



# **Developing a Successful Product**

**What is the appropriate level of governance?**

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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

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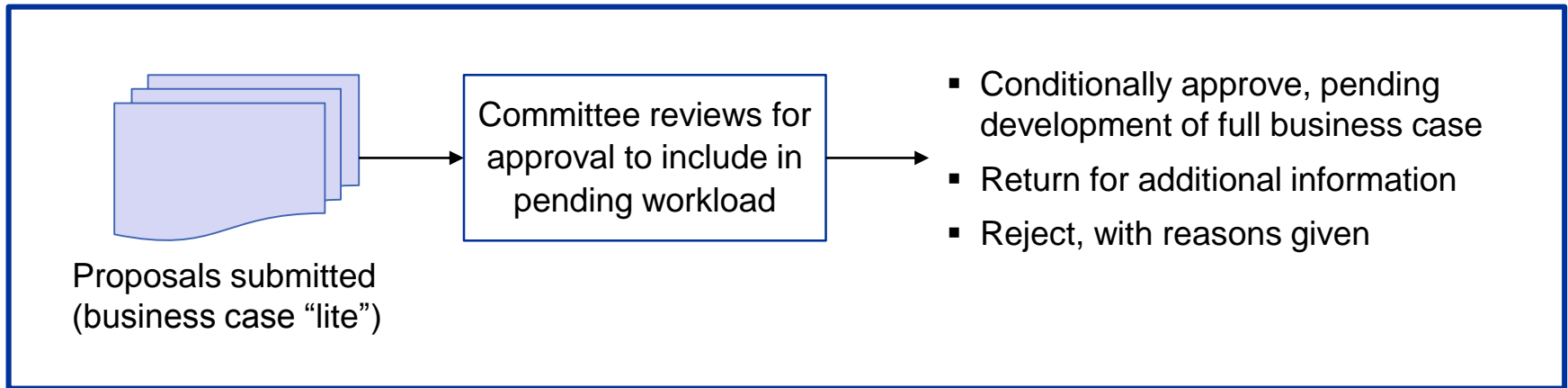
Establishing a product steering committee is one approach to governance

- 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

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## Process for review of product proposals



## 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**

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## **Governance Body Roles & Responsibilities**

- Alignment with product strategy and business objectives
- Appropriate research completed
- Adequate resources devoted
- Decision-making responsibility or delegation

## **Contributors Roles & Responsibilities**

- Day to day project management
- Business case development
- Issue elevation
- Decisions when delegated by governance body

**Research & Development**

# **R&D is essential to a constant flow of ideas**

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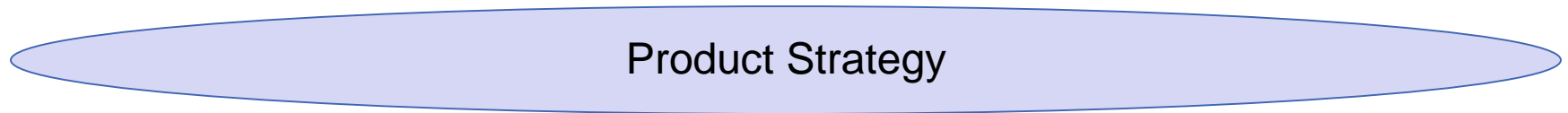
## **Lessons learned from successful companies**

- 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



## 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**

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## **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

<b>Market Structure</b>	<ul style="list-style-type: none"><li>▪ Conduct a Market Opportunity Assessment</li></ul>
<b>Competitive Environment</b>	<ul style="list-style-type: none"><li>▪ Develop competitor profiles</li></ul>
<b>Environmental Scan</b>	<ul style="list-style-type: none"><li>▪ Identify and analyze emerging issues</li></ul>
<b>Customer Needs Analysis</b>	<ul style="list-style-type: none"><li>▪ Conduct a customer needs assessment</li></ul>
<b>Distribution Channel Analysis</b>	<ul style="list-style-type: none"><li>▪ Suitability, cost-benefit and risk by distribution channel</li></ul>

