



INCREASING COLLECTION AND DISBURSEMENT EFFICIENCY AT INTERPOLIS

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Interpolis Insurance, one of the top five insurance providers in the Netherlands, replaced seven aging collections and disbursements systems with a single system running the SAP® Insurance Collections and Disbursements application. The efficiency increases enabled by the application save Interpolis on average €1.6 million per year while strengthening customer satisfaction, enabling greater flexibility, and improving the company’s capacity to plan for the future – all of which make Interpolis ever more competitive in a highly competitive business.

AT A GLANCE

Company

Interpolis Insurance N.V., part of the Rabobank Group and based in Tilburg, the Netherlands, ranks among the top five insurance providers in the Netherlands. The company offers both life and nonlife insurance products, as well as retirement (pension) products to both individuals and businesses. The company's 2004 revenues were nearly €5 billion.

Challenges and Opportunities

Changes in the insurance marketplace were increasing competition, and Interpolis wanted to be able to react more nimbly in response to customer demands, regulatory changes, and other market conditions. Its collections volume was increasing, and Interpolis executives were concerned that the existing collections and disbursements systems would not be capable of keeping up with increased business volume, let alone enable the company to respond quickly to new opportunities.

Strategic Goals

To position itself for continued growth and profitability, Interpolis needed a new collections and disbursements solution that could be used as the basis for innovation. The firm wanted to decrease process and capital costs while increasing process quality and the value of information gathered from those processes.

Approach

To achieve its goals, Interpolis chose an integrated solution from SAP, including the SAP® Insurance Collections and Disbursements application, part of the SAP for Insurance set of solutions, and the business intelligence component of the SAP NetWeaver™ platform. SAP NetWeaver Business Intelligence encompasses data warehousing capabilities.

Results

SAP Insurance Collections and Disbursements has enabled Interpolis to reduce its annual operating costs by €1.7 million in the first two years. Process efficiencies alone amounted to a savings of €581,900 in 2003 and 2004; they will climb to €705,100 in 2005. Service efficiencies have saved another €484,000 each year. By consolidating its seven aging collections and disbursements systems into one, Interpolis reduced hardware and support costs by more than €1.2 million (accumulated) in the first two years of deployment, and anticipates an annual savings amounting to €372,712 from 2005 forward. A net present value calculation indicates that Interpolis will recoup its investment in less than 6 years and realize a net present value of €3 million within 10 years. The calculated ROI is 41%.

EXECUTIVE SUMMARY

The year was 2002, and Interpolis Insurance was finding itself in a more competitive marketplace than any it had known in 40 years of corporate life. New insurance providers were introducing product alternatives, and shifts in the regulatory environment were changing the nature of the insurance products that companies could offer. Competition was creating a more sophisticated consumer, whose standards in turn were growing higher and more demanding.

Interpolis was still doing quite well, handling more than nine million collection transactions per year. Yet that in itself was posing a problem for the company. Its existing collections and disbursements infrastructure was built on seven separate – and aging – computer systems, and those systems could no longer keep up with the growth in volume of the business transactions. Interpolis executives knew that the company needed a new collections and disbursements infrastructure to continue to grow and to compete successfully in this evolving marketplace.

Given these challenges, company executives wanted to be able to accomplish the following key goals with a new collections and disbursements infrastructure:

- Decrease process and capital costs
- Increase process quality and information
- Use IT as the basis for innovation

To meet these goals, Interpolis chose an integrated solution from SAP, including the SAP® Insurance Collections and Disbursements application, part of the SAP for Insurance set of solutions, and the SAP NetWeaver™ Business Intelligence component.

Implementation took 10 months, relying on teams composed primarily of Interpolis personnel (60% internal resources, 40% external resources). SAP Consulting and PricewaterhouseCoopers provided on-call expertise to help Interpolis developers when questions arose. SAP Insurance Collections and Disbursements went live in February 2003.

“Implementing standard and scalable software like SAP Insurance Collections and Disbursements enables us to stay ahead in business developments within the insurance market.”

Frank Veldman, Manager of the Financial Service Center,
Interpolis Insurance N.V.

A return on investment analysis of SAP Insurance Collections and Disbursements, based on the first two years of deployment, indicates that Interpolis has been able to reduce its collection and disbursement costs by more than €1.7 million annually. Process efficiencies alone amount to a savings of €581,900 in 2003 and 2004, with savings increasing to €705,100 from 2005 forward. Service efficiencies save another €484,000 each year. By consolidating its seven aging collections and disbursements systems into one, Interpolis reduced hardware and support costs by more than €1.2 million in the first two years, and anticipates a continued savings of €372,712 each year going forward. A net present value calculation indicates that Interpolis will recoup its investment in less than six years and realize a net present value of €3 million within ten years.

