Developing a Successful Product

What is the appropriate level of governance?

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March 14, 2016

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Speed to market is not necessarily a predictor of product success

Success factors in a new product launch:

- Research & Development

- Business Case

- Process Flow and Roles

- Project Plan

- Post-Launch Evaluation

Maintain discipline and accountability throughout all stages
with the appropriate level of active governance
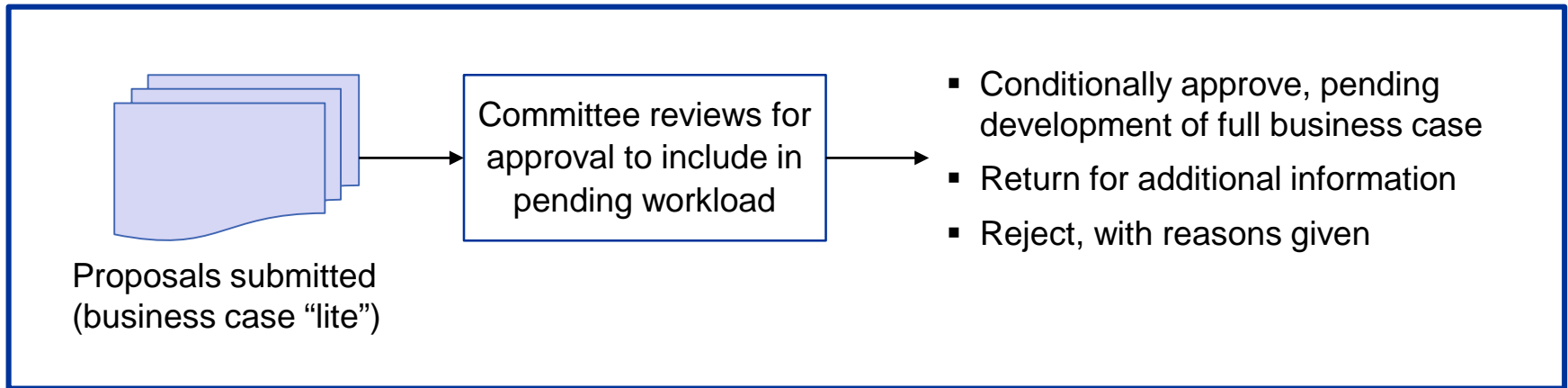
Governance structures

Establishing a product steering committee is one approach to governance

- Primary role is to charter, review, approve and prioritize initiatives

- Initiatives include new product development and implementation, product enhancements, major product maintenance and compliance

- Ensure adequate budget for routine maintenance and compliance

- Use of a committee approach provides several benefits:

  - Initiatives are properly reviewed prior to inclusion in the pending workload

  - Structured process for the review

  - Forum for communication about key initiatives early in the process

  - Discipline in alignment with the business strategy

Key responsibilities for steering committee

Process for review of product proposals

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┌─────────────────┐        ┌───────────────────┐
│  Proposals       │        │ Committee reviews  │      ▪ Conditionally approve, pending
│  (stacked)       │───────▶│ for approval to    │─────▶  development of full business case
│                  │        │ include in         │
└─────────────────┘        │ pending workload   │      ▪ Return for additional information
Proposals submitted        └───────────────────┘
(business case "lite")                                  ▪ Reject, with reasons given
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Review and approval encompasses several key considerations:

▪ Appropriate fact base was properly developed

▪ Fit with existing and expansion strategies

▪ Viable fit for technology platforms

▪ Resources are properly allocated

▪ No negative impact on in-flight initiatives

▪ Additions or revisions to the pending workload must not alter the business plan commitments

▪ Ability to leverage new product or product enhancement across multiple business units

Governance body establishes roles and accountability

Governance Body Roles & Responsibilities	**Contributors Roles & Responsibilities**
▪ Alignment with product strategy and business objectives	▪ Day to day project management
▪ Appropriate research completed	▪ Business case development
▪ Adequate resources devoted	▪ Issue elevation
▪ Decision-making responsibility or delegation	▪ Decisions when delegated by governance body

