



Ratemaking and Product Management Seminar

Product Development Workshop

20 March 2011

Product Development

Product Design

Robin Harbage, FCAS, MAAA

Director, Towers Watson

Presentation Goals

- Highlight topics in Product Design.
- Solicit examples or further topics.
- Discuss with your team and present biggest challenge for your selected product.

Marketing

- Objectives
 - New business growth
 - Retention
 - Enhance profitability
 - Define or strengthen Brand
- Budget
- Competitive intelligence
- Advertising plan
- Tracking results

Pricing

- Is effort a price change or a product change, or both?
- Does the change expand coverage?
- Identify important variables
- Identify interactions between variables
- Model expected losses and expenses
- If possible, model elasticity of demand
- Evaluate impact of product/coverage changes
- Calculate price and rate changes
- Forecast future effects for control metrics

Underwriting

- Take all comers philosophy
- Targeted selection philosophy
- New or renewal business verification or data collection
- Manual UW or expert system

Sales

- Seek input
- Gain commitment
 - Identify best practices and wins
- Training
- Metrics
 - Impact to current products
 - Identify trends
 - Identify outliers

I/T

- Are I/T changes needed?
- Can you leverage existing infrastructure?
- Build or buy
- Lead time
- Budget for CBA

Legal

- Identify and quantify risks (early)
- All legal risks cannot be avoided
- Regulatory issues
- Contracts
- Filing requirements
- All product changes do not need to be filed

Operations

- Required training
- Document procedure changes
- System impact
- Review customer complaints as early warning system
- Damage control process if needed
- Metrics
- Unintended consequences

Claims

- Has coverage changed?
- Does Claims have expertise?
- Procedure changes
- Systems
- Training
- Metrics

Control & Finance

- Establish benchmarks for success
- Develop methods and reports for monitoring progress against goals
- What are major risks?
- Establish accountability for monitoring and fixing
- Exit strategy

Other considerations

- Is price the only lever?
 - Billing
 - Product enhancement
 - Packaging
 - Distribution

Assignment

- Identify three of the topics discussed that you feel are going to be particularly important issues for your new product.
- Be prepared to present them to the group.