

Product Management in Small/Medium Companies

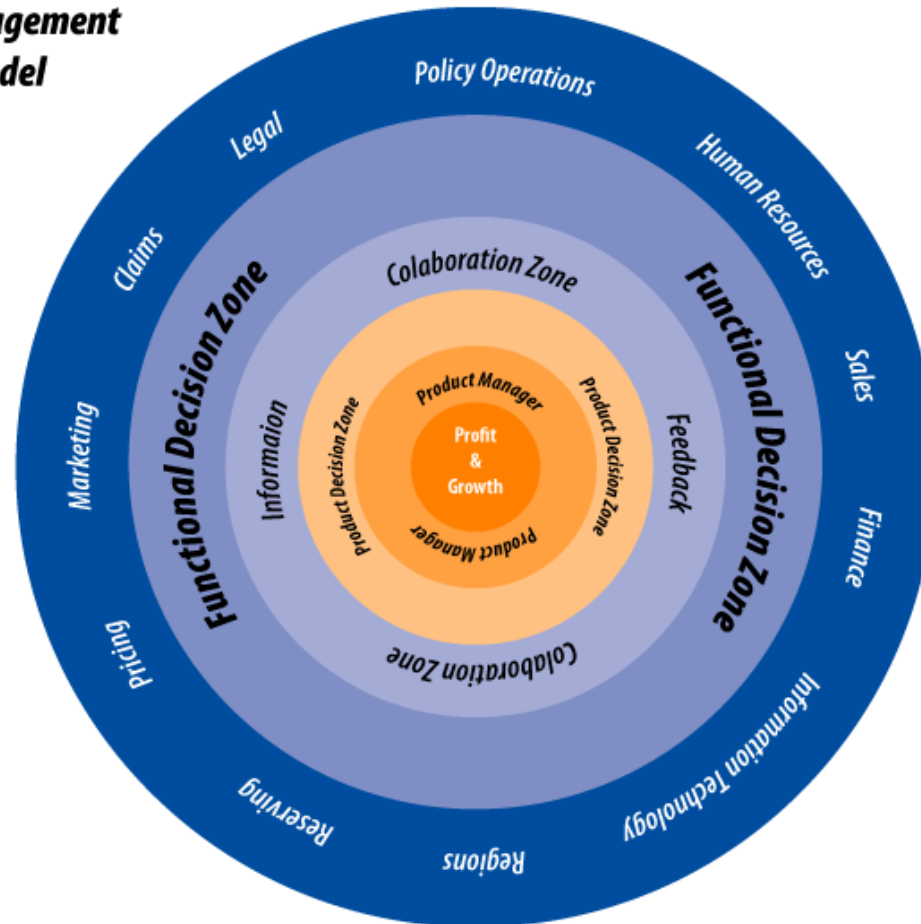


The Product Manager's Role in a Growing Company

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What is Product Management?

Product Management Operating Model



Very Small Companies

- ❑ AM Best Class I-IV - \$0-\$10m in surplus
- ❑ 6.8% of all PC companies
- ❑ Wear all the hats!
- ❑ Credibility
 - No data
 - Financial Rating
- ❑ Sales
 - Personally making sales calls – establishing credibility - getting someone to take you seriously
 - Designing and distributing collateral
 - Appointing activities – finding agents/broker who will take an appointment

Very Small Companies

- Program design
 - Copy a trusted competitor
 - Subscribe to advisory organization (ISO/NCCI)
- Actuarial/Pricing
 - Strong partnership – possibly sit next to each other – possibly the same person
- IT
 - Most likely a 3rd party system
 - Writing program specs yourself from product design documents
 - Test program output/logic yourself
 - Make changes while looking over the programmers shoulder
- Monitoring
 - Report design
 - Query production data for reports

Very Small Companies

- Operations
 - Strong partnership – understand exceptions to be made
- Speed to Market
 - Presuming IT solution is operable, fastest
- Regulatory Scrutiny
 - Lower
 - Have very little awareness of new laws and departmental requirements
- P&L
 - Attention to ROI
 - Large Losses?
 - Attention to surplus

