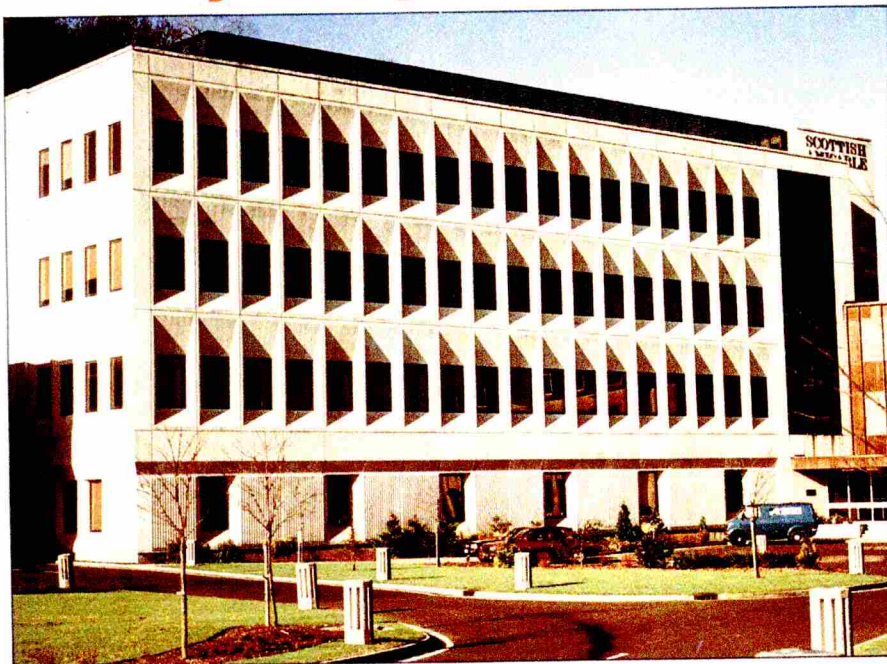




Business News

SCOTTISH AMICABLE a canny story of investment



Scottish Amicable Life Assurance Society, Craigforth, Stirling

"There's a feeling in the market that the Scots manage money well". As an Ulsterman, Billy Allen, agency manager with Scottish Amicable, feels he can say it, but more important, market results reflect it.

Scottish Amicable Life Assurance Society, is one of the top UK offices when it comes to managed pensions business. The "canny Scots" reputation has something to do with that, but much more important in the long term is the actual performance of the managed funds such as Scottish Amicable's tastily named SCAMPI (Scottish Amicable Managed Pensions Investment).

The fund, launched 1971 with nothing in the account, has seen its premium revenue grow from £3.6 million at the end of 1974 to about £180 million in 1983 and its ranking in independent league tables has put SCAMPI consistently at, or near the top. This performance, Billy Allen emphasised, came from a "balanced distribution of assets widely diversified

within each investment area". In other words, it didn't depend on some high risk investment strategy that could boom one year and fall away dramatically in the next.

**"... balanced
distribution of assets
widely diversified within
each investment area"**

Scottish Amicable is currently managing about £725 million in pension funds through SCAMPI. Some of the largest pension funds in the country put their money into SCAMPI and it's usually in sums of £100,000 and upwards, so it's big business in every sense.

The SCAMPI story is representative of much of Scottish Amicable's business in the sense that it is new business. For a friendly-sounding mutual society that takes its profits and distributes them as bonus additions to policyholders –

a society moreover, that's been around since 1826 – Scottish Amicable has shown itself to be remarkably adept at grasping, aggressively, new opportunities.

The introduction of MIRAS (Mortgage Interest Relief at Source) by the Government last year led to a massive influx of business linked to house purchase, making Scottish Amicable one of the leading offices for annual premium business coming from this source. Its ordinary life assurance and pensions business has also been growing rapidly and the net effect is that the past decade, coinciding with the arrival of Bill Proudfoot as chief general manager in 1970, has changed the business profile and improved results of the group dramatically.

This is summed up in a few key numbers. Total premium revenue was £34.9 million in 1973. It grew to around £451 million in 1983 and the vast majority of the business on the books is of recent origin. But just as notable is the fact that this growth was achieved with only about a 10 per cent addition to the staff in the UK. In 1973 staff numbered 1039, in 1983 the figure stood at 1130. Many of the new staff were specialists taken on in the society's investment division – the kind of person with the kind of expertise that's a foreign language to most of us, as Bill Reid, systems manager with responsibility for investment systems at Scottish Amicable's Craigforth, Stirling office put it. "Most of us don't have a clue what they're talking about," he said. In data entry terms that presented one problem to compound the other problem which was distance.

