



# Ratemaking and Product Management Seminar

## Product Development Workshop

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**Product Development**

**Niche Identification**

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# Opportunity

**Turn data into knowledge**

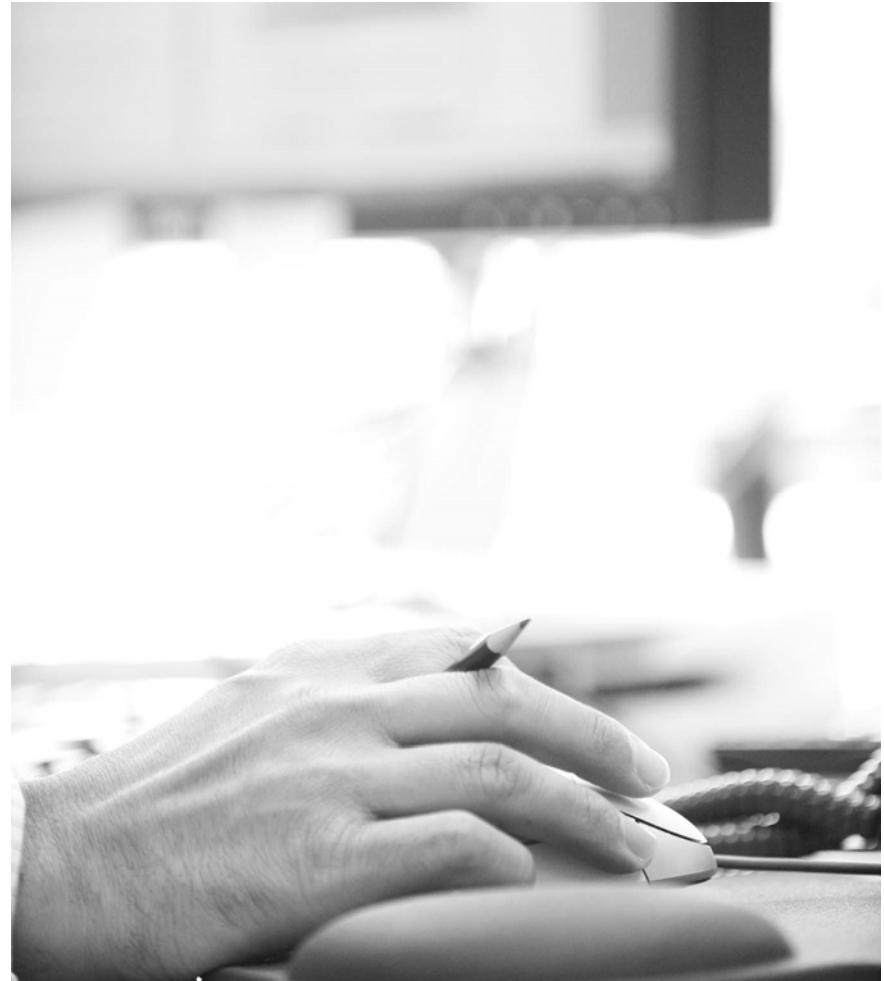
**to serve the right *customers***

**with the right *services***

**at the right *price***

## Identify an underserved niche or more profitable risks

- New product
- Modification to old product
- Add-on to existing product
  - Priced into current product or a give-away
- Use of new technology
- Exploit special expertise
- Existing demand
- Create demand



# Customer Value Proposition



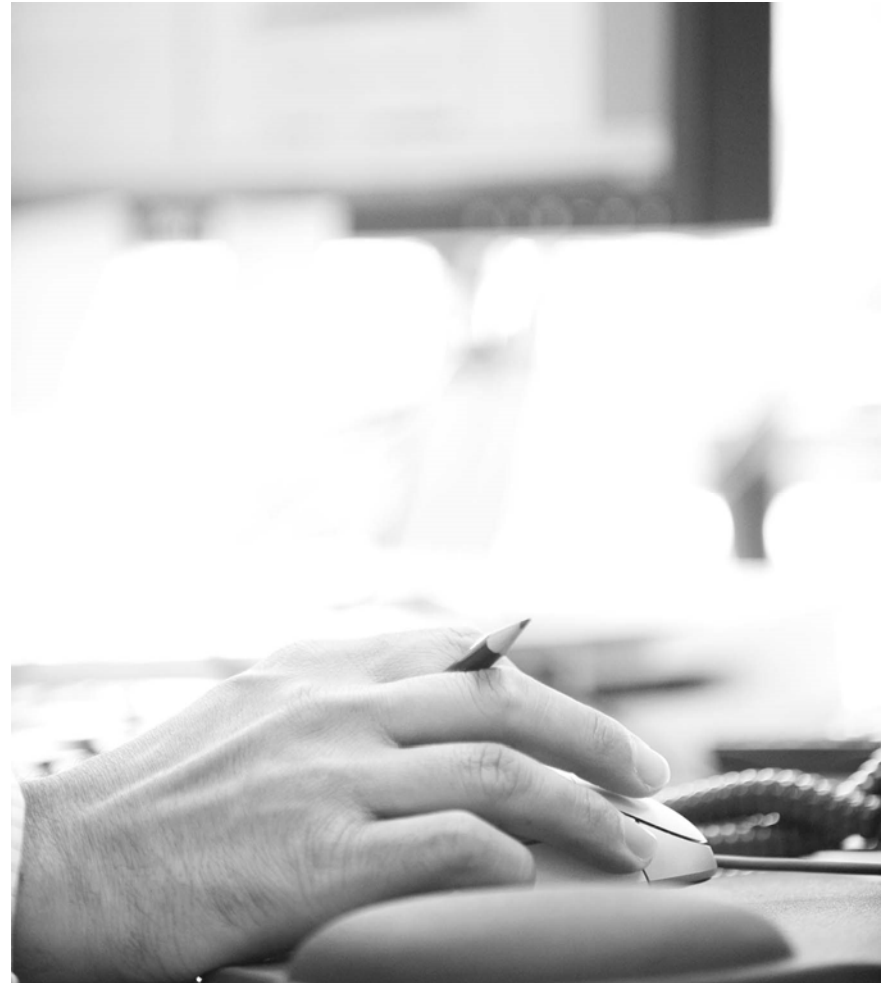
- Gaps in coverage
- Uninsured perils
- Too expensive
- Overly complicated
- Better segmentation
- Additional services