Research & Development

R&D is essential to a constant flow of ideas

Lessons learned from successful companies

- Perform primary and secondary research on distribution

- Even for companies that use third-party distribution, perform customer focused research

- Have a disciplined approach to understanding competitors' products and capabilities at a deep level

- Have a rigorous process for scoring and prioritizing ideas

Governing body holds team accountable for R&D process

Key aspects of the R&D process viewed through the lens of the product strategy

Product Strategy

Market

- Size and profitability of key markets
- Adjacent markets
- Competitive intensity in target markets

Competitors

- Product features
- Profitability of competitors
- Available tools and monitoring mechanisms

Customer

- Gain insights through:
  - Focus groups
  - Prototypes
  - Consumer Market Research
  - Blogs

Distribution

- Gain insights through:
  - Producer Councils
  - Producer Conferences
  - Primary/Secondary Research
  - Blogs

Business Case

Build an effective business case

Lessons learned from successful companies

- Have a clearly articulated, broadly understood and accepted product strategy

- Have the discipline to make sure that an idea fits the strategy

- Demonstrate a disciplined examination of ideas, with active involvement of executive leadership with a clearly defined process

- Involve the distribution channel

- Leverage the insights provided by all key stakeholders, including operations and systems, during the development of the business case

Populate the business case based on R&D

1. External Market Analysis

Market Structure	▪ Conduct a Market Opportunity Assessment
Competitive Environment	▪ Develop competitor profiles
Environmental Scan	▪ Identify and analyze emerging issues
Customer Needs Analysis	▪ Conduct a customer needs assessment
Distribution Channel Analysis	▪ Suitability, cost-benefit and risk by distribution channel

2. Internal Analysis

Strategic Focus	▪ Assess fit with business strategies
Desirability Analysis	▪ Assess risk characteristics
Product Features	▪ Summarize features
Distribution Requirements	▪ Describe channel selections
Capability Requirements	▪ Summarize capabilities and needed investments

Populate the business case based on R&D

3. Strategic Risk Assessment	
Fit in Product Portfolio	▪ Conduct a Market Opportunity Assessment

4. Product Design	
Scope	▪ Refine based on output of External Analysis, Internal Analysis, and Strategic Risk Assessment

5. Economic Model	
Profitability	▪ Determine revenue and expenses

6. Implementation Strategy	
Approach	▪ Outline implementation needs and post-implementation monitoring

Living document that changes as the product evolves

Governing body assesses due diligence around validation of models

- Validate the models used in developing new products

  - Produce 3-5 year pro-formas

  - Consider separate metrics for new and renewal business

- Confirm the accuracy and peer review of vendor models

- Clearly communicate expectations to management

  - What is the capital need?

  - What is the profit measure?

  - How long before target returns are expected?

Governing body assesses due diligence around risks

What risks are the most significant for this product?

- Data Quality
- Operational Risk
- Market Risk
- Regulatory Risk

How can these risks be mitigated or managed?

