



Business News

Getting DP off the critical path

TSB

Outside the close world of the City or the interested readership of papers such as the Financial Times, few people will have noticed the quiet revolution, sparked by the Trustee Savings Bank, that has taken place in banking over the past 15 years. The popular conception of banking as a staid, set-in-its-ways pursuit of gentlemen uninterested in competition or the profit motive is totally at odds with the reality that has turned a collection of limited service, independent savings banks into the country's third force in banking, along with the clearing banks and the merchant banks, in double quick time.

For more than 170 years, the TSBs satisfied a community need for simple, easily accessible savings facilities, geared to the common man. Since 1965 with the introduction of cheque accounts, the development of a range of personal banking services, supported by a radically changed banking structure and charter, has taken the TSBs out of their gentle backwater into the mainstream of banking.

Page Report

The TSB Group is now the fifth largest of the High Street banks in terms of both size of deposits (£6000 million) and number of branches (1650) and is



the largest personal banking group in Britain.

The tradition of personal service embodied in worthy gentlemen like the Rev Dr Duncan, founder of the first Parish Savings Bank in Scotland in 1810, who sought to provide a haven for the savings of the labouring poor, remains. But the TSBs are no longer a loose federation of like-minded, but fiercely independent savings banks, offering different interest rates and different products with no common identity apart from a recognisable logo.

The Page report, named after Sir Harry Page, who chaired the Committee

to Review National Savings which reported in 1972, and the subsequent Trustee Savings Banks Act of 1976 which implemented the Page recommendations, changed the framework within which the TSBs operated. The TSBs were granted 'the power to carry on the business of banking' as well as independence from official Government supervision and specific controls over the disposal of funds. With the gloves off and facing a major opportunity, the 72 TSBs had, within a year, amalgamated into less than 20 banks (there are now 16) operating under a self-regulating Central Board.

Pandora's Box

What the Page report and the 1976 act did was to open up a Pandora's box, a reserve of eight million or so depositors, who, because they banked with the TSBs, had not had access to a full range of personal banking services. It was a vast untapped banking market and, freed of restrictions, the TSBs could set about realising their potential.

Personal credit facilities, mortgages, commercial accounts, life and general insurance, a charge and credit card, travellers' cheques and foreign exchange services have all been introduced over the past five years and



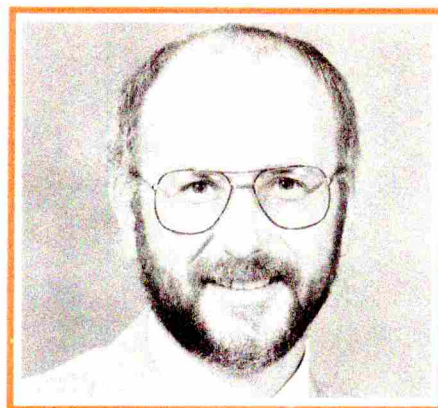
Pictured checking on a customer's policy enquiry is Mike Dillon - manager, policy servicing department, TSB Trust Company. Some 60 per cent of phone enquiries are now answered straight away from information that comes up on two visual displays dedicated to the telephone service and Dillon's department is now handling 125,000 enquiries a month.

the process of diversification continued apace alongside a move to change the TSB asset portfolio away from the predominance of fixed interest, public sector securities into a more varied and balanced investment mix.

Unit Trusts Introduced

The development, after the establishment of cheque accounts, that paved the way for the Page report and its recommendations as well as further diversification was the move by the TSBs into unit trusts. TSB Unit Trust Managers Ltd was founded in 1967 with one person, a single office, £100 in petty cash and £100,000 invested by M&G Re-Insurance Co Ltd, to sell just one unit trust. From the outset this new unit trust company took powers to write life insurance and in the early years issued a modest number of policies. "The project went like a bomb," said Richard Gearey, computer centre manager with the present TSB Trust Company Ltd which grew out of the original company. It was, he said, without doubt, one of the most successful launches in the history of unit trusts, taking £51.4m in its first two weeks, and the man who started the business virtually single-handed, Brian Brown, is now the Trust Company's general manager employing close on 800 people.

