

ELECTRONIC DATA PROCESSING

- A. To what extent have expectations been realized in
 (i) savings in expense,
 (ii) problems of change-over,
 (iii) quality of results?
B. What particular unexpected difficulties have been encountered?
C. To what extent have there been unanticipated benefits?

MR. JASPER E. MOORE: The Crown Life transferred all ordinary policy processes to a consolidated 7070 system as of January 1, 1962. The pattern of practically every work process was revamped. This was the culmination of three years' preparatory work, and was preceded by six months' parallel operation of a ten percent sample. We aimed at maximum consolidation because it was considered feasible in our case, starting as we were from a highly integrated punch card system. By extending the tape master record to include cash values and reserve increments the system incorporates automatic premium loans and surrenders, and extends well into automatic revenue ledger accounting and thereby attains a high degree of integration.

The total conversion of all functions at one time would certainly not be practical or possible in a larger company because it would be physically impossible to handle larger files—but more importantly because the organization of the necessary team-effort could not be achieved.

The total investment in the change-over was close to the original estimates. At the end of 1958 personnel exclusive of group and investment totaled 450. Our peak was 497 personnel and by the end of February the number was back to 454. There was intelligent hiring of some temporary clerks and preliminary training sessions prepared the way for overnight transfers. Undoubtedly very excessive overtime kept numbers down, but enthusiasm for the project minimized the ill-effects of long hours. Stable operation in basic departments will not be achieved before summer and we believe that reductions in staff in these areas will certainly be at least as much as 50 people—in line with our estimates. The problem of expense-reduction is only partially solved by transferring operations to a computer. Not one of Parkinson's laws has been revoked. Continuous cost control must still be a vital part of administration and a major responsibility of supervision and management. We will be interested in the effectiveness of our continuing program of cost control under the new organization as indicated by the trend of monthly unit costs. Problems of change-over were aggravated because it coincided with the year-end

close-off and the senior people with year-end responsibilities were the key individuals in the departmental work realignment. Even though records were cleansed during the preceding year, error situations were a serious problem.

The change-over was done in three very logical phases. Phase I initiated basic files and the partial master record. Phase II added loan and dividend information immediately after the December close-off. Phase III completed the picture with addresses and outstanding premiums.

The quality of our new master record and all new products is excellent. The reconciliation at year-end entails very few differences. Service to agencies, branches and policyholders was disrupted for about six weeks, but January commission statements were mailed early in February. The reduced billing lead-time, more accuracy in new policy issue, and status cards for field office information have all received favorable comment.

In the first days of the new operation we found that service on surrenders was faster than the recording of premium payments, so that at least one case was paid off before the last premium was credited. Also, before all premium credits were caught up the automatic premium loan and surrender procedure was triggered in some cases, which required some excessive revivals.

On the credit side, our estimates of daily time requirements were excessive. Subsequent to the riots in British Guiana, we replaced all our burned branch office records within two weeks—and in better condition than before the fire. The records were created from the new tape master file. Also, a functional organization chart has been distributed, delineating responsibilities under the new system. This is our first formalized chart.

MR. SAMUEL C. TATUM: In Jefferson Standard we have approached data processing very slowly and carefully and we have probably made less use of this equipment than most companies our size. We have something over \$2 billion of insurance in force but it is all Ordinary individual contracts, so our data processing problems are probably more nearly comparable with a much smaller company.

Since 1921 when we began using IBM equipment, we have developed very highly efficient card methods. Our 2,000-word card 650 in the actuarial department does practically all of the data processing work except the straight billing and premium and commission accounting.

Our accounting department transferred from addressograph to punch card billing in 1941. It has been very difficult to get the desired degree of coordination between these two installations, since we are not able to understand each other's problems very well. This is still one of our major

problems as we commence the transfer of our work to tape as the first step toward what we hope will be a complete consolidated function system involving a daily pass.

In November 1961 we accepted delivery of a 16,000-unit tape, 1401. At the present time both of our groups are engaged in transferring their system to tape as rapidly as possible and with as little change as possible. We then expect to try to bring the two groups together and work towards our consolidated system.

MR. JOHN G. McLAUGHLIN, JR.: I would like to report on the experience of a new company which used tabulating equipment in the premium billing and commission accounting area from the beginning. The organization of work was remarkably good.

One person in a supervisory capacity with two assistants handled the premium billing and accounting and commission payments on about 2,000 premium collections a month, as well as filling in on policy changes, loans, and various other policyholder service

An automatic discipline is imposed by notifying the tabulating section, on a fixed time schedule, of changes in status. Events must be clearly defined, and handling of exceptional cases is better controlled.

The problem of manual cards with their special notations and special handling never existed.