Scottish Amicable is an organisation with two head offices. The society moved to Stirling in 1948 in a search for a safer haven for its records than Glasgow city centre. The Glasgow office has remained the administrative, actuarial and investment centre for the Scottish Amicable business, while the policyholder servicing and systems side of the business has been built up in the Stirling office.

It's only 30 miles from Glasgow to Stirling, but that was enough to

complicate the data entry task investment managers share with doctors a deserved reputation for bad handwriting, according to Reid, so the only safe way to update the investment system was to "get the people who knew what they were talking about to enter the data".

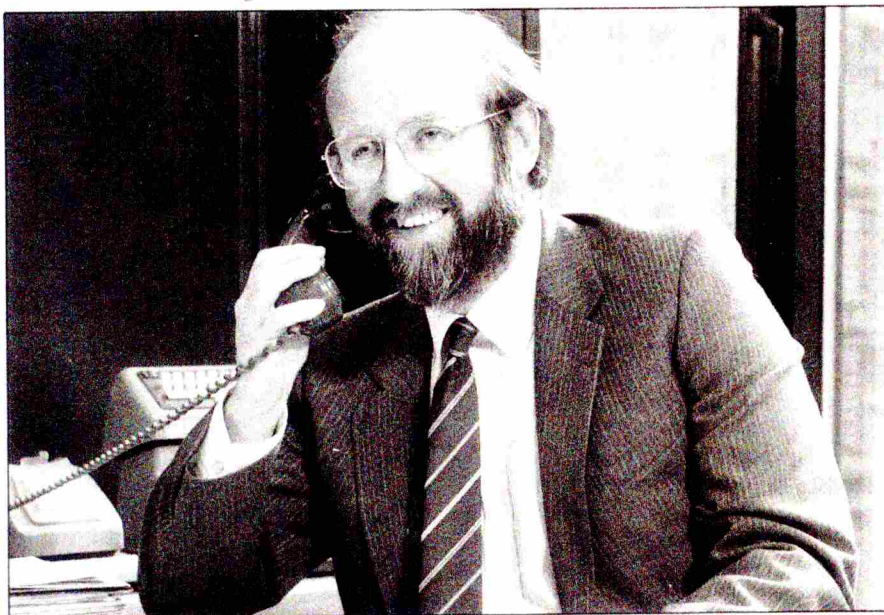
"We didn't want operators, we wanted the people doing the job to put the data into the system," he said

Rediffusion came on the scene at this point with the "right answer at the right time". The investment analysts needed a system that would lead them through the data entry process by the hand and the "friendly face-to-face" characteristics of the Rediffusion data entry equipment were the best on the market when Scottish Amicable came to look at systems.

"We didn't want operators; we wanted the people doing the job to put the data into the system"

A Rediffusion R850 was installed at Craigforth in December 1979 and was used to develop the investment systems. It was upgraded in November 1982 when a second system, an R2820, was installed as back up.

Out of a total dozen terminals on the Rediffusion system, there are five in the investment department in Glasgow, two switchable to Craigforth, and information is "tramping up and down the line all day long". This information includes a daily update of prices transmitted from Extel directly into the central Burroughs 6800



Pictured is Graham Knox – general manager – investments, who is responsible for the smooth running of the investment department at the Glasgow branch of Scottish Amicable Life Assurance Society



Five VDUs are installed in the investment department at Scottish Amicable Life Assurance Society Glasgow, two switchable to Craigforth, information is "tramping up and down the line all day long". Picture shows Lesley O'Hare – Rediffusion supervisor interrogating the stock file held by SALAS. Any deals transacted and changes in share prices are updated twice a day

mainframe at 12.45pm each day. It takes about three minutes for Extel to transmit the prices to Stirling and about two minutes to get them to Glasgow via the Rediffusion communications link.

As well as the investment systems, the society is also developing systems for the Glasgow-based accounting and payroll sections on the Rediffusion equipment. The accounting application is an on-line cheque

system which operates with automated clearing so that there is no real clerical intervention. Both the accounts and personnel staff use the link to interrogate files.

With new business in 1984 now running well up on last year's record level – at the time we visited Stirling, 3600 proposals had been handled in the week compared to 1700 in the same week a year earlier and, at the pre-budget peak period this year, they had gone as high as 8500 proposals in a week – the pressure is on the computer systems division to come up with some good answers.

"... right answer at the right time"

The mainframe was replaced with a large Burroughs 7900 system in April this year and that will take some of the heat out of the computer kitchen. But the pace of development is hot and, though Bill Reid and his group take it all in their stride and are even a little surprised that an outsider should find their systems interesting, it's undeniable that without computer systems Scottish Amicable would not have been able to sustain the spectacular growth that it has seen over the past 10 years.

The policy of buying equipment to suit a particular application is one that has paid off, in Reid's view.