COMPANY

Interpolis Insurance N.V., part of the Rabobank Group and based in Tilburg, the Netherlands, ranks among the top five insurance providers in the Netherlands. Supporting more than 2.5 million customers, Interpolis has annual revenues of nearly €5 billion and a net profit of approximately €219 million. The company employed nearly 6,000 people in 2004 and, in addition to the Netherlands, is active in Luxembourg, Portugal, and Ireland.

Lines of Business

Insurance. Interpolis offers a wide range of life and nonlife insurance products for both personal and commercial lines of business. With more than one million private customers and approximately one hundred thousand companies in its portfolio, Interpolis is one of the major providers in the Dutch insurance market. In the agricultural sector, Interpolis is the market leader. The insurance business employed more than 1,600 people in 2004.

Retirement. Interpolis is one of the largest pension managers in the Netherlands, serving more than 1,000 organizations and their 2.9 million employees and former employees. Interpolis manages 17 industry-wide pension funds, 29 company pension funds, and 3 occupational plan pension funds. Additionally, many companies have placed their pension plans with Interpolis in the form of group pension insurance. The managed capital for pension funds amounted to €29 billion in 2004. The pension division at Interpolis employs 970 people.

Staff availability. To expand its employment benefits business, Interpolis acquired Commit Arbo in 2000. Commit Arbo is one of the largest safety, health, and welfare service providers in the Netherlands, providing support to companies in the field of absenteeism and reintegration management. It is the number-one provider in the field of staff availability in the small to mid-size enterprise sector and in the agricultural sector. The company is also rapidly expanding its share in the public sector. Commit Arbo employed approximately 1,390 people in 2004.

Competition

Interpolis sells insurance to individuals through several channels: through Rabobank branches and independent insurance brokers (indirectly) and through Internet and telephone channels (directly). There is increasing competition, particularly in the direct sales channel, where individuals can readily choose among many different insurance providers. While Interpolis is a well-recognized brand in the Netherlands, the company must continue to meet increasingly high expectations for customer service to remain competitive in this marketplace. Meeting those expectations translates into rapid response to customer queries; rapid introduction of new products and services to meet changing market segments and customer demands; and rapid adoption of changes to insurance and financial regulations. At the same time, the company's capacity to compete in the marketplace also depends on its ability to control and reduce its internal cost of operations and to pass on those cost reductions to customers in the form of lower premiums.

CHALLENGES AND OPPORTUNITIES

Interpolis faced challenges in the following distinct but inter-related areas:

- Market challenges and customer expectations
- Governance of shared services
- IT infrastructure

Market challenges and customer expectations. Competition among insurance providers, both existing carriers and newcomers to the marketplace, had been growing more intense since the late 1990s. With so many more options, customers – particularly those who interact directly with the insurance carrier rather than through a broker – could and would choose coverage more selectively than ever. At the same time, the regulatory landscape was changing. Governments around the world were dropping outdated regulations even as they were imposing new ones. The net result for insurance providers was a requirement to make changes to some existing products, but also the opportunity to market new offerings. The new climate was quite beneficial for consumers, and it was up to the insurance carriers to offer a line of modern insurance products that would prove attractive to customers with increasingly high standards. Interpolis responded with a focus on customer satisfaction that has driven many decisions over the past five years.

Governance of shared services. By 2002 Interpolis was processing more than 9 million collections transactions each year, and that number was increasing. Management wanted to find ways to reduce costs for supply and operations, handle the volume of transactions more efficiently, and improve planning and steering with faster access to better information. Accomplishing these goals called for moving to a shared service-center model and using true value-based costing metrics for these services.

Market/customers	Government of shared services	IT situation 2001
<ul style="list-style-type: none"> ▪ Interpolis needed to meet high customer expectations concerning service levels. ▪ The number of insurance and financial regulations changes were increasing. ▪ Multidistribution is an important strategic issue for Interpolis to gain market share. 	<ul style="list-style-type: none"> ▪ Handling of collections/disbursements as a shared service center ▪ Activity-based costing for services ▪ Fast availability of planning and steering information ▪ Reduced costs for supply and operations ▪ Very high transaction volumes – internal customer base was increasing 	<ul style="list-style-type: none"> ▪ Seven different systems processing collections and disbursements ▪ No integrative technical platform in order to implement new processes and technologies ▪ Hard to react quickly to market requirements ▪ Lack of information out of the systems (report)
Customer satisfaction	Value-based costing	IT as basis for innovation

Figure 1: Challenges in Three Distinct but Interrelated Areas

IT infrastructure. Complicating these challenges was the fact that Interpolis relied on seven different systems to process collections and disbursements. This landscape was both costly and inefficient, rendering it impossible to respond quickly to queries (either from customers or internal organizations), and making it very difficult to offer and support new insurance products as quickly as business managers preferred. In a rapidly changing marketplace, Interpolis needed its existing IT infrastructure to serve not as an impediment, but as the basis for innovation.

