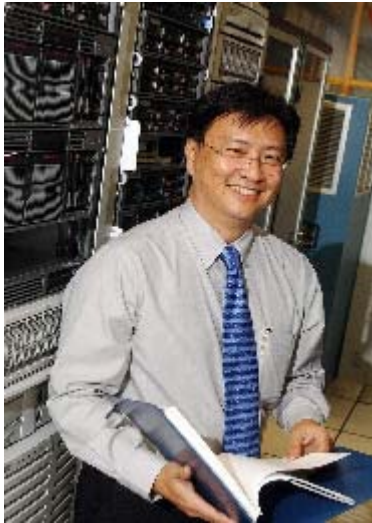


Income's digital move pays off

UMA SHANKARI looks at the cost savings and increased efficiency at the insurer after it changed the way it stores its documents

STORING over 40 million documents, some for over 70 years, is no easy task. In the past, NTUC Income, which has over a million insurance policy holders, accomplished this task by using warehouses.



However, keeping documents in warehouses proved inefficient as the quality of the ink and paper was often bad after many years in storage.

'Paper is a plague,' said James Kang, Income's chief information officer, explaining that old documents can often get faded or mouldy, even with the humidity control systems in place in warehouses.

'It used to take two days to retrieve a document to process a customer's claim. In addition, the document had to be sent back to the warehouse after use, and that took another two days.'

In view of all this, the company decided to go digital in 2002, and hasn't looked back since. Documents are now stored as image files instead of hard copies, with about half of the backlog of 40 million documents already having been converted into image files. By the end of this year, the company expects to have all its documents in image form only, with the hard copies destroyed.

'Since the new system was implemented, we have seen a 20 per cent rise in productivity.'

- James Kang, NTUC Income chief information officer

Income is now able to process customer requests almost instantaneously as it no longer has to wait for the documents to be moved from facility to facility. In addition, the time taken to issue a new policy has decreased from weeks to just three days, and Income intends to keep improving the system currently in place until the turnover time for processing a new policy is instantaneous for standard cases.

The change in the speed of service can be attributed solely to the digital system in place. In the past, paper forms that were submitted at service branches were sent by mail to the headquarters, where they were then routed to the appropriate departments for data entry and processing. Now, with scanners installed at all servicing branches, documents have bar codes that help identify them, and are automatically routed to the respective departments without the need for manual sorting and distribution.

The electronic documents, which are legally binding, are stored by external partner Trusted Hub, in full compliance with statutory guidelines. Since the minimum requirements for electronic storage are met, the documents can be used in court and are as good as the originals.

By moving from a system that was reliant on paper to one that is digital-based, Income will save \$1 million over the next five years from expenses such as the cost of warehouse rental and the petrol used for transporting documents, according to Mr Kang.

'Digital storage is one-third the cost of normal storage,' he said. And while electronic storage will get cheaper and cheaper in the future as the cost of hard disks fall, normal storage has the potential to get more expensive as land and labour costs go up.

The initial investment of 'a couple of hundred thousand' was thus well-spent for Income as the company broke even in 'a few months' due the cheaper electronic storage, after which the company started to see cost savings.

Other than just storage savings, the move to digital has also led to savings of about \$10 million a year as it allows Income to maximise its re-engineering capabilities.

For instance, productivity has increased among its employees as they are now able to access documents easily. 'Since the new system was implemented, we have seen a 20 per cent rise in productivity,' said Mr Kang.

'For example, in the past, as we were using paper, we had only one copy of the document. This meant that only one person could access a document each time,' he said.

This was obviously undesirable in situations when an employee was on leave as others were not able to take over the work. With the new digital system in place, multiple access can be granted to the same document.

He emphasised that beyond the increase in speed that the revamping of the documentation system has brought, digitising has done wonders for Income's business continuity process as well.

'With digitisation, you don't have to worry about things such as floods and fires. On the other hand, with paper, you have only one copy, and so many things can go wrong.'

According to him, what digitising does is to minimise the risk to companies by introducing equipment such as disaster recovery computers into the equation. This gives additional security to customers.

Of the 14 support staff who were needed to run the old manual system, 10 were freed up due to the new system. These employees were sent for retraining and redeployed to other roles such as customer management. 'We think that our staff should upgrade as low-level jobs are not safe,' said Mr Kang.

However, he does acknowledge that employees may have a fear that with work redesign, companies will reduce their workforce, leading to retrenchments.

But, on the other hand, he believes that if companies try to retain jobs by clinging to established patterns of doing things, they can be put out of business by more aggressive competitors, which will mean a loss of jobs for all employees concerned, rather than just some. 'Sometimes, it isn't a choice between staying the same and changing. Sometimes, it's a choice between changing and getting wiped out.'

So while there is always the danger of retrenchments when work is redesigned, 'there are always problems when there are changes'. 'The staff has to make adjustments, and learn new things,' he added.

According to him, there is always the option of retraining rather than retrenchment, as Income has done.

Income's chief executive officer, Tan Kin Lian, agrees. 'Retraining does not cost that much,' he said.

Companies in Singapore have to move with the times. Mr Tan believes that all businesses are competitive, not just the insurance business. 'It is the task of every business to improve its productivity so that it is better than its competitors.'

'My message is to change. Change and don't make excuses about the costs of changing.'