

SAP Customer Success Story Financial Service Providers



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AT A GLANCE

Summary

In 2005 Old Mutual SA – the largest South African financial services company – implemented the SAP® Insurance Incentive and Commission Management application. Part of the SAP for Insurance solution portfolio, the application enabled Old Mutual to better attract and retain top-performing intermediaries and, as a result, protect and bolster revenues.

Web Site

www.oldmutual.co.za

Key Challenges

- Enable incentive and commission programs to effectively keep pace with rapidly changing product offerings
- Increase retention of intermediaries through flexibility and relevance of remuneration packages and better service

Project Objective

Replace inflexible and unresponsive legacy IT system with state-of-the-art industry-specific application from SAP

Solution and Services

SAP Insurance Incentive and Commission Management

Why SAP Solution

- SAP experts' in-depth understanding of the industry
- Robustness of the application

Implementation Highlight

This implementation of SAP Insurance Incentive and Commission Management was the first of its kind in Africa and the largest of its type in the worldwide insurance industry.

Key Benefits

- New strategic competitiveness provided through segmentation and niche models
- Cost of implementing new remuneration models – compared to costs incurred using legacy system – reduced by 50%
- Time to introduce new products – from finalization of business requirements and remuneration rules to implementation – reduced from 14 days to at most 5 days
- Cost of introducing new products reduced by 66%

Implementation Partner

SAP Consulting

Existing Environment

Legacy systems

Third-Party Integration

- Database: Oracle
- Hardware: Sun
- Operating system: Sun Solaris

OLD MUTUAL

SAP® Insurance Incentive and Commission Management Enables Rapid Deployment of New Remuneration Models

Rapid evolution of the financial services market and a wave of innovation by both new and established providers in the past few years have fueled investors' appetite for different and exciting solutions. As a result, the number and range of product types has exploded exponentially. The challenge for providers like Old Mutual SA – the largest South African financial services company – is to interest intermediaries, brokers, and advisers in selling their products rather than those of competitors. To help face this challenge, Old Mutual chose an SAP® application specifically designed for its industry.

One effective way of interesting intermediaries is through commission and remuneration packages that can be adjusted quickly and accurately service thousands of individual intermediary contracts across multiple product types. Intermediaries that are rewarded quickly and accurately for selling a company's products are more likely to remain loyal – and be motivated to sell more products. Also, if incentives to sell a new product are structured imaginatively – so as to acknowledge the specific efforts of a given broker, adviser, or agent – intermediaries will put more effort into understanding and adapting that product to meet client needs.

Need to Provide Attractive New Products Quickly

Old Mutual is focused on asset gathering and asset management in three geographies: the United States, the United Kingdom, and South Africa. Its retail division in South Africa, with more than 20,000 contracted intermediaries and up to 5 million transactions a month, is a strategic revenue driver for the group.

In a fiercely competitive environment, the need to provide intermediaries with attractive new products is vital. Even more important is the ability to match the speed of product innovation with the corresponding adjustment, processing, and payment of intermediary incentives and remuneration.

Nine Systems Reviewed, SAP Application Selected

But Old Mutual's legacy IT system was too rigid to cope with the degree of flexibility required. So the company looked around for an alternative and ultimately selected the SAP Insurance Incentive and Commission Management application – part of the SAP for Insurance solution portfolio.

For companies like Old Mutual, SAP Insurance Incentive and Commission Management can contribute to strategic capabilities because, although it is designed specifically for a commissions environment, it also provides an effective workforce management

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tool. It gives companies the flexibility to address the specific remuneration needs of individual employees and, in the case of Old Mutual, intermediaries.

“Having investigated nine different solutions worldwide, we settled on SAP software because it was clear from its content that SAP had in-depth understanding of our industry,” says Willem Schutte of Old Mutual's intermediary payment operation. “We were also impressed by its robustness, because we knew we'd be asking a great deal of it.”