# 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 value 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? (Who are competitors)
  
- 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 (SWOT)
- Legal and regulatory constraints
- Required resources
- 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™ (Acc forgiveness, ded waiver, new replace, safe driver)	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

# Emerging Market Examples



## Important Growing Segments

- Millennials & Gen-Y
- Internet savvy
- Hispanic
- Environmentalist
  
- But don't forget the Boomers!



## Millennials & Gen-Y

- Social connections
- Use text, twitter, blogs, etc.
- Facebook and social networking
- College is a key marketing opportunity

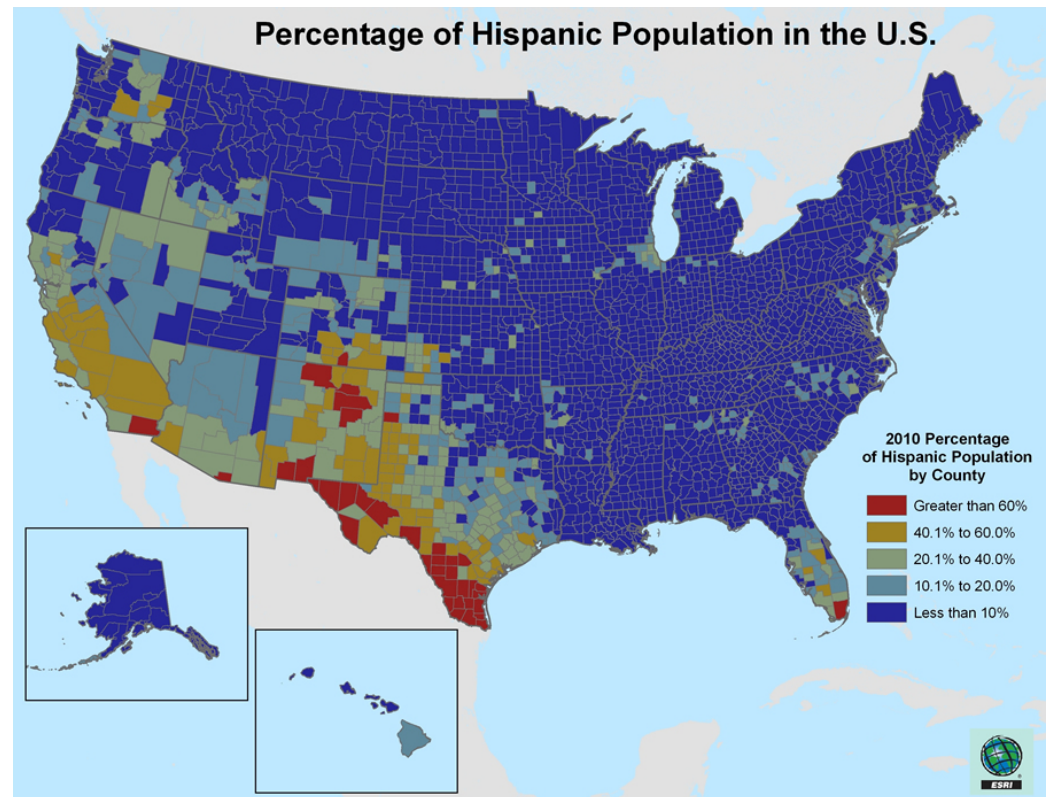


## Internet Savvy

- Several companies formed for Internet sales
- Fastest growth for several large insurers
- Like convenience & self-service
- High retention
- Improved loss costs
- Ease of targeted marketing

# Hispanic

- Fastest growing ethnic market
- Largest minority segment in US
- Puerto Rican and Mexican are not the same!
- 2<sup>nd</sup> generation take in English media
- Still connected to local Hispanic community
- Important to embrace the culture, not just translate into Spanish





## Environmentalist

- Significant percentage of consumers say Green brands influence their purchases
- Large US companies embrace Green practices
- Insurers have created environmentally friendly brands
  - Hybrid discounts
  - Hybrid fleet vehicles
  - Paperless
  - Progressive sponsored the XPrize
  - Usage-based auto insurance (UBI)
  - Green policies touted in ads

“Get a quote – Plant a tree”



# Assignment

- Identify a target market or segment
- Identify an insurance related need
- Describe proposed product in general terms
  
- Have fun! Realism isn't critical.