The move into unit trusts was followed in the early '70s with a major push into life insurance. This initiated a major change in structure, since it meant that the Trust Company had to set up its



Richard Gearey - computer centre manager, TSB Trust Company

own sales force, which it did successfully. That force now numbers over 200, with salesmen attached to groups of TSB branches. From 13,000 life policies sold in 1973, the year in which Gearey joined the group, the Trust Company now has well over 300,000 policies in force.

The present product range numbers half a dozen unit trust funds, as well as the life insurance business and the firm has also recently gone into the general insurance and insurance broking businesses. "Our aim is to provide a full range of insurance services and, if we can link these to investment, all well and good," Gearey commented.

Marketing Opportunity

"We work to a strict code of practice in identifying the TSB customers who could benefit from the products we market," Gearey added. The fact is, however, that provided the product is right the market is there, ready and waiting, in the TSB branches. That market is not exactly captive, since there is competition, including an increasing amount from building societies moving into the current account area, but the traditional TSB customer, the man in the street, is at least receptive to the bank he has grown up with.

The rapid growth of TSB Trust

Company, the diversification of services and the flurry of product introductions through the late '60s and '70s has been the response to this extraordinary marketing opportunity. There is every reason for thinking, that this opportunity could well prove to be virtually limitless.

Over the next five years, for example, Trust Company management forecasts that the present life insurance business written by the group will have doubled to 600,000 policies. It is currently handling 6000 life insurance proposals a month.

What all this adds up to, as Richard Gearey puts it, is an administrative pressure which ensures that, 'data processing is a major consideration on the critical path to growth'. Gearey's objective has been to help in getting DP off that critical path.

Total Commitment by TSB

From the word go, the Trust Company was inevitably and totally committed to computer-based data processing. At first, all administration and computing was simply contracted out to a services operation run by Target Life. When life insurance was added to the Trust Company's business, that too was contracted out and data processing was handled on a bureau basis utilising an existing software package run off CDC Data Services.

It was not until 1978 that TSB Trust Company installed its first in-house computer mainframe, a Burroughs B3800 which was later upgraded to a B6800. The CDC bureau system was transferred to the Burroughs machines, but by about 1980 it became clear that it was not going to cope long term with the Trust Company's business requirements.

