



ERGO INSURANCE GROUP

GROUP USES SAP TO STANDARDIZE LOCAL AND INTERNATIONAL COST ALLOCATION

“SAP software is the essential core of our international financial reporting system and enables us to manage the continuing global expansion of our company on a well-founded and goal-oriented basis.”

Dr. Rolf Ulrich, Member of the Executive Board,
ERGO Insurance Group

QUICK FACTS

Company

- Name: ERGO Insurance Group
- Location: Düsseldorf, Germany
- Industry: Insurance
- Products and services: Life insurance, health insurance, legal expense insurance, third-party liability insurance, accident insurance, auto insurance, and financial services
- Revenue: €17 billion
- Employees: 50,000
- Web site: www.ergo.com
- Implementation partners: SAP Consulting and ITERGO

Challenges and Opportunities

- Adapt solution to meet the insurance industry's regulatory requirements
- Support international expansion
- Carry out financial reporting in compliance with both local and international accounting standards (multi-GAAP reporting)

Objectives

- Provide detailed view of costs
- Implement cost allocation in accordance with local and international accounting standards
- Implement multidimensional cost allocation by brand, segment, and service
- Establish basis for globally standardized cost overview

SAP Solutions and Services

- SAP ERP application
- SAP NetWeaver® Business Intelligence (SAP NetWeaver BI) component

Implementation Highlights

- Implementation of multi-GAAP functions for cost allocation
- Integrated service management
- Development of additional functions

Why SAP

- Future-proof solution
- Software for global use
- Development of new functionality in close collaboration with SAP

Benefits

- Standardized mapping of different cost allocation views
- Harmonization of standardized reporting across brands and segments
- Basis for internationally standardized cost management

Existing Environment

- SAP ERP
- SAP for Insurance solution portfolio
- SAP NetWeaver BI
- SAP NetWeaver Portal component

Third-Party Integration

- Database: Microsoft SQL Server
- Hardware: HP
- Operating system: Microsoft Windows NT Server

ERGO

SAP Customer Success Story
Insurance



For companies that operate in the global insurance industry, having to comply with an array of regulatory requirements – both country-specific and international – is a daily reality.

Not only do global players have to meet international accounting standards such as International and Financial Reporting Standards (IFRS), but they also have to work with the local supervisory regulations and standards. For example, companies have to take into account the generally accepted accounting principles (GAAP) that each country imposes within its borders. Meeting the complex requirements of both global and local regulations presents insurance companies with a special challenge. These companies must implement a standardized cost accounting process that produces reporting data for differing sets of regulatory requirements. Moreover, companies need to be sure that their reporting data, while necessarily presented in different forms to meet the different standards, remains consistent and reconcilable throughout.

The ERGO Insurance Group – a Munich Re Group subsidiary based in Düsseldorf, Germany – found itself in exactly this situation. “The regulatory requirements for accounting have become stricter around the world,” says Dr. Rolf Ulrich, member of the executive board at ERGO Insurance Group. “We wanted to lay the foundations in Germany as soon as possible for a

globally standardized and transparent cost allocation process.” As a result, the insurance group decided to implement new software for cost allocation and pave the way for a globally standardized process. That new software, plus the expertise to successfully deploy it, came from ERGO’s IT partner SAP.

Need for a Global Cost Accounting Process

With more than 30 million customers and premium income amounting to over €17 billion, ERGO is one of the major insurance groups in Europe. Worldwide, ERGO is represented in 26 countries in Europe and Asia. In Europe, ERGO is the leading provider of health and legal expense insurance. Within the home market of Germany, ERGO is among the market leaders across all the different insurance segments. Over 50,000 people work full-time for the ERGO Group, either as salaried employees or as full-time self-employed sales representatives.

