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Assured of returns

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Insurance documents have joined the digital fray, and proponents of digitization say it can cut communications costs by up to 50 percent.

Two years ago, Singapore insurer, NTUC Income, decided to revamp its operational processes so that it could reap benefits from digitization.

In 2002, Income launched a Work Re-Design initiative with the aim of revamping its entire insurance system.

Now almost completed, the new system integrates electronic document image processing and electronic document management with redesigned work processes.

When asked what the impetus was for the initiative, Income's chief information officer, James Kang, said: "The markets have changed. So, we had to change the way we do things. In addition, changes have to be made fast (to stay ahead of the competition). Also, customers nowadays are more demanding; they want more choices, more transparency, and they want it now!"

Adapting to evolving market conditions has never been an issue for the company. The insurer is well-known for embracing change and taking the necessary steps to stay competitive.

For instance, in 1995, it was one of the first insurance companies to take advantage of the then-emerging Internet and its technologies to develop a Web site and portal.

Another example is its move into the digital age.

Changes made to legislation, namely the Evidence Act and the Electronic Transactions Act governing electronic documents in Singapore and their use as evidence in court, provided added reason for a revamp.

Place for paper

Working with Trusted Hub, a member of the Singapore Technologies Group that provides managed services in the secure creation, storage and management of electronic documents, Income now no longer has to grapple with reproducing and storing hard copies of insurance originals. Currently, probably the only hard copy of any insurance document is held by the insured.

However, digitization is not equal to going completely paperless in Income's case. Kang reasons that much depends on the situation.

"For example, with operational documents such as claim forms or new applications, it makes sense to digitize them and the system of processing such documents," he explained.

"We must always be mindful of why we wish to digitize. In Income's case, we have to ask ourselves questions like how fast we can or should be effecting a claim, or how fast we can issue a new policy. (Such documents) are our bread and butter. So, we have to be efficient when it comes to processing them" he said.

Kang added that storing critical data in digital format eliminates the risk of valuable documents being

destroyed should Income's warehouses catch fire or fall victim to flooding.

With Income being the custodians of 40 million documents, the prospect of losing everything is a burden it would be only too happy to be rid of.

Yet, as far as other documentation such as correspondence is concerned, paper is here to stay. After all, as Kang explained, "things like newspapers and meeting memos are more practical to have in paper form."

Savings galore

Income has already enjoyed cost savings from digitizing storage, processing and even productivity. Kang estimates that, to date, Income has saved between S\$500,000 (US\$291,600) and S\$1 million (US\$583,200) a year.

Not too bad, considering the costs incurred so far in deploying the digital systems and migrating incumbent systems, stand at roughly S\$2 million (US\$1.17 million).

Storage of digital copies incur a third of the cost of paper or hard copies.

Similarly, the processing turnaround time for a digital document is 10 seconds, compared with 2 days for a paper document.

By the end of this year, Kang is confident that Income would have seen the last of its warehouses altogether.

Income's digital initiative has also allowed the company to streamline its internal processes. Regardless of the type of insurance being handled -- general, motor or life --operations are now grouped under the broad areas of data entry and proofing, underwriting, and distribution.

Previously, different sets of officers worked on these operational areas at a division or department level, depending on the type of insurance.

In addition, with the new centralized data pooling system, officers process claims or new applications by retrieving their cases from a common pool. The old system could only allocate cases handled by the officers, which created much backlog and delays in processing. The new "intelligent allocation" system, as Kang calls it, makes it easier for management to monitor productivity levels of officers.

Changes are still being implemented within Income, particularly in intra-office operations, and project Work Re-Design is scheduled for completion by 2006.

When this happens, Income expects S\$10 million (US\$5.83 million) in yearly savings, which is good news for Income's more than one million insurers.

Because it is an insurance cooperative, savings that Income manages to pull together are given back to their insured in the form of better returns and bonuses.

In 2003, for example, bonus rates for life insurance policies were increased by between 50 and 140 percent.

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