



Product Monitoring/Risk Management

Curt Parker

March 15, 2010

CAS 2010 Ratemaking and Product Management Seminar, Chicago, IL



You Need To Define Expectations:

- Impact on Existing Books of Business
- Impact on Distribution Channels
- Impact on Key Financial Metrics Monitored
- Pro Forma Cash Flows

Ability to Quantify Impacts Dependent On:

- New Product –Enhancement to Existing/Related Product
- New Product No Overlap with Current Offerings
- Clearly More Risk Associated With Entirely New Offerings

Examples of Key Metrics For Success:

- DWP/month/agent/class
- Quote-Hit ratio/agent/class
- Impact on NB for Existing Products
- Impact on Renewal/Retention Ratio for Existing Products
- Expected LR/ER/COR impact on financials
- Claims Frequency/Severity

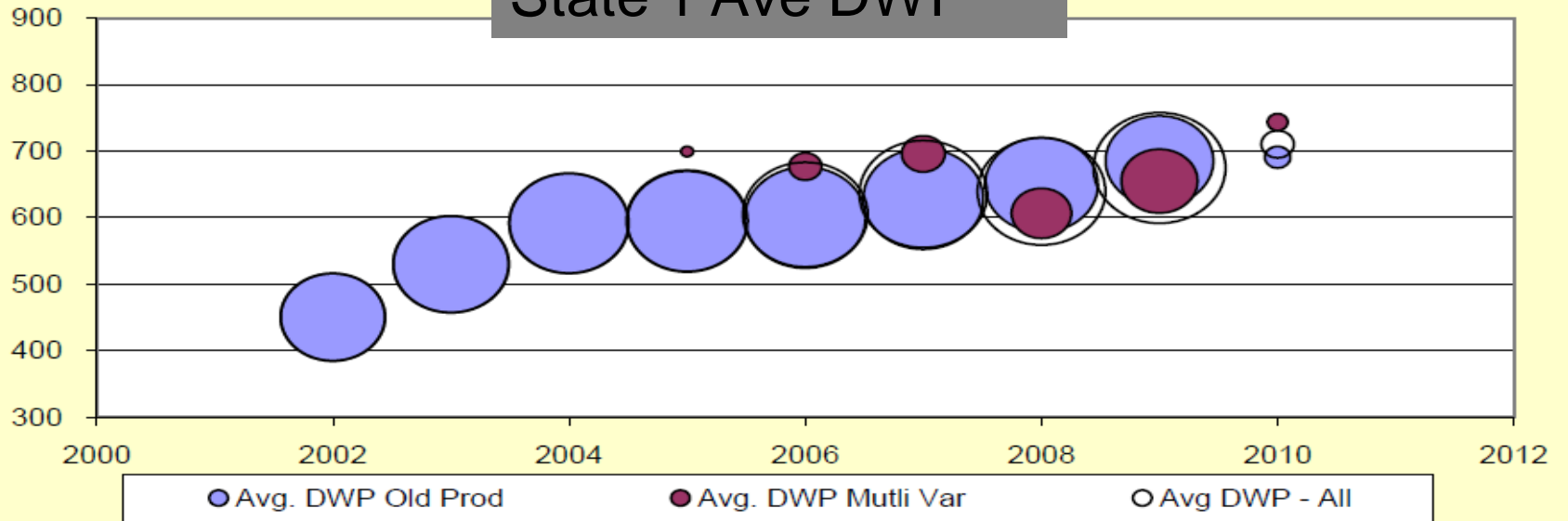
Need To Define Major Risks:

- WHAT CAN GO WRONG?
- Unintended Increased Exposure to Cat Losses/Excess Losses
- Adverse Impact On Reputational Risks -- Agents, Customers, Employees
- Cannibalization of Renewal Book – Good, Bad or Indifferent?
- Unplanned Dramatic Change In Frequency/Severity – Staffing Levels/Expertise
- Other Concerns...

