

Applies to:

SAP FS-CD ECC6.0. For more information, visit the [Enterprise Resource Planning homepage](#).

Summary

This article is first part of series of several articles we will be writing on SAP FS-CD solution. This Article describes the basic architecture of SAP FS-CD. These articles are designed for

1. Business analyst
2. Insurance functional consultants
3. SAP technology consultants

These articles will be helpful to understand configuration, business transactions and ABAP enhancements if customer needs changes in SAP delivered system.

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Author Bio



Nilesh Bhojar is SAP ABAP/BI consultant with SAP FI Certification. He has around 5 years of SAP experience. He has around 2 years of experience with FS-CD module. He is working with Allianz Global Investors as SAP Techno-functional Consultant.



Anil Konda is a Chartered Accountant (ICAI, India) with 6 and half years of SAP experience including around 6 years of experience on FSCD Module with INTELLIGROUP Asia and INTELLIGROUP Inc., Currently working on Site with a major property and casualty Insurance company on implementation project of FSCD. Has a fair knowledge of end to end FSCD sub processes along with Business relevance.

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Overview

Post crises era is indeed different and now financial institutions needs more fact based strategy and technology solutions. After financial crises Insurance industry has to face following changes,

1. Customer Thinking and behavior
2. Financial Reporting requirements
3. Solvency II requirements
4. Cost effectiveness
5. More competition and they need innovation in products they are offering.

A Key factor that differentiates the winners and losers during the crises is IT. If organization has good IT infrastructure then it's easy to respond to changes in economy, environment and technology. If there is weak IT infrastructure then it results in

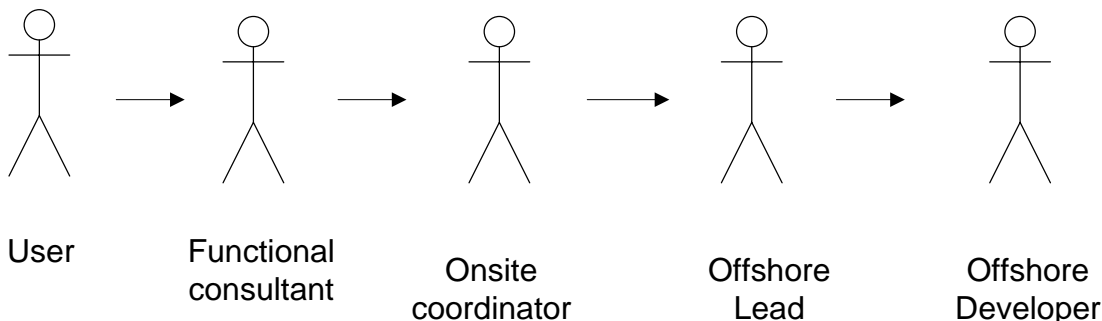
- a. Wrong IT investments
- b. If organization is big then it's tough for elephant to move in small room
- c. Organization misses to create confidence in their customer
- d. Launching new initiatives becomes difficult.

SAP Insurance is indeed one of the best products in market for this industry sector. It provides appropriate IT environment for ensuring profitable growth. Solution integrates the entire insurance value chain – from collection of premiums through payment of claims. SAP for Insurance supports data transparency, data integrity, and powerful analytics for tactical and strategic decision making and reporting. In next series of articles we will describe how SAP products can do this magic?

Driving Luxury Car

Few SAP clients complain about the high Cost of SAP implementation, missing deadlines or about lot of customization. SAP vendors address these solutions by

1. **Off shoring:** Off shoring has lot of success stories. It helps to reduce the overall cost of project. But sometimes off shoring also results in missing deadlines or increase in overall cost of the project. Broadly SAP vendors implement their offshore strategy as below,



These are the mandatory roles but there can be multiple levels of communication depend on strategy and size of the implementation. So information is flowing through multiple levels and success of the project depends heavily on quality of information flow within these actors.

2. **Team Re-sizing:** Management resizes their team at various phases of the project. It helps if your project teams are loosely coupled. But if they are dependent then resizing at wrong time can cause trouble in meeting the deadlines.

New methodologies are being invented and companies are developing new tools to tackle these issues. But nevertheless you will find that the most important factor in any successful implementation is "Communication". We really need the best information flow between the teams.

We need stars in the project who understands the technology as well as business. For instance, If onsite coordinator is equipped with these skills then he will not only communicate the functional requirements at offshore efficiently but also will be able to address the simple design questions from offshore instead of taking those questions to functional consultant every time, that will reduce the communication time drastically. Let's consider one real life that most of us might have encountered,

Problem

Client has implemented SAP FS-CD solution through vendor. For support, client has its own functional team. During the invoice run we found that Invoices are being printed with incorrect due date.