STRATEGIC GOALS

Given these challenges, company executives focused on the following strategic goals:

- Decrease process and capital costs
- Increase process quality and information
- Use IT as the basis for innovation

Decrease process and capital costs. By decreasing process and capital costs, Interpolis expected both to increase profits and position itself to respond to customers more flexibly. Interpolis would be in a better position to meet customer demand for lower price points, for example, if its internal costs were lower. The company's multifaceted approach to cost reduction involved increasing the use of process automation, particularly in the area of reconciliation and broker clearings, which would simultaneously create process efficiencies to ensure high customer satisfaction. This approach would also enable Interpolis to reduce its debt risk by reducing premium days outstanding.

“By implementing the SAP solution we realized efficiencies in the collection and disbursement process so that the operational cost per transaction decreased.”

Willem van Duijn, Director of Corporate Finance and Control, Interpolis Insurance N.V.

Increase process quality and information. Improving the quality of processes and information was essential for Interpolis to increase customer satisfaction and support new product development and profitability. Management set the objectives of improving response to customer queries while the customer was on the phone, without undue delay; processing and paying claims in two days rather than four; and enabling internal organizations to gather valid information quickly and easily.

By consolidating its collections and disbursements systems into a single system, Interpolis could more readily realize these objectives. At the same time, consolidation would improve the company's steering and planning capabilities, because internal organizations gathering information from a single system could be far more confident of the completeness and accuracy of the data.

Decrease of process and capital costs	Increase of process quality and information	IT as basis for innovation and growth
<ul style="list-style-type: none"> Automation of processes, especially reconciliation processes Efficiency gain in customer interaction Faster processing of broker clearings Decreased debt risk by reducing days premiums outstanding 	<ul style="list-style-type: none"> Central, quick, and valid information access for collection and disbursement issues Herewith faster interaction with customers Central information access to broker accounts Steering and planning capabilities based on information 	<ul style="list-style-type: none"> Integrative technical platform in order to react quickly to market requirements and financial regulations Technical platform for centralization of information Replacement of seven heterogeneous systems Unification of interface

Figure 2: Interpolis Strategic Goals

Use IT as the basis for innovation. The IT landscape at Interpolis in the late 1990s and early 2000 no longer acted as the basis for any kind of innovation. The systems could not keep up with business demand, and the information captured by the systems had to be archived every two to three months, as the systems could no longer maintain the volume of information. Clearly, Interpolis needed far more flexibility than its existing infrastructure provided to accommodate regulatory change quickly, introduce new products to the marketplace rapidly, and meet the needs of a more sophisticated customer.

APPROACH

To meet these goals, Interpolis chose an integrated solution from SAP, including the SAP Insurance Collections and Disbursements application, part of the SAP for Insurance set of solutions. Interpolis also implemented the SAP NetWeaver Business Intelligence component, which includes data warehousing capabilities.

High-Level Expectations

The company's expectations for the implementation were commensurate with its ambitious goals. Expectations included the following:

- Increased process efficiency through automatic reconciliation of banking statements
- Increased process efficiency through faster reconciliation against general ledger and subledgers
- Improved customer service through accelerated claims disbursement
- Improved information access, which would lead to more efficient customer interactions
- Improved information quality and reliability, which would lead to better customer service and planning
- Reduced operating costs because of system consolidation and retirement of aging systems

Business Processes Addressed

Interpolis chose to automate the following distinct collections and disbursements processes as a first step in its implementation project:

- Collections – direct debit
 - This process focuses on initiating electronic payment requests and processing incoming payments. For direct debit customers, the collections process initiates an electronic debit request that is posted directly to a customer's bank account. If it is not possible to execute an incoming or outgoing payment, follow-up activities are triggered.

- Collections – direct payer
This process focuses on initiating a request for premium payment in the form of an invoice sent directly to the customer. The customer then remits the amount with either a bank transfer or a check. This process then reads an electronic account statement from the bank and reconciles the incoming payment to open items.
- Disbursements – claims accounting and periodic payments
This process covers all accounting tasks related to claims management, such as disbursement of claim payments or collecting money in recovery processes. Claims accounting also covers follow-up processes such as the handling of periodic reserves and returns. Also, disbursements take place for periodic payments such as pensions and life insurance–related payments.

“Interpolis and SAP worked together on the project in a disciplined way, and SAP handled issues with the highest priority.”

Frank Veldman, Manager of the Financial Service Center,
Interpolis Insurance N.V.

In addition to these three processes, this phase of the project also involved integrating SAP Insurance Collections and Disbursements with several key existing solutions, including the SAP Cash and Liquidity Management application and the mySAP™ ERP Financials solution (both parts of the mySAP ERP solution), and SAP NetWeaver Business Intelligence.

Subsequent project phases, commencing in 2004, included automating the broker collections process. The process involves developing an invoice for individual brokers based on the policies they are managing for the company; booking the broker’s commission and subtracting it from the premium payments; reconciling broker payments with broker invoices; and reconciling received payments against the policies managed.