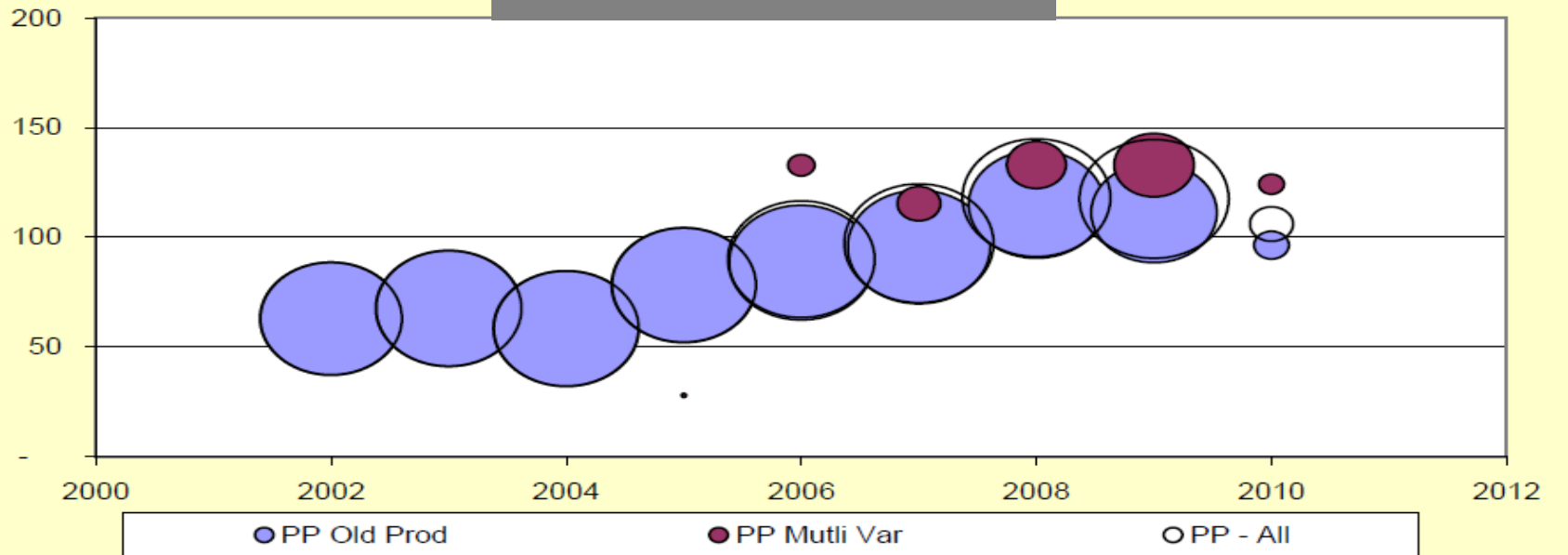
Case Study Of Sorts

- Enhancement to Existing Product
- More Refined Price Points
- Better Price/Margin Relationships
- Lower Average Price & Lower Average PP
- Old & New States

