for the health, life, and nonlife insurance

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lines of business. “Yet the error rate was below 0.001%,” reports Göder. Moreover, the integrated software’s performance has been more than satisfactory from the outset. “There were no bottlenecks. Today, all transactions related to monthly main follow-on processing are completed within eight hours,” says Göder.

Fewer Credit Clarification Cases

Over 800 employees at Deutscher Ring have been using the solution enthusiastically since November 2004. It rapidly makes the functions available on the familiar interface for all lines of

business. For example, incoming payments made by online bank data transfer are now posted faster than before, unclear cases can be solved more easily thanks to better search algorithms, and cases of credit clarification have been significantly reduced. "The flexible reporting simplifies day-to-day work and relieves the burden on application development," states Göder. Deutscher Ring's employees working in the field can access real-time information any time, any place – thanks to the SAP NetWeaver® Application Server component.

Besides constructive support from SAP Consulting, Göder has identified two reasons why the implementation ran so smoothly. First, the intensive planning phase meant the concepts did not need to be changed significantly during the actual implementation. Second, the departments affected were closely involved in the project and were not left on their own after go-live. This was where the detailed training concept came into play, providing a training program for 800 employees tailored to their requirements. The comprehensive

on-call support that Göder and his project team offered during the first weeks also ensured that the various departments accepted the new solution. "However, we weren't needed very often," he says. "I think this is further proof that everything went well."

Further Expansion Ahead

Deutscher Ring now plans to extend the collections and disbursements solution in further projects. "Having successfully replaced the legacy solutions in the health, life, and nonlife insurance lines of business, the next step is to transfer both group and broker collections and agency accounting," says Göder. By mid-2008 the plan is to run a single, end-to-end collections and disbursements solution based on SAP Insurance Collections and Disbursements for all processes, from incoming payments and claim payments to outgoing commission payments to third parties. This will pave the way for Deutscher Ring's continued future success.

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