Interpolis created a special financial administration interface in an earlier project through which Interpolis’s financial service center was able to connect its SAP landscape with business services systems specific to lines of business. The business services systems are rule based and support specific product-line processes. They translate insurance events into generic financial processes to produce financial products (that is, they receive, translate, expand, audit, approve, and export the insurance events into the financial processes). Further, by creating interfaces that link these systems to SAP Insurance Collections and Disbursements, Interpolis was able to further realize its vision of a financial shared-service center. (To make the scope comparable, the costs for creating this special financial administration interface are not taken into account in this study.)

Software Evaluation Process

Interpolis has an “SAP unless” strategy for its use of IT. In the case of the collections and disbursements systems, Interpolis developed a lengthy list of prioritized business requirements and then mapped those business requirements against the capabilities of the SAP application. The SAP Consulting organization in the Netherlands provided insight and demonstrations into capabilities and functionality to help Interpolis understand how the application could meet its requirements. Interpolis also engaged the services of PricewaterhouseCoopers to provide independent analysis and oversight of the proposed solution. PricewaterhouseCoopers created a gap analysis that identified where the application could and could not meet the prioritized business requirements, and then worked with Interpolis and SAP Consulting to determine ways to fill in the identified gaps.

Implementation and Operations

The implementation of SAP Insurance Collections and Disbursements began in January 2002 with a proof-of-concept demonstration that showed how the application could meet Interpolis’s requirements. Upon reviewing the demonstration in April 2002, Interpolis decision makers agreed that the SAP solutions would meet the company’s business requirements and facilitate achievement of its strategic goals.

“We completed the implementation within 10 months.”

Eric van Mierlo, former Information Manager, Interpolis Insurance N.V.

Only 10 months elapsed from proof-of-concept approval to full operations. During the first three months, SAP Consulting, Interpolis, and PricewaterhouseCoopers developed an implementation blueprint. Interpolis created a management team to

oversee the project and brought on BrightHouse Management to provide project management expertise. SAP Insurance Collections and Disbursements was initially configured in September 2002, and the interfaces to other Interpolis systems (such as its centralized, internally built client and policy management system) were developed over the next two months. Integral testing took place until January 2003, and the production system went live in February 2003. End-user training and support development continued through March 2003.

From an HR standpoint, the deployment of SAP Insurance Collections and Disbursements at Interpolis involved an internal steering committee and three development-team managers (one each for processes, system interfaces, and infrastructure). These internal teams performed 60% to 70% of the work involved with the implementation. Consultants from SAP were on call throughout the project, available on an as-needed basis to support the work of the three teams.

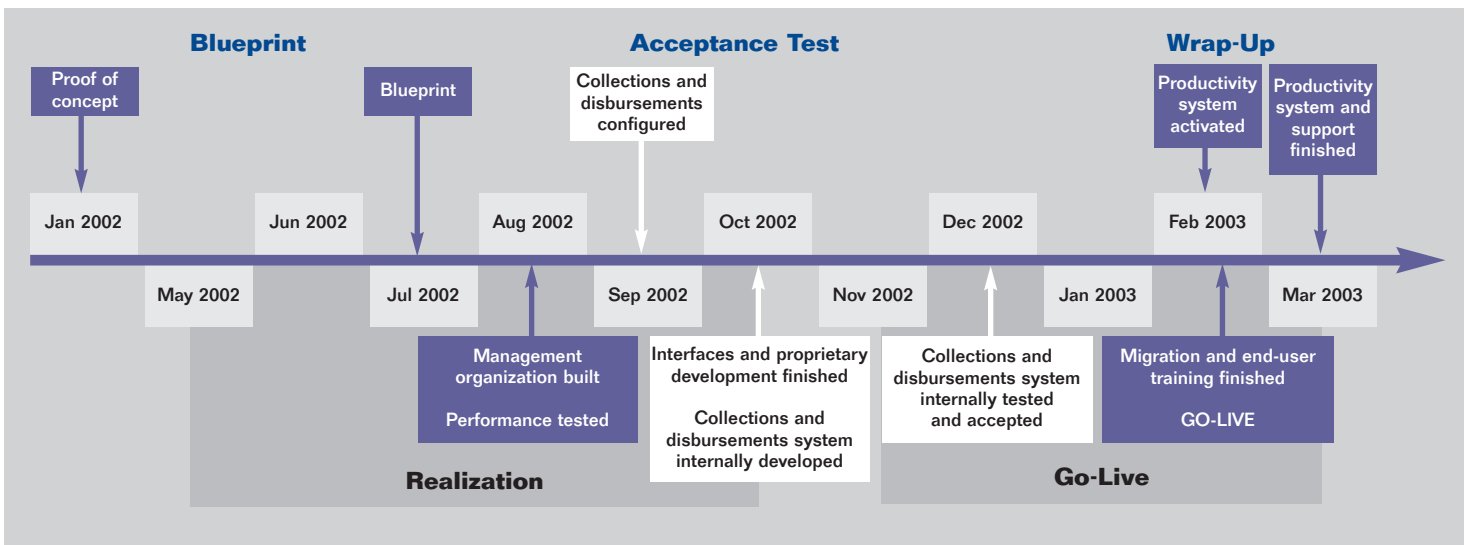


Figure 3: The SAP® Insurance Collections and Distributions Implementation Road Map

RESULTS

Interpolis measured the impact of SAP Insurance Collections and Disbursements in all the areas where process improvements were expected. There were distinct improvements in all areas.