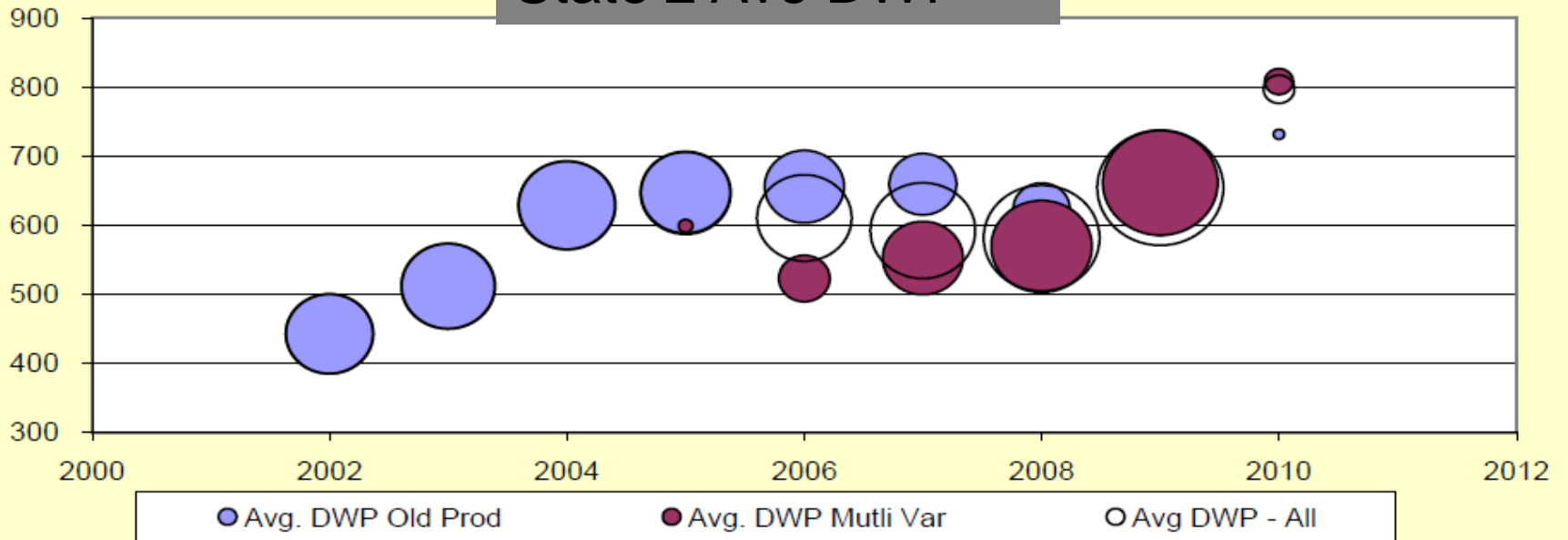
State 1 Ave DWP



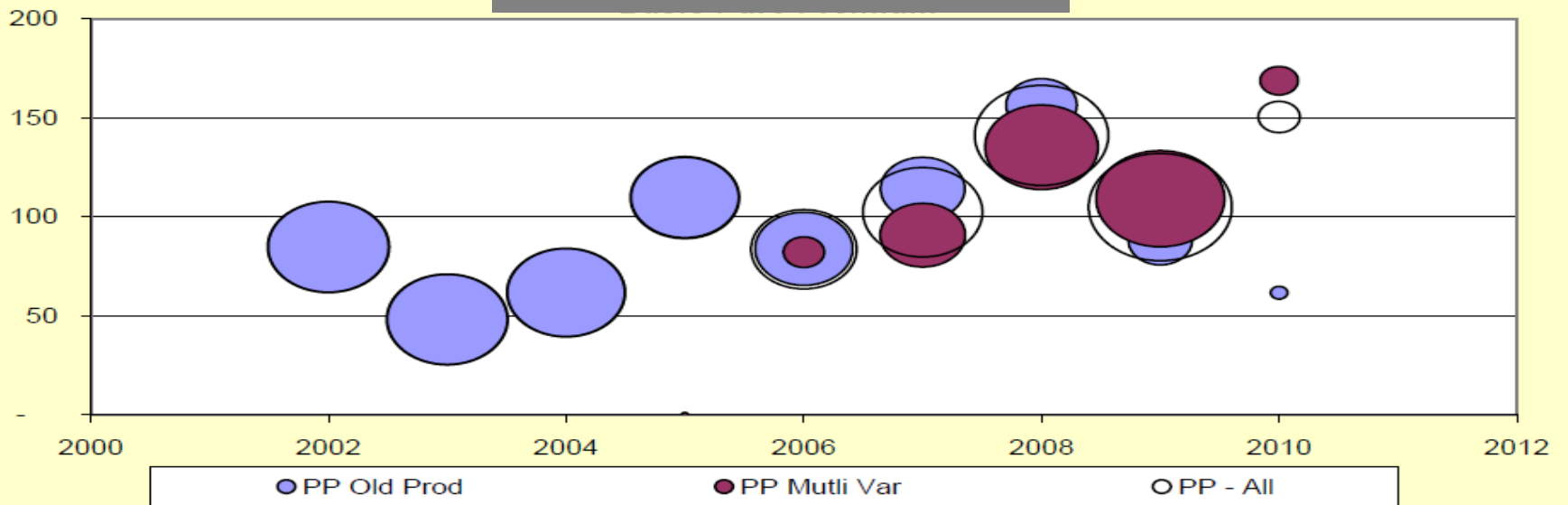
State 1 Basic PP



State 2 Ave DWP

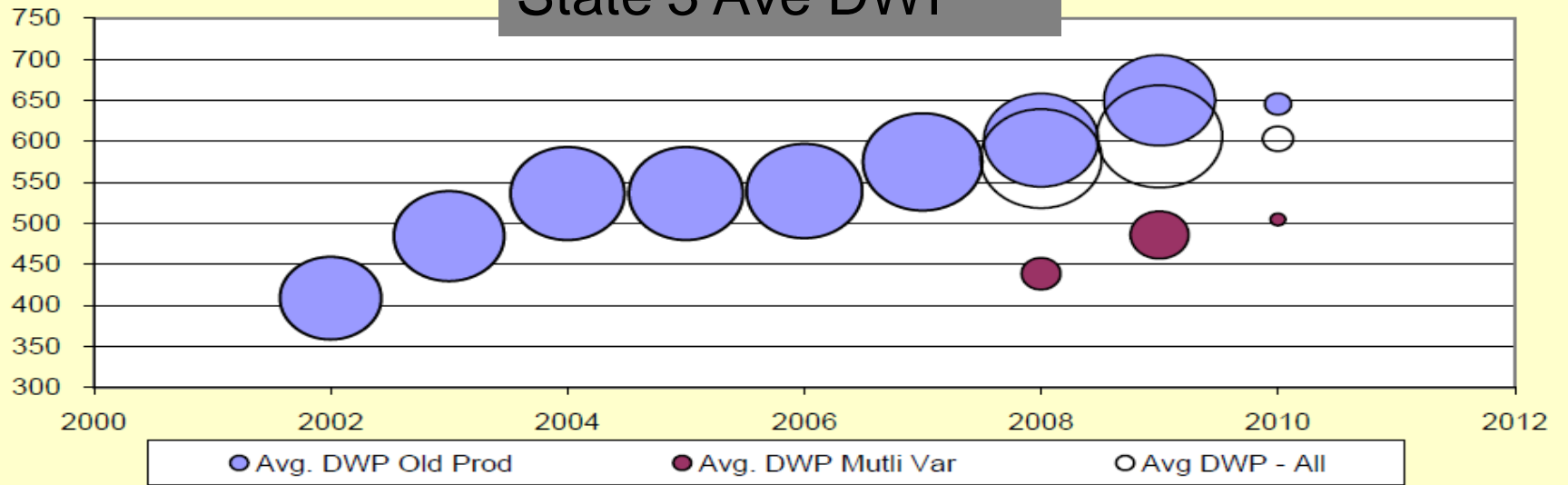


State 1 Basic PP



