HIGHLY COMMENDED WINNER

Best Working Capital Management Solution

Baloise Group

Basel, Switzerland

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How Baloise fundamentally changed its working capital management architecture

Company profile

Baloise Group is a major insurance company in Switzerland with an annual turnover of CHF5.6bn in 2016. The company operates in key markets in Switzerland, Belgium, Germany and Luxembourg.

The challenge

As an insurance company, Baloise was affected by the financial crisis and the subsequent low interest rate environment. Robust cash reporting and liquidity planning are therefore key to ensuring that the guaranteed interest rates and corresponding returns can be paid out to customers.

For managing this across 300 bank accounts, the standard Excel-based approach had reached its limits. Furthermore, all companies in Switzerland are required to migrate their payments systems to the standard XML format by 2018.

An IT landscape that consisted of several different legacy systems and in-house solutions posed a major challenge. Maintaining legacy systems meant that updates, for example for adapting to new regulations, had to be done internally and manually in many cases. Fragmented legacy systems also posed risks as they are 'black boxes' requiring specialised know-how.

The existing systems also lacked the levels of automation needed and payment creation, cash application and other processes were dominated by manual tasks. Moreover, with the decentralised electronic banking tools deployed, authorisation rights had to be modified by the banks which resulted in lack of direct internal control and was time-consuming.

The solution

A new payments solution was required to handle the new formats. Following a request for proposals, the insurer selected the SAP-based FS² Payments solution by Serrala and has subsequently implemented FS² AutoBank as well FS² CashLiquidity and FS² Treasury for optimising the cash management and the limit management processes.

The aims of the project were many, including replacing fragmented spreadsheets with one central solution for managing cash in and cash out, automating inbound and outbound payments processes, enhancing process efficiency and future-proofing, especially around regulation.

Best practice and innovation

The project was driven by the treasury department, but it was important that other key departments such as accounting would be fully involved. All stakeholders were invited to share their pain points

and provide valuable input for the new IT architecture. This proved successful, with everyone buying into and supporting the project from the outset.

For payments, Baloise was able to replace most decentralised electronic banking solutions. Baloise now has full control of its authorisations and modifications, and updates can be made without delay. Baloise also removed its 'black boxes' so that the payments process has become highly transparent, requiring only minimal manual intervention.

For receivables in Switzerland, the ESR format for account statement information already allowed Baloise to reconcile 95% of the data automatically. The remaining 5% represented more than 100,000 statements annually, covering approximately 10,000 inbound and outbound payment transactions every day.

Baloise has already achieved an automation rate of 60% for these bank statements and expects this figure to rise, with increasing digitalisation options with the software.

Cash reporting and liquidity planning is done in just one system now without any risk-prone interfaces. This is particularly relevant to Swiss employees who deposit money into a pension fund which is linked to their employers. When an employee changes jobs, the pension deposits need to be transferred to the new company's fund and the interest rate needs to be calculated. The faster and more accurately this is done, the better for the employee.

The limit management feature provides more flexibility for treasury and it is important for the function to know exactly, for example, what the interest rates are, where free cash is available and how best to use it to avoid any negative interest rates and to optimise results.

Key benefits

- Raising the automation level for cash application from 0% to 60%.
- Faster payments to customers.
- Central control of payment authorisations.
- Ability to quickly modify payments.
- System flexibility and future-proofing.
- Enhanced process efficiency, transparency and data quality.

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