Operational and Financial Key Performance Indicators

Increased process efficiency through automatic reconciliation of banking statements. Before the implementation, Interpolis had to reconcile 80% of its bank statements manually. With the automatic reconciliation features of SAP Insurance Collections and Disbursements, that number dropped to 10%. Considering that its collection volume has increased by 40% between 2002 and 2004, Interpolis would have needed to hire the full-time equivalent of 13.4 people to continue processing bank statements manually. *Because of the efficiencies afforded by the SAP application, Interpolis needs only 7.4 full-time equivalents, improving efficiency by 45% and reducing annual costs by €528,000.*

Increased process efficiency through improved ability to handle installment plans. Before the implementation, creating or maintaining an installment plan took approximately 60 minutes per plan. With the capabilities of the SAP application, Interpolis has seen that number fall to 5 minutes per installment plan which translates into a 92% efficiency improvement. *Insomuch as Interpolis manages some 600 installment plans per year, the application is saving the company €27,500 per year.*

Increased process efficiency through faster reconciliation against general ledger and subledgers. Because the application is readily integrated with mySAP ERP Financials, Interpolis was able to accelerate the reconciliation of collections with its general ledger and subledger accounts in mySAP ERP Financials. *The automation of this process saved approximately 0.8 full-time equivalents, which created a 79% process efficiency improvement worth €70,400 per year.*

However, the disbursement process requires an additional 0.5 full-time equivalents to handle manual payments, leading to a process deficiency of minus €44,000 per year.

Total value of annual process efficiency improvements: €581,900

Improved information access leads to more efficient customer interactions. If it had tried to manage the 40% increase in collections using its existing systems, Interpolis calculates that it would have needed 10 full-time equivalents to interact with all the different systems and handle the volume of customer calls and queries. With the implementation of the single system in 2003, Interpolis personnel were able to manage this two-year increase in business easily. Interpolis personnel could access the right information quickly, which increased customer satisfaction and reduced the duration of customer calls. As a result, individuals fielding customer calls were able to handle more customer calls per hour, which reduced the company's need for support staffing by 55%. *Instead of the 10 full-time equivalents it would have needed, Interpolis was able to rely on only 4.5, saving €484,000 per year.*

Total value of annual service efficiency improvements: €484,000

Reduced operating costs because of system consolidation and retirement of aging systems. Replacing its old systems with a single new system to support the SAP application *has had the net effect of reducing hardware costs by more than €1.2 million in the first two years of deployment (accumulated) and will continue to save €372,712 annually from 2005 forward.*

Moreover, by consolidating seven systems into one, *Interpolis has been able to reduce its support requirements from 2.9 to 2.5 full-time equivalents, saving the IT department €66,880 per year.*

Total value of hardware and support consolidation improvements: €608,779 in 2004

Considering process, service, and consolidation improvement values together with 2004 cash inflow figures in a net present value (NPV) calculation reveals that the Interpolis investment in SAP Insurance Collections and Disbursements yields an NPV of €3 million. A breakdown of this calculation appears in Table 1.

CASH INFLOWS	2003	2004	2005	2006	2007–2012	TOTAL
Process efficiency	€581,900	€581,900	€705,100	€705,100	€4,230,600	€6,804,600
Service efficiency	€484,000	€484,000	€484,000	€484,000	€2,904,000	€4,840,000
System reduction efficiency	€662,447	€608,779	€372,712	€372,712	€2,236,272	€4,252,922
Total	€1,728,347	€1,674,679	€1,561,812	€1,561,812	€9,370,872	€15,897,522

	INVEST	2003	2004	2005	2006	2007–2012	TOTAL
Net cash inflows	€-3,751,225	€-79,706	€596,058	€908,725	€1,106,027	€6,636,159	€5,416,037
Net present value	€3.02 mil	← Discount: interest rate 5%					

Table 1: Cash Inflows Overall

Anticipated Future Yields

Automation of the broker collections process has been live since 2004, yielding significant additional process efficiencies. Prior to the implementation, broker collections were handled manually, requiring 1.8 full-time equivalents. With the SAP application in

“Automatic reconciliation of bank statements has increased from 20% to 90%.”

Pim van der Hagen, Manager, Collection Department,
Financial Service Center, Interpolis Insurance N.V.

place, broker collections are fully automated. Interpolis anticipates that the process efficiency improvements, offset by the costs associated with managing the SAP application in this area, will yield an additional savings of €123,200 per year beginning in 2005.

Qualitative Improvements

In addition to the quantitative improvements delivered by the SAP application, there have also been qualitative improvements. These go a long way to increase customer satisfaction and ensure the competitive position of the company and its offerings.