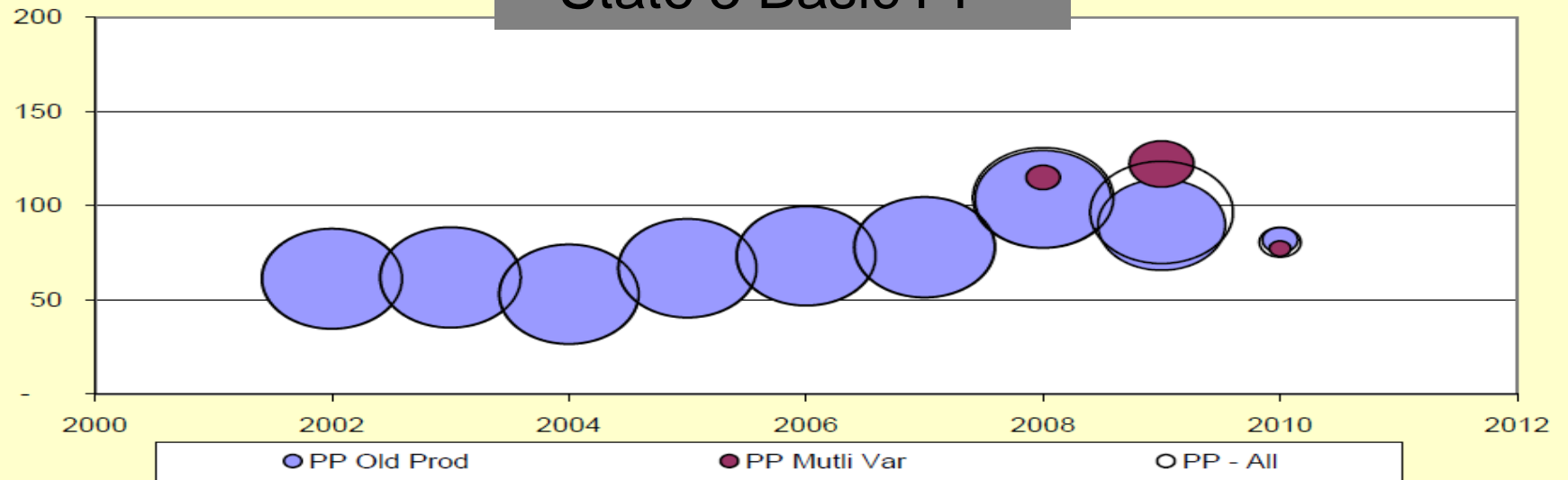
Year	2002	2003	2004	2005	2006	2007	2008	2009	2010
State 2 Ave DWP	400	500	600	600	600	600	600	600	800
State 1 Basic PP	80	50	60	100	80	100	150	100	170