- Use of a pilot prior to full launch
- Ability to share risk with external parties
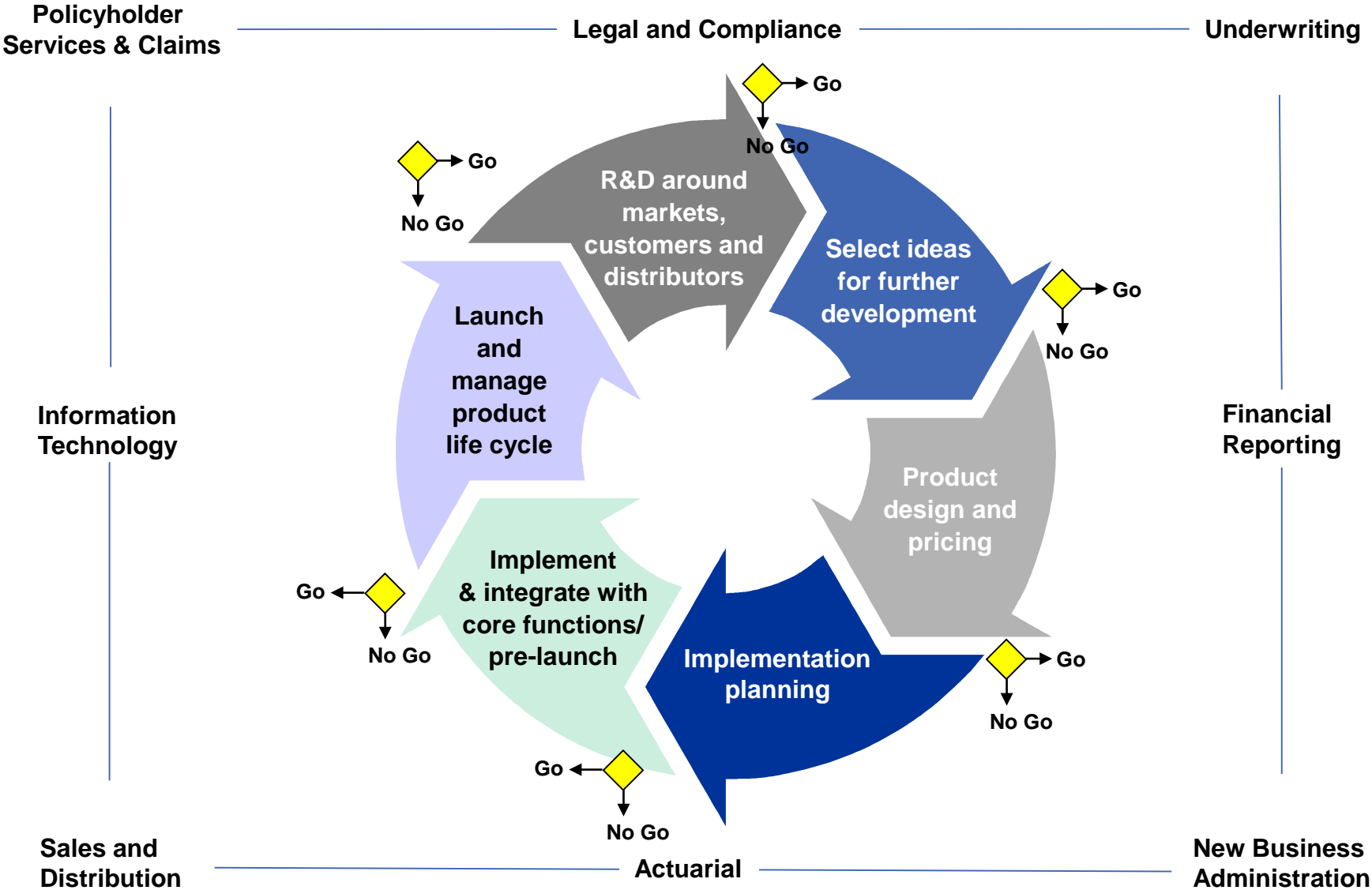- Other approaches?