## 2. Internal Analysis

<b>Strategic Focus</b>	<ul style="list-style-type: none"><li>▪ Assess fit with business strategies</li></ul>
<b>Desirability Analysis</b>	<ul style="list-style-type: none"><li>▪ Assess risk characteristics</li></ul>
<b>Product Features</b>	<ul style="list-style-type: none"><li>▪ Summarize features</li></ul>
<b>Distribution Requirements</b>	<ul style="list-style-type: none"><li>▪ Describe channel selections</li></ul>
<b>Capability Requirements</b>	<ul style="list-style-type: none"><li>▪ Summarize capabilities and needed investments</li></ul>

# Populate the business case based on R&D

## 3. Strategic Risk Assessment

### Fit in Product Portfolio

- Align with overall organization product strategy
- Summarize internal/external risk factors, exit strategy

## 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 is refined 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**

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**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**



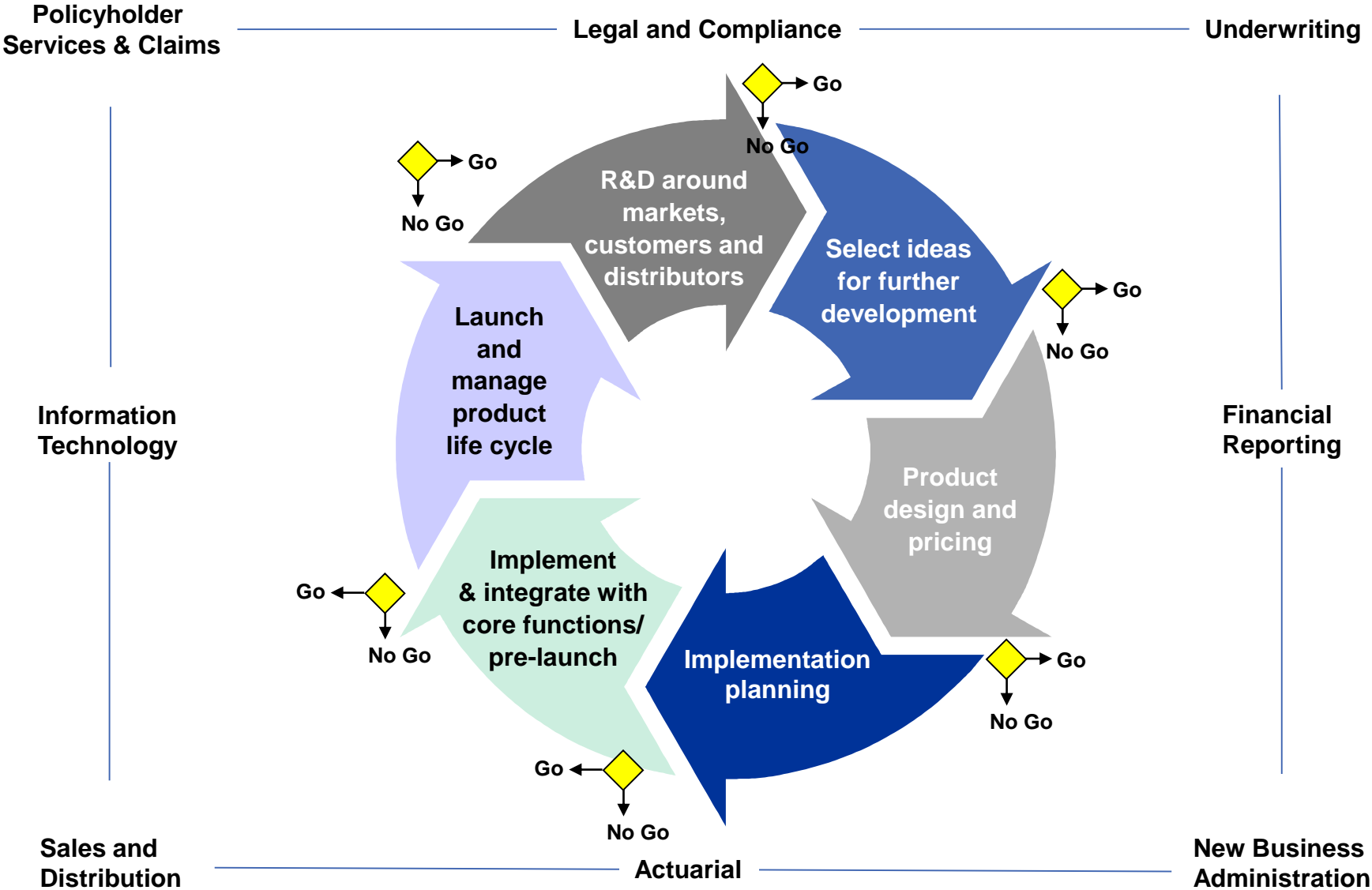
# Process Flow and Roles

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## Lessons learned from successful companies

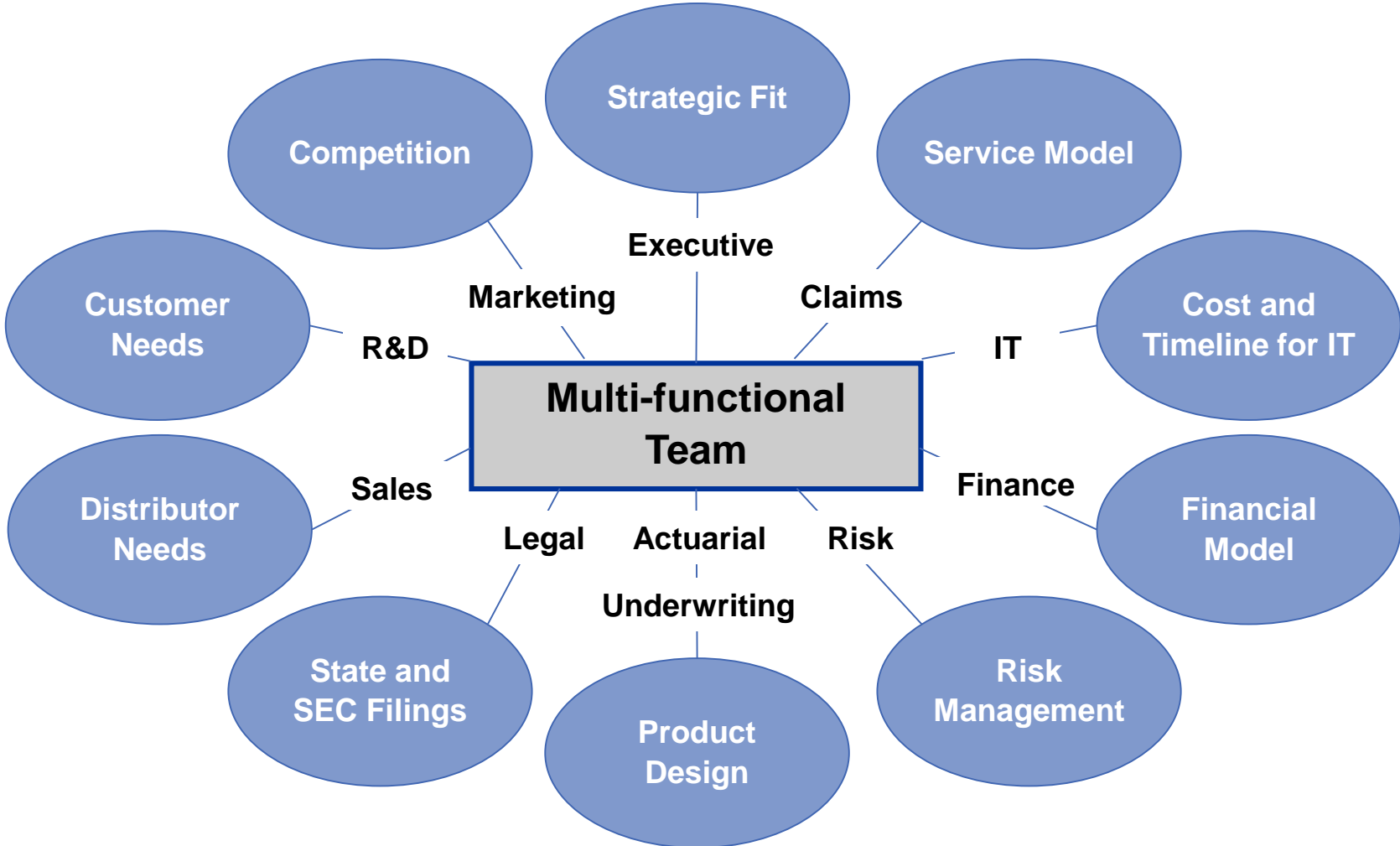
- Have a well documented, repeatable process that includes all those involved in the total end-to-end process
- Introduce products on a regular cycle as opposed to on an ad-hoc basis
- Establish roles and accountability
- Build and sustain producer commitment to the new product, from research through 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