State 3 Ave DWP



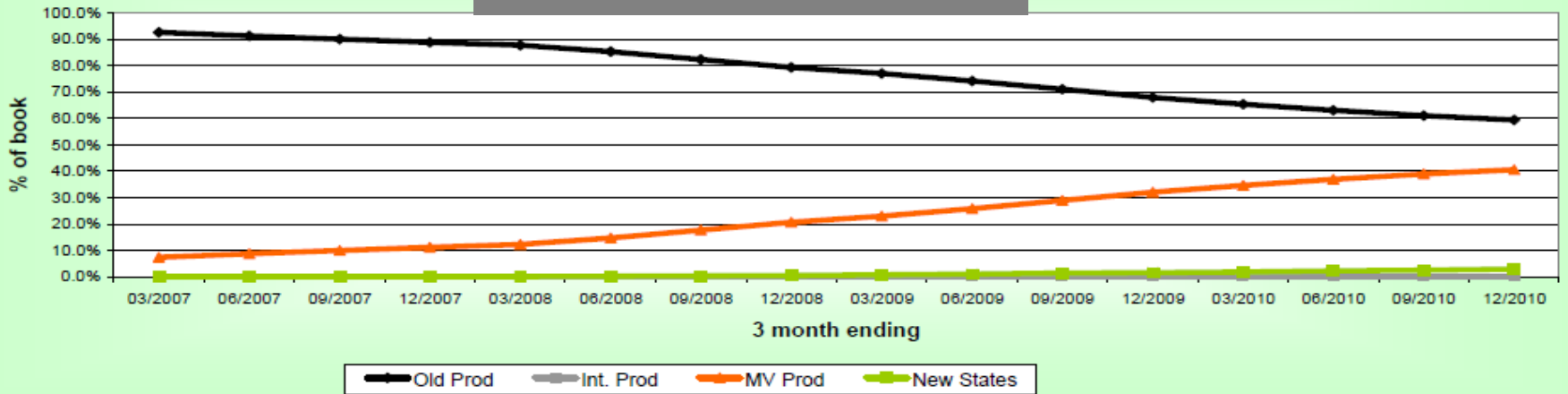
Year	2002	2003	2004	2005	2006	2007	2008	2009	2010
------	------	------	------	------	------	------	------	------	------