Improved information reliability leads to better customer service and better planning. When there were multiple systems managing collections and disbursements, finding information could involve hunting through several different systems and databases, a time-consuming process that could yield incomplete answers. With one central system, the information is all in one place. Today SAP Insurance Collections and Disbursements maintains up-to-date information about the following metrics:

- Clearings per customer
- Open items per customer
- Dunning status per customer
- Payments to customers (claims)

Service-center employees can find relevant information in a matter of seconds. This transparency is also key for managers, who have accurate and timely information to meet their needs for planning and steering purposes.

Improved customer service through accelerated claims disbursement. Because the SAP application can process the company's 1.1 million annual disbursements quickly and efficiently, Interpolis has been able to achieve its goal of reducing claim payment times from four days to two. Cutting this response time in half has increased customer satisfaction and created a strongly positive public perception of the company. An Interpolis customer survey from 2003 indicates that 9 out of 10 private customers value its service highly.

Improved cash flow through an accelerated dunning process reduces days premium outstanding. Because the SAP application can reconcile collected premiums more quickly, it can also identify uncollected premiums more quickly and follow up with an automated dunning process. This ultimately reduces the amount of dunned premiums outstanding, leading to more cash on hand at any given time. This in turn increases the amount of bank interest paid against those holdings and reduces debt risk. (While there is anecdotal evidence to support this finding, Interpolis as yet has insufficient data to quantify this benefit.)

Improved ability to reduce product pricing through use of an activity-based costing model. Before implementing SAP Insurance Collections and Disbursements, Interpolis managers could only guess at the actual cost of managing collections and disbursements. With multiple systems and a decentralized process, gaining an accurate internal accounting of transaction

“SAP Insurance Collections and Disbursements enables us to do a better, faster job of meeting internal customer demands.”

Frank Veldman, Manager of the Financial Service Center,
Interpolis Insurance N.V.

costs was impossible. With the SAP application, however, and the move to a shared service center, Interpolis managers have been able to ascertain the internal cost of transactions – and thereby reduce the rates they charge internally. Consequently business managers have the flexibility to reduce product prices without actually cutting into the company's bottom line.

ROI Summary Results

Actual annual efficiency benefits based on the first phase of the implementation appear in Table 2.

CASH INFLOWS	2003
Process efficiency	€581,900
Service efficiency	€484,000
System reduction efficiency	€662,447
Total	€1,728,347

Table 2: Total Annual Process, Service, and System Reduction Savings Arising from Phase 1 of the SAP® Insurance Collections and Disbursements Implementation

Overall hardware, software, and support costs for the implementation broken out over the period 2002–2012 can be seen in Table 3.

COSTS	INVESTMENT	2003	2004	2005	2006	2007–2012	Overall
Software (license and maintenance)	€1,158,465	€443,376 ²	€232,746	€463,589 ²	€266,287	€1,597,725	€4,162,189
Implementation project	€2,592,760	€1,175,179	€656,377	€0	€0	€0	€4,424,316
Support (SAP® Customer Competence Center) ¹		€189,498	€189,498	€189,498	€189,498	€1,136,988	€1,894,980
Overall costs	€3,751,225	€1,808,053	€1,078,621	€653,087	€455,785	€2,734,713	€10,481,485

1) Support and maintenance costs include only those for SAP Customer Competence Center and one full-time employee for data warehousing (€95/h) from SAP CCC. The other system support people could be transferred to collections and disbursements.

2) License extension due to increased volume

Table 3: Operating Costs for SAP® Insurance Collections and Disbursements, 2002–2012

An NPV calculation based on 2004 figures is broken down in Table 1. With a dynamic payback period of only 5.88 years, the Interpolis investment is already showing a positive NPV at the 6-year mark. After 10 years, NPV reaches the €3 million profitability mark. NPV as calculated 10 years in the future appears in Table 4.

Calculation period	10 years
Interest rate	5%
Internal rate of return	16%
Dynamic Payback Period	5.88 years
Net present value	€3,026,950

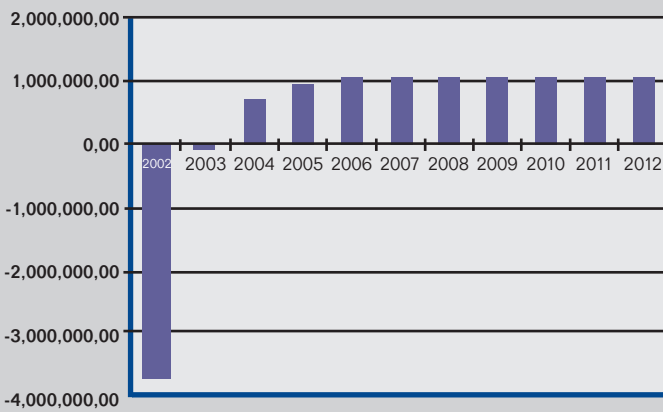
$i \leq r$; Investment absolutely profitable