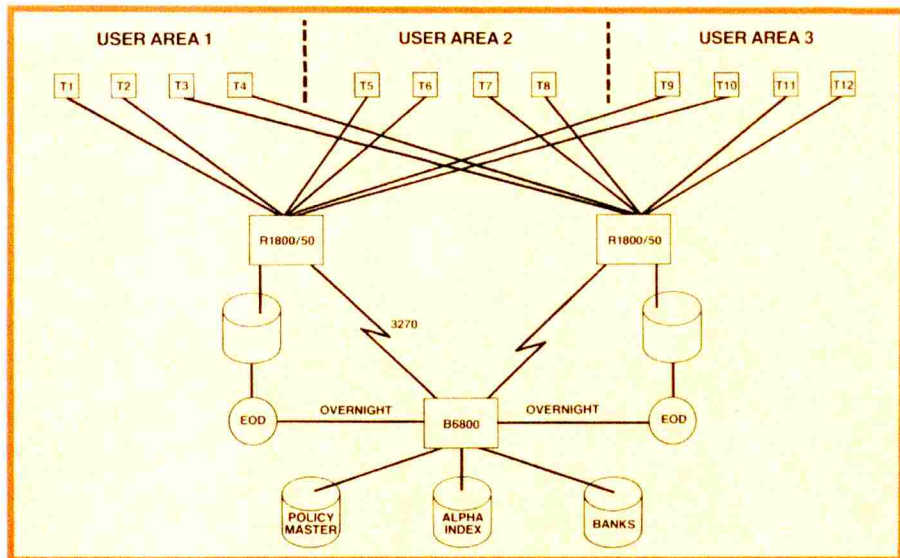
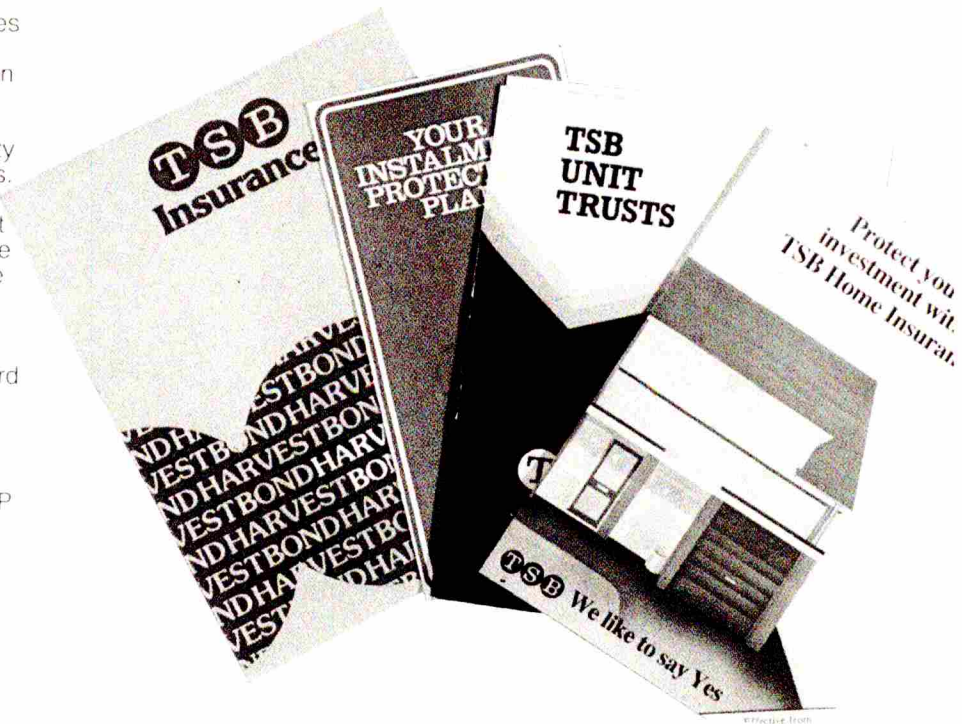
"What we had was a huge batch data processing application," Gearey commented. "The master files were updated once a week only and there was no on-line file enquiry at all. We had literally mountains of paper in the filing area and it could take days to find out the status of a particular policy, which led to frustration in the banks," he said. At the same time the company wanted to add to its product range.

In short, there was an urgent business requirement that demanded a speedy response. "We weren't looking to push forward the frontiers of technology - we decided we needed a well-tryed system, the essence of which would be speed of implementation," Gearey said.

Network Processing

PALM

The solution the company adopted was to take the PALM package offered by the specialist software house, Lonsdale Systems, and tailor it to TSB Trust Company requirements, at the same time using Rediffusion R1800/50

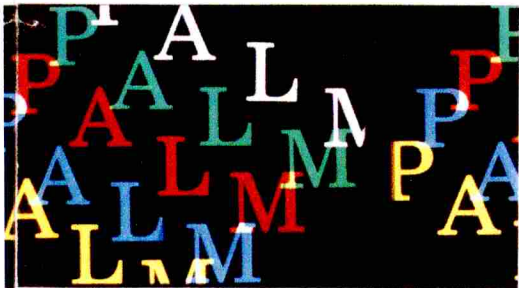


TSB Trust Company's present computer system. Data entered is held in batches on disk. At the end of the day, it is converted to PALM transaction format and dumped to tape for overnight processing. Enquiry on three files is via a 3270 passthrough feature. The policy master file holds general and policy details together with payment history. The alpha index file allows access by the person's name, or near derivatives (eg Smith, Smythe, Smithson etc) if the policy number is not available. And the bank file holds details of bank codes, name/ address/ phone etc. The decision to have all network processing Rediffusion-based means that the planned exchange of mainframe systems will not impact the Trust Company's network

computers to front end the package on the mainframe and to handle data entry and on-line file enquiries.