If functional person is not aware of the technical details of the system then s/he will check the configuration and if s/he sees everything correct then will communicate the problem to technical consultant. But if he knows the enhancements done for the due date calculation then s/he can guide the technical team with location and program's to look for the issue, it helps technical consultants to debug and solve issue quickly.

Imagine you have high end luxury car but you don't know the all controls on dashboard. You may feel comfortable in driving it but you really can't enjoy the vehicle. Same thing is with SAP insurance product. This is indeed luxury product for any organization but you need the drivers who really know the system. Our articles are useful for Functional consultant not only for configuration but also they will be helpful from technical perspective. We have covered possible enhancement scenarios as well as enhancement spots available for technical team. This will help to improve the overall productivity in the team.

We are trying to equip SAP insurance world with more knowledge. Insurance company helps societies to prepare for Catastrophes and mitigate the effects of something unexpected. Insurance company with strong IT infrastructure can serve its customers in cost effective way. Accumulating the knowledge makes one intelligent but sharing makes him/her greater. Hope these articles helps consultants to deliver their best for clients and thereby society.

SAP for Insurance

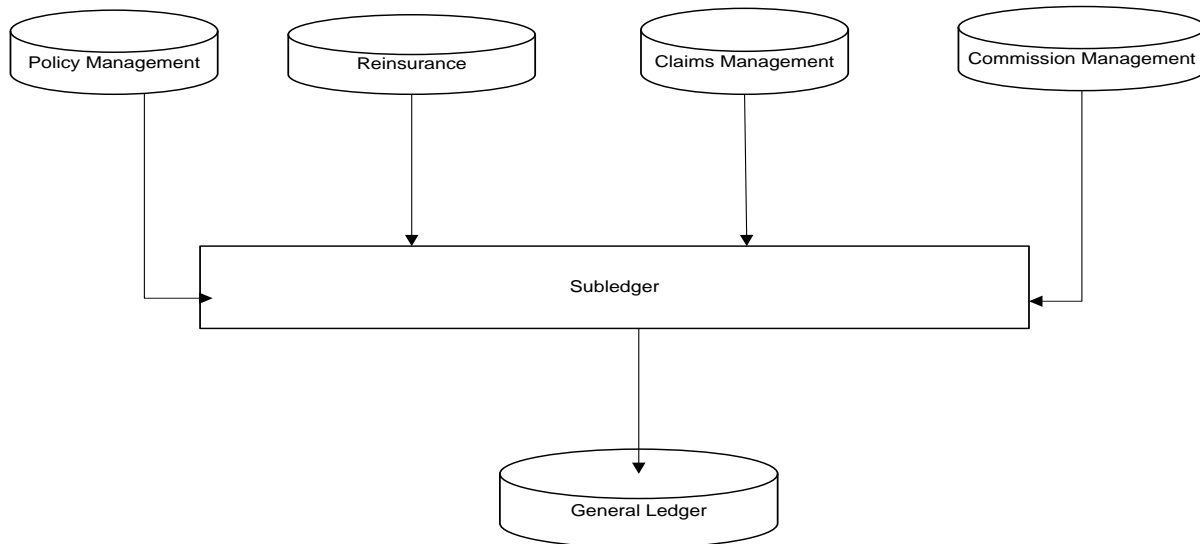
SAP for Insurance includes the following industry-specific applications:

- SAP Claims Management
- SAP Financial Asset Management
- SAP Insurance Collections and Disbursements
- SAP Incentive and Commission Management
- SAP Reinsurance Management

Our articles will be focused on SAP Insurance Collections and Disbursements. SAP Insurance Collections and Disbursements enable clients to manage premium billing and receivable. It maps all business processes related to these payments – across all lines of business both in direct and broker collections.