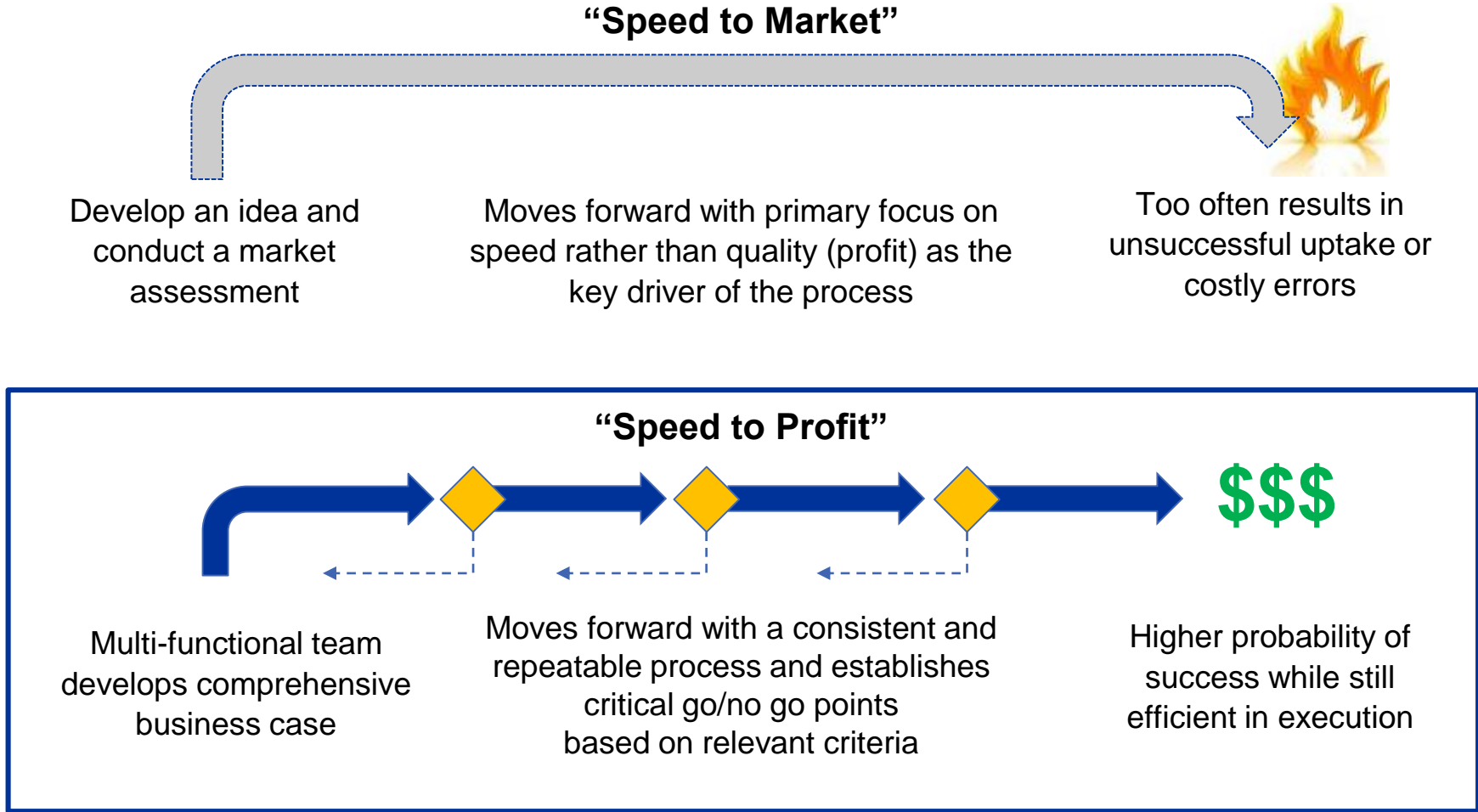
# Integrate and collaborate across functions