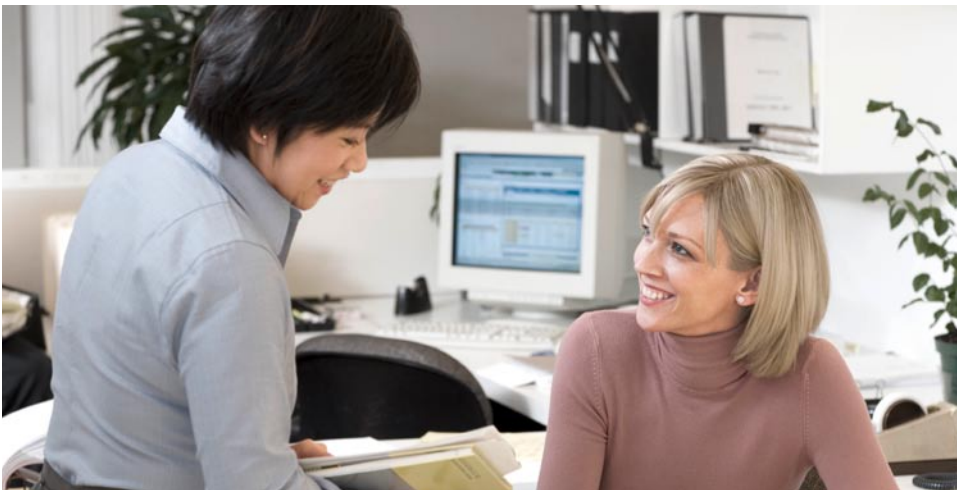
Previously, ERGO had used parallel accounts to carry out its financial reporting in Germany – in accordance with both local and international standards. The company used the SAP® ERP appli-

cation to support this process and the German Commercial Code was applied as the accounting standard for the general ledger and in controlling, which delivers the data for the reports to the German Federal Financial Supervisory Authority.

But ERGO’s global growth presented new challenges. Because the group had expanded its operations in the international arena, the company was now legally required to carry out its general ledger accounting in accordance with IFRS. However, once accounting is carried out in accordance with IFRS, it is no longer possible to change anything in the controlling functionality of the SAP software. This is because it is not possible to run cost accounting in accordance with both local and international standards with an IFRS-based general ledger in SAP ERP. So ERGO needed to extend its SAP solution to support its new needs.

Project Gets Under Way

The project began in late 2005. From the very start, the team included IT experts from SAP Consulting and ITERGO – ERGO’s own IT service provider – and employees from ERGO’s accounting department. The experts from ERGO and SAP worked together to implement the new cost accounting application, which is based on SAP ERP and the SAP NetWeaver® technology platform. During this process, using the SAP NetWeaver Business



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Project Manager for Reporting and Systems
ERGO Insurance Group

Intelligence (SAP NetWeaver BI) component, SAP and ERGO experts jointly developed new functions that would meet the requirements of sophisticated cost accounting in a multi-GAAP environment. The new functions allow deviation from IFRS via local-GAAP-specific cost accounting rules.

The resulting application now supports internal reporting for different ERGO brands and segments and enables financial accounting by classes of insur-

specific requirements. That requires intensive knowledge transfer and cooperation – cooperation with all the international subsidiaries,” explains Olaf Nickelsen, project manager for reporting and systems at ERGO.

A Detailed View of All Costs

By using SAP NetWeaver BI, ERGO cost accounting staff can now analyze original information – such as cost center, cost element, and the subsidiary at

have been using the new functions since March 2007. Soon, managers in controlling and cost center managers will be able to access them too. The new functions developed in the project show how powerful the platform is: ERGO’s approach has tackled the problem of cost accounting in an international environment and provided a flexible solution.

Rolling Out New Solution to International Subsidiaries

The new solution is now being rolled out step by step in ERGO’s European subsidiaries. Staff from ITERGO and from ERGO’s accounting department are continuing to develop and maintain the solution for the international subsidiaries. “Then every one of our international subsidiaries can adapt its cost allocation process to suit the local accounting standards and requirements, while at the same time satisfying IFRS,” says Nickelsen. In this way, the company is creating globally standardized, consolidated data for up-to-date and comprehensive reporting.

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ance and company code. It also provides detailed reporting for the services between the ERGO subsidiaries. Furthermore, the application enables the group to report in accordance with the requirements of both the German Federal Financial Supervisory Authority and IFRS.

The benefits of the implementation are manifold. The new software provides ERGO with a common framework to map financial data for internal and external reporting in different countries. A standardized template will make it simpler to prepare figures for cost accounting and create reports. “Together with SAP, we have set the parameters and enhanced the software to meet our

the end of the entire cost allocation chain – on all receiver objects, such as functional area, business area, or cost-bearing subsidiary. “This is a novel feature that no other software provider has offered so far. It provides us with a detailed view of all the costs,” says Nickelsen.

The ERGO project team paid particular attention to the company’s requirements in the area of service management. Billable costs to affiliated companies are generated in real time and can be allocated immediately. Thanks to this integrated processing, ERGO saves valuable time when creating financial reports. The employees in cost management and service management

Executive board member Ulrich believes the project was a huge success: “SAP software is the essential core of our international financial reporting system and enables us to manage the continuing global expansion of our company on a well-founded and goal-oriented basis.”

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