The SAP application promised to help Old Mutual provide tangible proof to its intermediaries that it cares about what matters to them. The benefit would be a very powerful means of motivating intermediaries to do better and therefore drive revenues on Old Mutual's behalf.

Among its much functionality, the SAP for Insurance solution portfolio helps managers to align their sales force resources with the company's business objectives and, at the same time, maximize the value of sales force skills, activities, and incentives in line with company strategies. The solution portfolio supports the handling of several distribution channels, with special focus on distribution via intermediaries, such as partners, agents, and brokers. In addition, the solutions enable the complete management of commissions and the handling of in-force business (the portfolio of policies at any given time).

Handling a Tough Assignment

Henk van Huyssteen, one of Old Mutual's project managers responsible for the SAP implementation says that – even though the project team included local and international SAP specialists as well as Old Mutual's own experienced IT experts – the project was challenging.

“This was an extremely tough assignment,” says Van Huyssteen. “For one thing, we had to take into account the commission system's impact on business processes as diverse as human resources, payroll, financials, product development, and sales and distribution.”

Van Huyssteen also points out that the Old Mutual project to install SAP Insurance Incentive and Commission Management was the largest project of its kind to date. “We were breaking new ground in the industry,” he says. “The fundamental structure of the SAP package gave us an 80% fit. But we still had to decide how we wanted to apply its best practice templates to suit Old Mutual. So we often took the package where it hadn't gone before.” Old Mutual's implementation of the SAP application was the first in Africa and the largest and most complex in the world. Schutte is happy with the result of the company's ground-breaking initiative. “It's paid off,” he says. “The solution is delivering exactly the kind of operational flexibility we wanted.”

SAP Application Yields Dramatic Improvements

The improvements have been dramatic. The new application has reduced the length of time it takes to introduce a new product – from finalization of business requirements and

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remuneration rules to implementation – from 14 days to at most 5 days. As a result, by being able to quickly introduce segmentation and niche models, Old Mutual has acquired a new strategic competitiveness.

Costs have come down too. In fact, the cost to implement new remuneration models using the SAP application is 50% less than the previous cost incurred using the legacy system. Finally, Old Mutual has reduced the cost to introduce new products by 66%.

Rapid Deployment of New Remuneration Models

Within months of completion of the SAP Insurance Incentive and Commission Management implementation, Old Mutual gave its intermediary payment department two weeks to support the launch of an agency franchise channel. “Our legacy system would have made that impossible,” Schutte says. “But the SAP application enabled us to establish a new remuneration model and set up the contracts well within the required two weeks and, by the end of the month, we were processing the commissions and paying the franchise agents.”

Schutte continues, “In other words, we can now change our remuneration models as fast as product development brings out new options, and we can pay our intermediaries just about as fast as they can sell our products.”

In addition, Old Mutual can take in its stride any adjustments to commissions regulations, such as those anticipated by the assurance industry in South Africa for the 2006–2007 time frame. SAP Insurance Incentive and Commission Management allows the changes to be built into the commissions system once only and then automatically integrated into the product development system, eliminating the need for Old Mutual to do additional system development work.

The solution’s enabling processes have also brought about efficiencies in other areas of Old Mutual’s business. “But that’s a bonus,” says Schutte. “Our primary reason for going with the new system was to be more responsive and proactive regarding our intermediaries and, through the resulting improved relationships, to drive greater growth for Old Mutual. And that’s what’s happening.”

Central Management, Reduced Risk

Having established SAP Insurance Incentive and Commission Management in terms of daily operations, Old Mutual is now in the process of using the solution to gain a single view of each of thousands of individual independent intermediaries, both corporate and retail, across multiple markets and products.

As an end result, Old Mutual will be able to manage all intermediary accounts and contracts centrally. This will significantly reduce the group’s risk, in terms of exposure of intermediaries, and enable precise management of the remaining risk going forward.

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