State 3 Basic PP

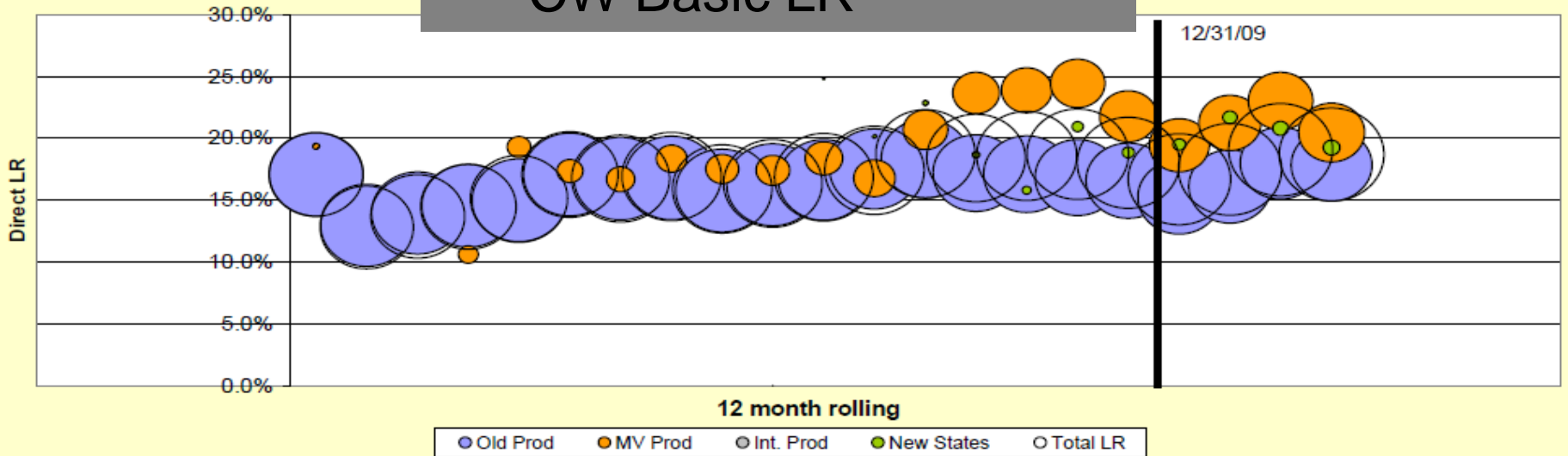


Year	2002	2003	2004	2005	2006	2007	2008	2009	2010
------	------	------	------	------	------	------	------	------	------

CW Ave DWP



CW Basic LR



	06/2007	09/2007	12/2007	03/2008	06/2008	09/2008	12/2008	03/2009	06/2009	09/2009	12/2009	03/2010	06/2010	09/2010	12/2010
Old Products	16.7%	16.8%	15.8%	16.2%	16.6%	17.5%	18.3%	17.2%	17.1%	16.8%	16.6%	15.2%	16.1%	18.0%	17.8%
Interim	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
MV	16.7%	18.3%	17.5%	17.4%	18.4%	16.8%	20.7%	23.7%	23.9%	24.4%	21.8%	19.4%	21.2%	23.0%	20.5%
New States	0.0%	0.0%	0.0%	0.0%	24.8%	20.1%	22.9%	18.6%	15.8%	20.9%	18.8%	19.5%	21.7%	20.8%	19.2%
Total	16.7%	16.9%	15.9%	16.4%	16.8%	17.4%	18.7%	18.4%	18.6%	18.7%	18.0%	16.7%	17.5%	19.1%	18.7%

Group Discussion

- What Are Major Milestones/Key Metrics For Your Product?
- What Are The Organizational Risks?
- What Can Go Wrong?
- What Would You Do In Response?

New Products Provide An Opportunity To Learn

- Select the right product opportunities to start
- Define clear measures of success
- Outline budget and time in discrete phases
- Have interim deliverables/quantified milestones
- Measure results against agreed sign-posts -- dollars and time
- Evaluate if they turn “non-viable” – What Now?
- Revisit/Modify the Product
- Revisit/Modify the Product Development Process