$r \geq i$; Investment absolutely profitable

Determination of time, in which the total accumulated amount of present values is zero

$C_0 \geq 0$; Investment absolutely profitable

Cash in-outflows



Dynamic payback period

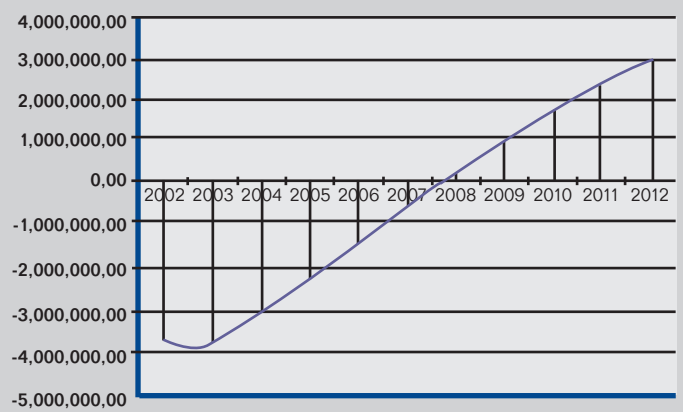


Table 4: Net Present Value in 10 Years

NEXT STEPS

Interpolis has already moved forward with a second phase of the implementation, which involves bringing the broker collection process into the new solution. Figures from 2004 indicate that these process efficiency improvements will save more than €123,000 per year. This second phase has been live since 2004.

Ongoing efforts are underway in the following areas:

- Service-level management
Interpolis plans to expand its use of SAP NetWeaver Business Intelligence to leverage its reporting capabilities. A new series of reports will highlight service levels and enable further refinement of service efficiencies.
- Reconciliation of disbursements with collections
Further planned improvements based on SAP Insurance Collections and Disbursements include a plan to reduce the number of transactions between Interpolis and its customers. By reducing the number of transactions, Interpolis expects to be able to increase customer satisfaction still further.
- Expanded use of the SAP application to manage pension services
The efficiency improvements that Interpolis has realized in collections and disbursements processes for its insurance business will increase even more as the company begins to use the application to manage collections and disbursements in its pension services business.

LESSONS LEARNED

Over the course of its 10-month deployment and during the two years that Interpolis has been relying on SAP Insurance Collections and Disbursements, the company can point to many lessons learned and incorporated.

1. Key success factors for the project

- Lay out a comprehensive proof of concept
- Set clear project organization and decision competencies
- Divide into expert teams
- Engage SAP Consulting for quick availability of resources on demand

2. A disciplined process

- Plan and adhere to a step-by-step process
- Gain commitment from Interpolis employees
- Close each development and implementation phase properly before working on the next phase

3. Importance of convincing stakeholders

- Management commitment in every project phase is an important success factor.
- Good preparation of the project together with all stakeholders is half the job.

4. The special role of IT support

- The involvement of IT is critical.
- IT support is needed in all project phases.

5. Process definition

- A process for decision making is crucial for keeping the project on track.
- A clear decision-making process can avoid needless complications; Interpolis organizes functional review boards for decision making.



APPENDIX

Definition of Financial Metrics

The **net present value** (NPV) method of calculating return on investment compares the total incoming and outgoing payments of an investment object. Interest is to be accrued (discounted) at the discount rate on all incoming and outgoing payments at the start of investment (that is, the point at which it was acquired [time = 0]).

The **discount rate** is the investor's subjective minimum required rate of return on the investment object.

The **internal rate of return** is the interest rate that produces a net present value of zero for an investment.

The **dynamic payback period** of an investment is the time needed for the net present value of the investment to reach zero. In other words, the dynamic payback period of an investment is the time needed for the investor to get back the acquisition costs and interest. The dynamic payback period is always longer than the static payback period, because it also takes into account the interest on the outstanding amounts at the discount rate.

The **static payback period** is the number of years needed to get back the capital invested (= acquisition costs, with a remaining amount subtracted, if appropriate) from the reimbursements (net incoming payments).

Methodology

This study sought to assess the value of the implementation of SAP Insurance Collections and Disbursements to Interpolis. This assessment involves comparing the preimplementation state with the state one year postimplementation. The process differences between those states were then identified and mapped against key performance indicators. From that, the strategic value impact and the strategic process impact could be calculated and compared against the full cost of the implementation project. As a result, the return on investment (percentage) as well as the NPV (discounted) of the investment could be quantified.

The information establishing the preimplementation and postimplementation states was derived from company documents, subject-matter experts, and face-to-face interviews with Interpolis employees who participated in the implementation project and decision-making processes.

About Business Consulting

This study was prepared by the Business Consulting group, a special team of SAP Consulting that develops customized business models and links the company's business strategy to IT strategy and operations. The group helps customers identify the achievable benefits of any SAP solution, maximize return on investment, and minimize risk during projects. In all phases of the solution life cycle, customers benefit from these consultants' in-depth industry knowledge and process-related expertise gained through their work on numerous SAP Consulting projects.