Process Flow and Roles

Process Flow and Roles
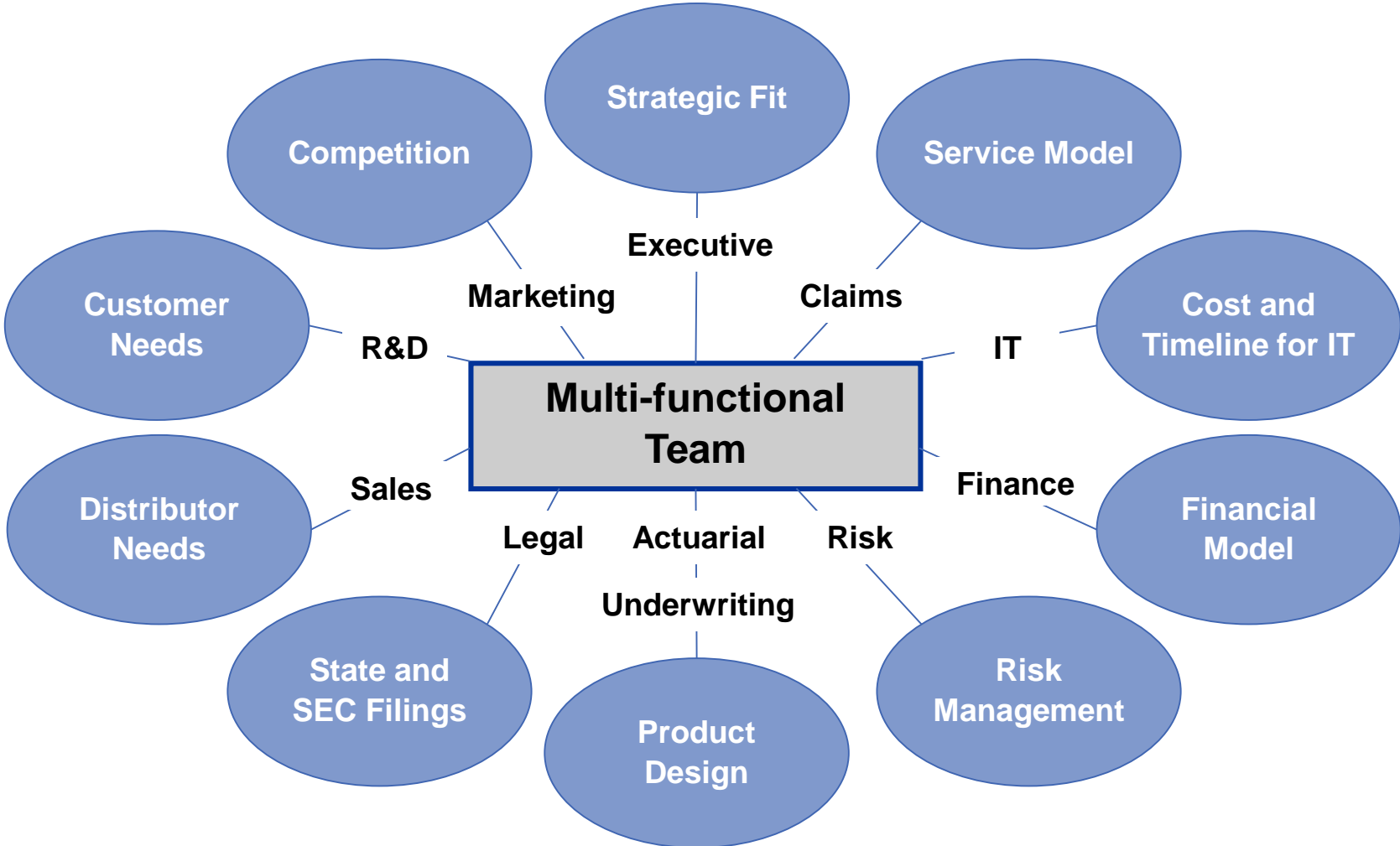
Lessons learned from successful companies

- Have a well documented, repeatable process that includes all those involved in the total end-to-end process

- Introduce products on a regular cycle as opposed to on an ad-hoc basis

- Establish roles and accountability

- Build and sustain producer commitment to the new product, from research through launch

- Focus on establishing a reputation with producers for delivering quality, error free products on time rather than a focus on speed to market