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



# **Project Plan**

# Project Plan

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## 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

ILLUSTRATIVE

Rating Workstream - State Template							
Item #	Project Plan - Tasks	Skill Set	Duration	Target Compl	Status	Dependencies	Comments
I.	<b>Collect Data for Segments &amp; Exposure Analysis</b>		10 days		100%		
II.	<b>Conduct Competitor Analysis</b>		50 days		100%		
III.	<b>Initial Rates - Core Coverages</b>				0%		
III.A.	<b>LIABILITY</b>						
III.A.1	<b>Liability - Base rate development for State XX</b>		20 days		0%		
III.A.1.1	<b>Finalize Variable Dimensions &amp; Interactions - Countrywide</b>	Senior Actuary	5 days		100%		Already completed for all states.
III.A.1.2	<b>Develop Initial / Base Primary Class Rates - Liability</b>		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	<b>Use Phase 1 Competitor Analysis to refine Class Rates</b>				0%		
	Incorporate phase 1 competitor analysis into initial rates	Staff Actuary	2 days		0%		
III.A.1.4	<b>Utilize Segmentation Processes (Base Rates, Factors)</b>	Staff Actuary	2 days		0%		
III.A.1.5	<b>Develop Rating Factors (ISO, Existing, Judgment)</b>	Staff Actuary	2 days		0%		
III.A.1.6	<b>Develop common rating factors (e.g., PMFs, Size of Premium)</b>	Staff Actuary	2 days		0%		
III.A.1.7	<b>Develop state exceptions</b>	Staff Actuary	2 days		0%		
III.A.1.8	<b>Develop base rates for Liability</b>	Senior Actuary	5 days		0%		
III.A.1.9	<b>Develop additional core coverage rating factors (i.e. ILFS, deductible rating factors)</b>	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

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## 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

<b>Ideation</b>	<ul style="list-style-type: none"> <li>▪ Number of ideas captured per quarter &amp; per year (including % breakdown of sources, e.g. product group, members)</li> <li>▪ Number of ideas approved for Product Development per year / Number ideas captured per year</li> </ul>
<b>New Product Development</b>	<ul style="list-style-type: none"> <li>▪ Number products in development, number of products launched per year</li> <li>▪ Wasted development spend per year (cancelled projects)</li> <li>▪ Development cycle time</li> <li>▪ % on time launches</li> <li>▪ % products &gt;20% over budget at time of launch</li> </ul>
<b>Product Mgmt.</b>	<ul style="list-style-type: none"> <li>▪ Number of products retired per year</li> <li>▪ Number of existing products to enter process at Ideation Phase per year (e.g., enhancement, extension, etc)</li> </ul>

# Post-Launch Metrics Scorecard

## Assumption Validation

## Metrics Scorecard Definition

## Product Performance Monitoring

Loss Ratio	Production	<ul style="list-style-type: none"> <li>Volumes</li> <li>Hit rate</li> <li>Flow rates...</li> </ul>
Underwriting Mix	Financial	<ul style="list-style-type: none"> <li>Sales</li> <li>Profitability</li> <li>Mix of business...</li> </ul>
Frequency	Operational	<ul style="list-style-type: none"> <li>Expense ratios</li> <li>Error rates</li> <li>System efficiency...</li> </ul>
Severity...	Customer / Producer	<ul style="list-style-type: none"> <li>Satisfaction</li> <li>Ease of sales process</li> <li>Behaviors in line with expectations...</li> </ul>

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**

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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?*

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