Value Identification and Controlling	Benefit Mapping	Business Assessment	Value Assessment	Business Case Development	TCO Analysis	Potential Tracking	Value Measurement
Brief	Benefits link to the cooperation customer/SAP	Qualitative potential analysis	Quantitative ROI potentials/ cost analysis	Full scale quantitative ROI analysis	Quantitative IT cost analysis	KPI Quality Gates	Value measurement
Content ▪ Issues ▪ Focus ▪ Detail	Business IT Benefits	Business IT Benefits	Business IT Benefits Cost	Business IT Benefits Cost	IT IT Cost	Business IT Benefits Cost	Business IT Benefits Cost
Project ▪ Team ▪ Effort ▪ Duration	SAP 7-10 days > 1 week	SAP Client 15 days > 2 weeks	SAP Client 25-30 days > Continuous	SAP Client 60-100 days > 8 weeks	SAP Client 25-30 days > 4 weeks	SAP Client Continuous > 1 week	SAP Client Continuous > 2 weeks
Key Results	Benefit map	Strategic business benefit areas	High-level ROI	Detail ROI	High-level TCO	Potential track	Value measure

Figure 4: The Parameters of an SAP Assessment Case Study

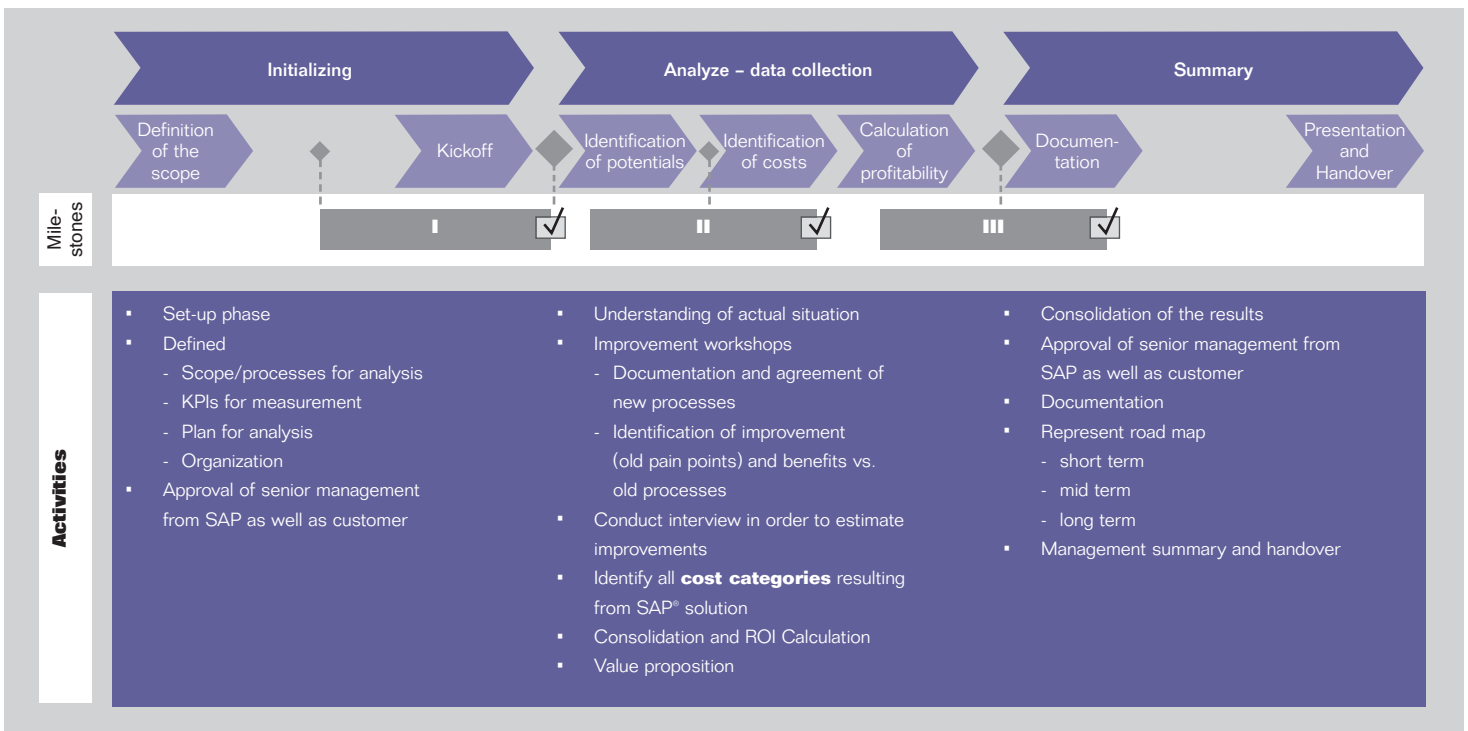


Figure 5: The Three Phases of an SAP Assessment Case Study

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