The Trust Company had been using Rediffusion equipment since 1976, moving from the Redifon Seecheck to

R800/70, and installed the first R1800/50s in a commercial environment in the country. "Right from the outset, we used the systems in a split role with some terminals handling data preparation and the majority out in the user departments."



said Gearey.

There were a few teething problems, but over the past three or four years, he commented, 'we took very little notice of the Rediffusion equipment: it just worked.'

The decision, however, to base all network processing on the Rediffusion systems was a conscious one and quite deliberate. It meant that the network was not dependent on the mainframe, so that when the Trust Company came to evaluate its central computer systems, as it did recently, management did not have to worry about the implications of any change in mainframe on the network already in place. In fact, the Trust Company did decide to change its mainframe and a £2 million dual processor is scheduled for installation towards the end of this year.

Detailed Premium History

The implementation of the PALM system (Personalised Automated Life Management) was a major project involving a large amount of tailoring to meet the Trust Company's requirements. The exercise, in fact, took 20 months, involving in excess of 70 man years, and at times involved a project team of over 40 people, including up to 25 programmers over a period of a year and a half. Project management techniques brought the project in on time and within

budget in March of this year.

The major benefits of the system now that it is fully operational have quickly become substantiated. Its structure, with policy master files supported by subsidiary master files, enables it to accommodate new Trust Company products as they come along. It provides a greatly improved administrative service to the banks and there is a heavy emphasis on automatic processing.

Proposals received at the Trust Company's head office in Andover are entered into the system and are then immediately available for enquiry. Those requiring no medical can be accepted and the policy issued within 24 hours.

PALM calculates premium rate and commission on accepted policies and automatically publishes reminders, such as premium collection letters, and produces cheques for items such as doctors' reports. The system calculates policy values and surrender values and maintains a detailed premium history over two years for enquiry purposes.

The increased efficiency of the system also means that the Trust Company can handle a greater volume of work with its existing staff and retain a greater degree of management control over the business of the company.

Dramatic Change

The impact in the user departments has been dramatic. Mike Dillon, in charge of policy servicing, described the difference between the old and the new systems as 'massive'. Some 60 per cent of 'phone enquiries are now answered straight away from information that comes up on two visual displays dedicated to the telephone service.

Dillon's department is now handling 125,000 enquiries a month. Whereas previously a large section of the

department's floor space was taken up by a year's stock of computer listings and a good girl could maybe answer ten enquiries a day, the same girl can now answer a query within a couple of minutes.

Bulky Listings

The same picture emerged from discussions with other departments. Bill Baughen, in the claims department, reported that 75 to 80 per cent of claims are now settled within five days, whereas it took weeks to get information from the old system and weeks to get it back for processing. 'The figures we were getting were weeks apart and never matched what we had in the department,' he said. The bulky listings are now a thing of the past and unlamented, while another benefit of the overall system is that files can be frozen immediately a claim is made.

Joan Maskelyne in the new business area, responsible for getting the 6000 to 7000 proposals a month into the system, has seen little change in the basic data entry process, but commented that response from the system – always an important consideration in data entry – was instantaneous.

There are 60 terminals linked to the two Rediffusion R1800/50s and distributed through the Andover head office. All are already being used heavily – 'people quickly get used to new facilities and, while our original estimate was that the system would have to handle 700 enquiries a day, we are already up to 3000 to 4000,' said Gearey.

The terminals are split between the two processors so that activity can continue should a processor go down. A third R1800/50 has also been installed recently to tack up the production systems, as well as to take over the system development load.

New Computer Building

The system itself is fully implemented and any expansion will be through an increase in processing capacity and the addition of new Trust Company products. Gearey remembers, however, that when the company moved to Andover in 1973, it thought that its new 30,000 sq ft of offices would last for ten years. It added first 50,000 sq ft and then another 50,000 sq ft.

With this in mind, the Trust Company has built a massive new computer building, which at 5000 sq ft will be just 50 per cent occupied when the new computer moves in. If past performance is anything to go by, what now could appear to be an extravagance may well, before too long, be seen as a very prudent management decision.