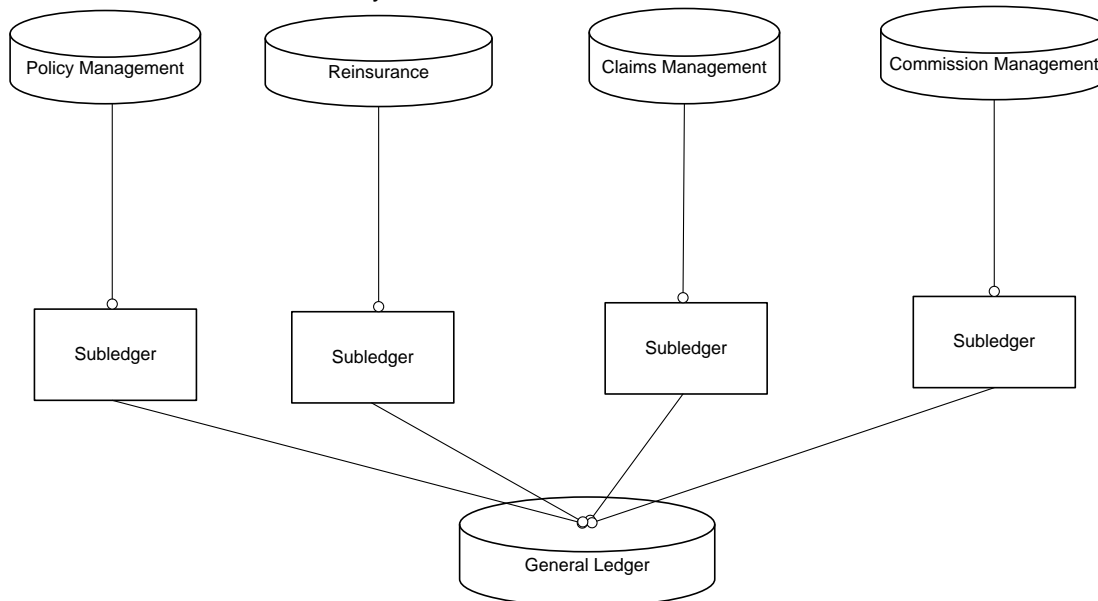
Collections and disbursement is integrated with SAP GL system if you configure GL system. Components have been given to update GL system periodically or on demand basis. These components can reduce your GL closing time drastically.

Consider the Data Flow with FS-CD systems,



Commissions, claim management, Policy Management and Reinsurance are handled in single and common sub ledger. Data is transferred to GL through a single interface. It means very simple technical architecture and less maintenance. Imagine the world without FS-CD systems. We will end up with multiple legacy systems with their own sub ledger and 4 interfaces for transferring GL data. This makes IT infrastructure Loosely coupled and more complex causing delays in reporting leading to statutory penalties and missing deadlines.

Dataflow without SAP FS-CD system



Our focus in future would be to cover end to end FSCD sub process on the following lines.

Master Data: Part 2 –

Data that can reused during the transactions like Billing, Incoming Payment, Disbursements and Dunning. We will be studying following master data objects,

- a. Business Partner
- b. Contract Account
- c. Insurance Object

Disbursements: Part 3:

This includes the activities required for disbursement of funds to Insured, Broker or Alternate Payee. If Client requests the approval procedure for the disbursement then we can use SAP delivered workflows or we can use them as a template for defining new workflow. We will discuss SAP delivered workflows here.

Typical disbursements for Insurance Business can include Refunds, Audit, Return premium, Endorsements Etc., at Insured level and Commissions to the Broker.

Billing: Part 4:

This includes the activities required for receipt of funds from insured, broker or Alternate Payee. Generally these activities may include below functions,

- a. Receiving transactions from front end systems.
- b. These transactions will be posted in sub ledger as financial postings or statistical postings.
- c. These sub ledger items will be converted to bills using Invoicing Functionality

We will discuss all above steps with required configuration and enhancement options.

Dunning and Cancellations: Part 5:

This includes the business process required when the receivables are overdue. SAP systems can be configured for sending dunning correspondence based on legal and company requirements. Aging Report for open items can be executed in BI. SAP has given standard BI content and extractors for this purpose. We will discuss those in this section.

Clearing Process: Part 6

Once an Invoice is sent to the customer, the next action would be to receive the payment from and apply the cash against the premium.

- a. Payments will be received in the form of lockbox, wire/ACH or Credit Cards
- b. Open items will be cleared based on Payments.

This topic includes the discussion about simple clearing logic that will enable to understand the standard SAP provided clearing configuration however the complexity of the configuration can vary according to the Business Scenarios.

Miscellaneous Topics: Part 7:

Here will touch base with following topics,

1. **BDT:** SAP FS-CD uses this technology for maintain master data and simple transaction data. This technology supports dialog and direct input mode. It very important to understand this technology for designing the interfaces.
2. **Financial closing:** This component provides functions to reconcile the sub ledger and general ledger. Component can be configured to prepare data for internal and external auditors.
3. **Correspondences:** Component enables clients to print invoices, dunning notices and return notifications for associated business partner. Correspondence can be event specific (Example Cancellation) or periodic (Example Account Statement).
4. **Reports:** Sap has provided some standard reports for each sub process within the system. We will try to cover reports in relevant sub process related topics

Articles will have business scenarios, configuration required and enhancements available .Technical consultants can refer these documents for improving their functional knowledge.

Related Content

[Managing IT for Business Value: Boston Consulting Group](#)

[Downturns Create an Opportunity to strengthen IT: Bain & Company](#)

[SAP for Insurance: SAP Library](#)

For more information, visit the [Enterprise Resource Planning homepage](#)

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