

*Cost Reductions*

What specific applications of computers are having the greatest effect in reducing costs of operation in both the home office and the agency organization?

MR. CHARLES G. GROESCHELL: The "total system" which has been installed at the Northwestern Mutual has resulted in some drastic changes in our general agency offices.

Formerly, premiums were billed in the home office and collected at the agency offices. With the consolidated system the agency offices are by-passed. The premiums are being sent to regional post office boxes and the banks pick them up, deposit the money and send the notices to the home office. Here we have installed a Farrington Scanner to produce punched card input to the system.

Because our agency offices are by-passed, we have to provide them with records of premium payments. This is done by sending out an updated policy status card whenever a premium is paid. In fact this card is sent out after any change in status.

This elimination of collection of premiums and posting of records has resulted in an average saving of one clerk per agency office in the agencies that have been converted. With 98 agencies we expect to save 98 people. The problem, of course, is to reduce the collection fees to our general agencies.

Regarding savings in the home office, I heard a unique idea at a recent L.O.M.A. Automation Committee meeting. This was the use of a management consultant after the new system had been put into effect. The consultant was able to reduce personnel of the company concerned by 30 percent in the areas affected.

MR. J. RAE JAMIESON: Very few companies report savings when computers are introduced. However, substantial savings are reported in some cases. This is almost always in the methods area and arises because the company is forced to do a methods job which should have been done years ago. They would probably save considerably from this, even if a computer were not bought.

MR. C. NORMAN PEACOR: In the group insurance area at the Massachusetts Mutual we started with premium billing and collection and file maintenance. We will finish this conversion at the beginning of next year and will probably break even on these operations.

Starting in February we will begin converting commissions, dividends,

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renewal ratings and Federal Disclosure Act information. We expect to close the loop, *i.e.*, output from renewal rating becoming input to premium billing. All of this area will be a by-product of the work already accomplished on premium billing and collection, so we expect a cost reduction when the conversion is completed by the end of 1962 or early 1963.