

**TRANSACTIONS OF SOCIETY OF ACTUARIES
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ELECTRONIC DATA PROCESSING

- A. Are smaller electronic computing machines being used or considered for use? What functions can they perform in the smaller company? What new services are companies obtaining from electronic equipment?
- B. Have satisfactory arrangements been worked out for sharing the larger machines with other companies?
- C. What insurance department rulings have been made or are anticipated relative to the admissibility of electronic equipment as a statement asset?

In discussing section B, MR. HARLEY B. SHANK reported that an extensive two year study made by American General showed that several systems then available would be adequate for their needs, but that it would be several years before the system would be economically profitable.

However, since they wanted to purchase such a system, they had to arrange to lease computer time to absorb the excess cost over what they were willing to pay.

In seeking a partner, they approached other insurance companies, educational institutions, large manufacturing concerns, integrated oil companies, gas transmission companies, utilities and service bureaus all located in their home city.

In order to attract a partner, several inducements must be present: a cost lower than the manufacturer's, equipment maintenance, ready availability of additional time if necessary, and a computer site which is convenient and provides space for programming, clerical staff and tape storage.

The lease should provide for these contingencies: Lessee or Lessor adding equipment, programming and operation of the computer, changes in time leased, and use of machine on weekends and at night.

MR. JOHN W. COONS described a consolidated function approach using IBM cards in his company. The record consists of 5 cards. One card was specially designed to contain information necessary to answer 80% to 90% of all routine requests.

MR. GEORGE M. MITCHELL said Pioneer American Insurance Company uses an IBM 305. They are using the machine to perform all functions possible. This includes underwriting; termination procedures; reserve, cash value, dividend and coupon calculations; payroll and mortgage loans; and bond and stock transactions.

As a result, the number of home office employees has decreased 11% in a year and a half, while business in force increased 85%.

MR. JOHN W. KROEKER said the Canadian Department had made no general rulings for writing off the cost, and did not plan any. They consider each company on its own merits, looking especially at the cost of the computer and the strength of the company.

Inquiries about Univac II and IBM 705 have come from half a dozen companies. In each case the department indicated a 5 year write-off period.