Small Companies

- ❑ AM Best Class V - \$10-\$25m in surplus
- ❑ 17.4% of all PC companies
- ❑ Still wearing all the hats although they are fitting tighter...
- ❑ Credibility
 - Still not enough credible data
- ❑ Sales
 - Personally making sales calls along with the new VP of sales
 - Designing collateral but process in place for fulfillment
 - Appointing activities
- ❑ Program design
 - Copy a trusted competitor
 - Subscribe to advisory organization (ISO/NCCI)
 - Ideas coming in from producers that are considered for inclusion into the program

Small Companies

- Actuarial/Pricing
 - Strong partnership – possibly sit next to each other
 - At this early stage, product and actuarial/pricing/research are separate functions
- IT
 - Most likely a 3rd party system
 - Writing program specs yourself from product design documents
 - Test program output/logic yourself and directing a junior analyst to perform testing
 - Make changes while looking over the programmers shoulder after sending an email detailing the change
 - Program sophistication beginning to grow increasing the number of problems

Small Companies

- Monitoring
 - Report design
 - Query production data for reports
- Speed to Market
 - Still really fast
- Regulatory Scrutiny
 - Low
 - Getting help from actuarial and general counsel regarding legal requirements in each state
- P&L
 - Attention to ROI
 - Loss Ratio
 - Attention to surplus

“Tweeners” Companies

- ❑ AM Best Class VI - \$25-\$50m in surplus
- ❑ 12.8% of all PC companies
- ❑ Fewer hats to wear..
- ❑ Credibility
 - Some data for rate making now available
 - By now your company has received a financial rating from an agency
- ❑ Sales
 - Your sales calls are now product related as you accompany a marketing representative who has assumed responsibility for sales
 - Designing collateral with the help of a specialist
 - You no longer make appointment decisions but begin to weigh heavily on producer management activities

“Tweeners” Companies

- Program design
 - Your products have gone through enough filings that they no longer resemble the competitor you once copied
 - Now making product design changes based on competitor actions as well as your own results and niche opportunities
- Actuarial/Pricing
 - Strong partnership
 - As your Product Department has grown, so too has your actuarial department and you find yourselves on different sides of the building
- IT
 - Still a 3rd party system but now adding new billing and printing capability
 - Provide specifications from product design documents
 - Testing is now a full time function

“Tweeners” Companies

- IT – continued...
 - Due to past problems, IT is only accepting program change requests in written form
 - Because there have been so many change requests, a prioritization committee has been established
- Monitoring
 - Someone in either Finance or Pricing has started getting the bulk of the reporting requests
- Speed to Market
 - Still fast
- Regulatory Scrutiny
 - Low
- P&L
 - Attention to ROI
 - Loss Ratio
 - Is my company for sale?

Medium Companies

- ❑ AM Best Class VII - \$50-\$100m in surplus
- ❑ 13.0% of all PC companies
- ❑ Sales - Marketing
 - Your sales calls are now product related as you accompany a marketing representative who has assumed responsibility for sales
 - Marketing materials are now prepared by the marketing department with your editorial oversight
 - You no longer make appointment decisions but begin to weigh heavily on producer management activities
 - Sales evolves to become separate Sales and Marketing departments
- ❑ Program design
 - The pricing/research department has accumulated enough data and expertise to run your data through sophisticated algorithms to price your products. YIPPEEEEEEE!

Medium Companies

- Program design – continued...
 - Now you have to manage market disruption during implementation (Dislocation, Rate capping? Run-off?) bummer...
- Actuarial/Pricing
 - Strong partnership
 - You still go to lunch regularly with the people you started with but don't know some of the newer people as well
 - Constructive tension over loss reserves, trend selects,
- IT
 - Testing and developing a proprietary policy issuance system
 - Programming specifications are now be required in a specified format
 - Superimposition of process rigor – full blown prioritization process in place
 - Testing is now a full blown department

Medium Companies

- IT – continued...
 - You've requested and helped spec out what your first data warehouse will look like
 - Program *standardization* now becoming more important than program *flexibility*
- HR
 - 1 or 2 people who were with you at the beginning have left
 - Recruiters are calling
 - Administrative requirements become much more burdensome
- Monitoring
 - Reporting has become its own department
- Speed to Market
 - System glitches and new bureaucracy make the process feel slower even though it is still much faster than your large company peers

Medium Companies

- Regulatory Scrutiny
 - Low
- P&L
 - Attention to ROI
 - Attention to surplus
 - Loss Ratio
 - Expense Ratio – More difficult to control now. Allocations hitting my budget that never existed before.



Thank You!

□ Questions?