Governing body monitors the execution of the end-to-end process

Policyholder Services & Claims

Legal and Compliance

Underwriting

Information Technology

Financial Reporting

Sales and Distribution

Actuarial

New Business Administration

R&D around markets, customers and distributors

Select ideas for further development

Product design and pricing

Implementation planning

Implement & integrate with core functions/ pre-launch

Launch and manage product life cycle

Go

No Go

Integrate and collaborate across functions
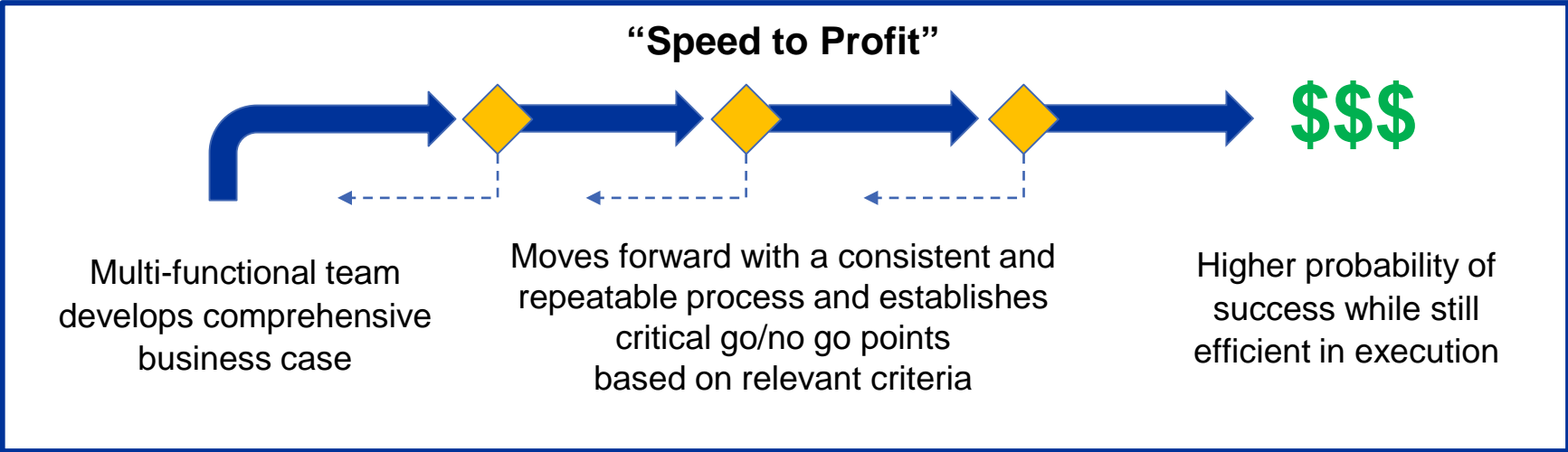
Invite the right parties to the table at the beginning

Governing body establishes key decision points

Holds the team accountable for key decision points as the fact base develops

"Speed to Market"

Develop an idea and conduct a market assessment

Moves forward with primary focus on speed rather than quality (profit) as the key driver of the process

Too often results in unsuccessful uptake or costly errors

"Speed to Profit"

$$$

Multi-functional team develops comprehensive business case

Moves forward with a consistent and repeatable process and establishes critical go/no go points based on relevant criteria

Higher probability of success while still efficient in execution

Project Plan

Project Plan

Lessons learned from successful companies

- For each task put the accountable party (name names)

- Include dependencies

- Build in time for the actuarial models, which will depend upon new to industry (innovative), new to company, revision

- Include deliverables for each phase

- Have a disciplined approach during implementation

Project Plan

	Rating Workstream - State Template						
Item #	**Project Plan - Tasks**	**Skill Set**	**Duration**	**Target Compl**	**Status**	**Dependen cies**	**Comments**
I.	**Collect Data for Segments & Exposure Analysis**		10 days		100%		
II.	**Conduct Competitor Analysis**		50 days		100%		
III.	**Initial Rates - Core Coverages**				0%		
III.A.	**LIABILITY**						
III.A.1	**Liability - Base rate development for State XX**		20 days		0%		
III.A.1.1	**Finalize Variable Dimensions & Interactions - Countrywide**	Senior Actuary	5 days		100%		Already completed for all states.
III.A.1.2	**Develop Initial / Base Primary Class Rates - Liability**		10 days		0%		
	Develop & populate preliminary rates				0%		
	Prepare base spreadsheet for each state	Data/Actuarial Analyst	5 days		0%		
	Develop preliminary rate values for liability	Staff Actuary	2 days		0%		
	Loss Elimination (need by category for countrywide)				0%		countrywide
	Segmentation (More classes /factors i.e. Parking Lots, Property Mgmt)	Product Analyst, Data/Actuarial Analyst			100%		Already completed for all states.
	Coverage Exclusions	Product Analyst, Data/Actuarial Analyst			100%		Already completed for all states.
	Reduced Limit / Higher Deductible / Other Terms	Product Analyst, Data/Actuarial Analyst			100%		Already completed for all states.
	Misclassified / ineligible exposure	Product Analyst, Senior Actuary	5 days		0%		
	Conversion of Exposure Bases	Staff Actuary	5 days		100%		Already completed for all states.
	Loss Elimination (state specific issues as needed)	Product Analyst, Data/Actuarial Analyst	5 days		0%		On all these, product analyst can identify but actuarial analyst must apply
III.A.1.3	**Use Phase 1 Competitor Analysis to refine Class Rates**				0%		
	Incorporate phase 1 competitor analysis into initial rates	Staff Actuary	2 days		0%		
III.A.1.4	**Utilize Segmentation Processes (Base Rates, Factors)**	Staff Actuary	2 days		0%		
III.A.1.5	**Develop Rating Factors (ISO, Existing, Judgment)**	Staff Actuary	2 days		0%		
III.A.1.6	**Develop common rating factors (e.g., PMFs, Size of Premium)**	Staff Actuary	2 days		0%		
III.A.1.7	**Develop state exceptions**	Staff Actuary	2 days		0%		
III.A.1.8	**Develop base rates for Liability**	Senior Actuary	5 days		0%		
III.A.1.9	**Develop additional core coverage rating factors (i.e. ILFS, deductible rating factors)**	Staff Actuary	2 days		0%		

