Ratemaking and Product Management Seminar

Product Development Workshop

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TOWERS WATSON

Product Development

Niche Identification

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Identify an underserved niche or more profitable risks

- New product

- Modification to old product

- Add on to existing product

- Priced into the product or a give away

- Use of new technology

- Exploit special expertise

- Existing demand

- Create demand

Customer Value Proposition

- Gaps in coverage

- Uninsured perils

- Too expensive

- Overly complicated

- Better segmentation

Evaluation Criteria

- What unmet consumer needs exist?

- Can you identify a unique consumer segment?

- Is the segment large enough to matter?

- Can media be targeted to the segment at cost effective levels?

- Does the company have a customer proposition that can be attractive to the segment or can it be developed economically?

- Can the segment be written profitably?

- Is the segment already over-served or under-served?

- What sustainable competitive advantage can be created?

- Does the product fit corporate goals?

Consumer Research

- Benchmark competitors
- Benchmark other industries
- Brainstorming
- Consumer Surveys
- Conjoint analysis
- Focus groups
- Test marketing
- Pilot
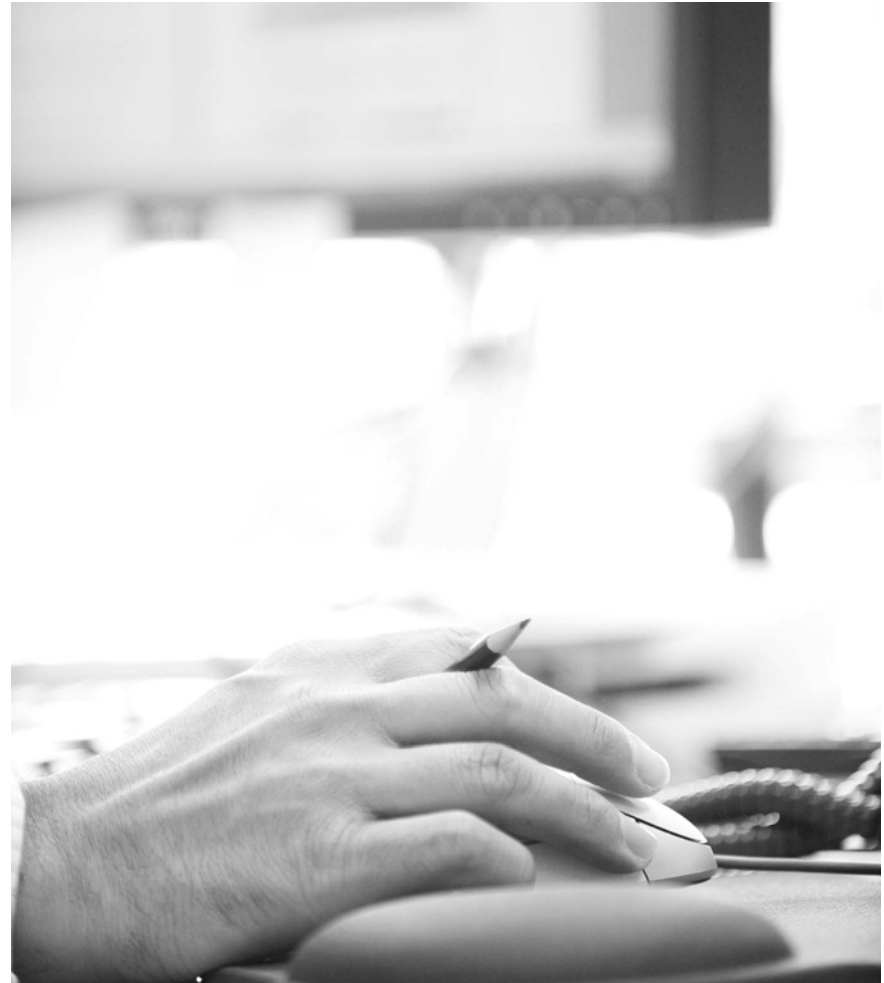
Senior Management Support

- Is the project goal strategic?

- Does it fit with corporate goals?

- Proper level of communication?

- Are all the necessary resources committed?

Build a Project Plan

- Identify goals

- Consumer research

- Strategy development

- Current product assessment

- Strengths and weaknesses

- Legal and regulatory constraints

- Systems requirements

- External vendors

- Rates and rules

- Policy forms

- Filing

- Implementation strategy

- Training

- Rollout

Required Functions

- Marketing
  - Consumer Research
  - Market analysis
  - Advertising
- Sales
- Legal
- Pricing / U/W
- Compliance
- I/T
- Claims
- Operations
- Control & Finance

Case Histories

Case	Unique Nature	Session Relevance
The Hartford	AARP insurance products	Niche identification
Allstate	Your Choice™ (Accident forgiveness discounts)	Data gathering
CUNA	Credit union members	Product Design
Farm Bureaus	Serving the farm community	Underserved
GEICO	Government employees then to direct auto	Marketing
Geovera	Earthquake risks	Product Design
GMAC	Insurance products to GM dealers	Product Design
Homesite	First Internet only homeowners insurance company	Marketing
Horace Mann	Serving the educational community	Niche identification
Lumberman's Mutual	Serving the lumber industry	Niche identification
Nobel	General Liability for explosives	Niche identification
Plymouth Rock	Massachusetts auto insurance	Regulatory
Palisades	New Jersey auto insurance	Regulatory
Progressive	Pet insurance for dogs and cats	Niche identification
Progressive	Nonstandard auto	Niche identification
Progressive	Snapshot Discount™ (Usage-based insurance)	Product Design
RLI	Replacement lens insurance for contact wearers	Niche identification
State Farm	Refined territories	Product Design
Tesco	Insurance provided to Tesco shoppers in UK	Marketing
USAA	Serving the military community	Underserved

Assignment

- Identify a target market or segment

- Identify an insurance related need

- Describe proposed product in general terms

- Have fun! Realism isn't critical.