Maintain discipline through implementation

- Have IT at the table early in the process so they are well prepared for execution

- Develop and execute a change management program, including plans for communications and training activities

- Utilize user acceptance testing to "test drive" change management and training

- Once a product is in the market, the focus shifts to active product management

- Focus will be on operational excellence while maintaining a high level of customer intimacy

- Product team will work closely with internal and external partners to:

  - Deliver the product through the sales and servicing model
  - Gain insight on the customer segments and promotion / advertising support
  - Obtain product performance reporting and analytics
  - Provide ongoing system support

Post-Launch Evaluation

Post-Project Evaluation

Lessons learned from successful companies

- Perform a Post-Project Team Survey

- Develop a Post-Launch metrics scorecard

- Tie metrics back to original Business Case and execution plan

- Actively manage the lifecycle of a product

Post-Project Survey

- The survey should focus on the process as well as the Product Manager

- Meet to discuss the survey results and discuss lessons learned

Sample Process Scorecard	
Metrics to evaluate the performance and efficiency of the process	**ILLUSTRATIVE**

Ideation	▪ Number of ideas captured per quarter & per year (including % breakdown of sources, e.g. product group, members) ▪ Number of ideas approved for Product Development per year / Number ideas captured per year
New Product Development	▪ Number products in development, number of products launched per year ▪ Wasted development spend per year (cancelled projects) ▪ Development cycle time ▪ % on time launches ▪ % products >20% over budget at time of launch
Product Mgmt.	▪ Number of products retired per year ▪ Number of existing products to enter process at Ideation Phase per year (e.g., enhancement, extension, etc)

Post-Launch Metrics Scorecard

Assumption Validation

- Loss Ratio
- Underwriting Mix
- Frequency
- Severity…

Metrics Scorecard Definition

Production
- Volumes
- Hit rate
- Flow rates…

Financial
- Sales
- Profitability
- Mix of business…

Operational
- Expense ratios
- Error rates
- System efficiency…

Customer / Producer
- Satisfaction
- Ease of sales process
- Behaviors in line with expectations…

Product Performance Monitoring

ILLUSTRATIVE	Business Case Estimates	Actual
Financial		
Sales ($M)	XX	YY
Earnings ($M)	XX	YY
Margin (%)	XX	YY
Operational		
Error rates (%)	XX	YY
Expense Ratio (%)	XX	YY
Loss Ratio (%)	XX	YY
Customer/ Producer		
Customer Satisfaction	XX	YY
New Premiums Generated ($M)	XX	YY

Feedback & suggestions to the various stakeholders of the Product Development team

Monitor throughout the product lifecycle

Success in execution requires careful monitoring of the product post-launch

Monitor the product

Make a profit

- *What is the appropriate frequency for touch points?*

- *Who should be involved in the monitoring process?*

- *Which metrics are critical for measuring financial success?*

- *Which metrics are critical for measuring competitive success?*

- *What are the triggers for action?*

- *What is the feedback from producers?*

- *Was the launch campaign appropriate?*

Deloitte.