



Developing a Successful Product

What is the appropriate level of governance?

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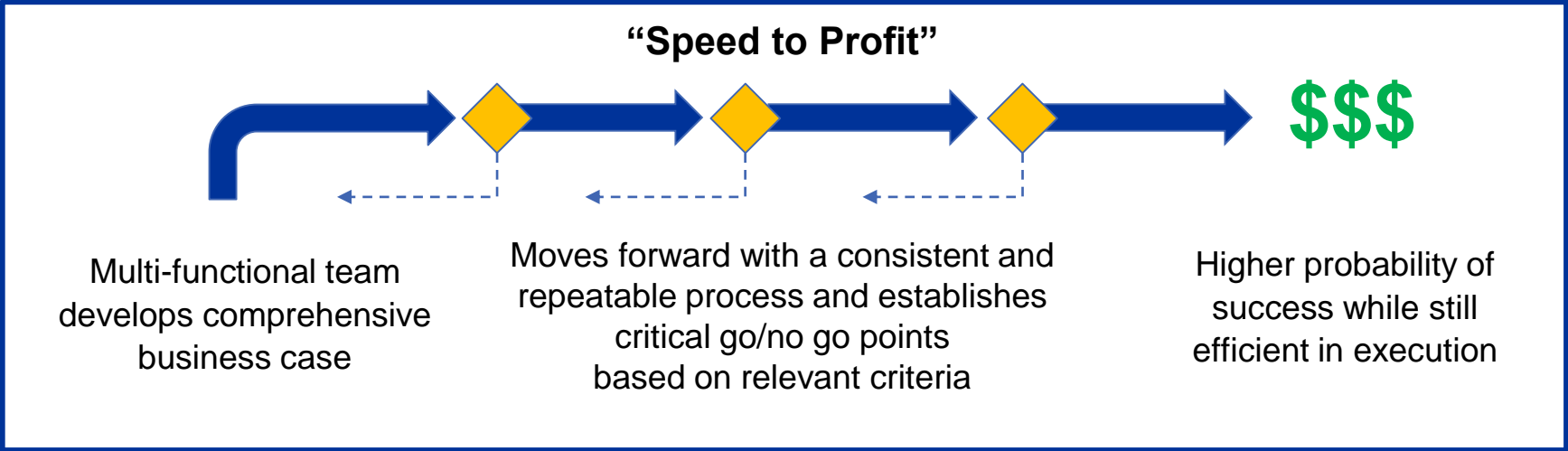
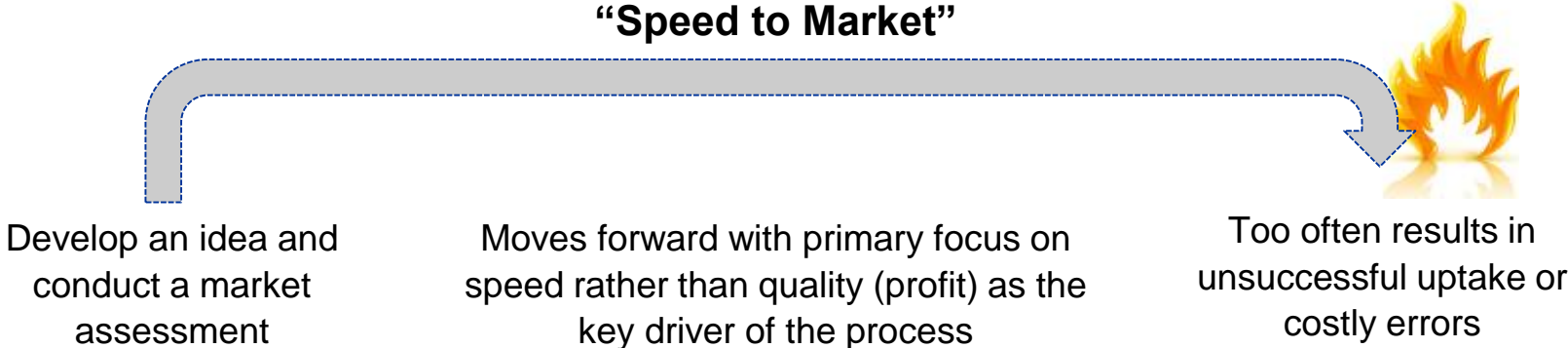
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Speed to market is not necessarily a predictor of product success



What contributes to product success?

Key components of successful product management:

- Research & Development
- Business Case
- Process Flow and Roles
- Project Plan
- Post-Launch Evaluation

Role of Governance

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

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 / Social Media

Distribution

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

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

2. Internal Analysis

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

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

Process Flow and Roles

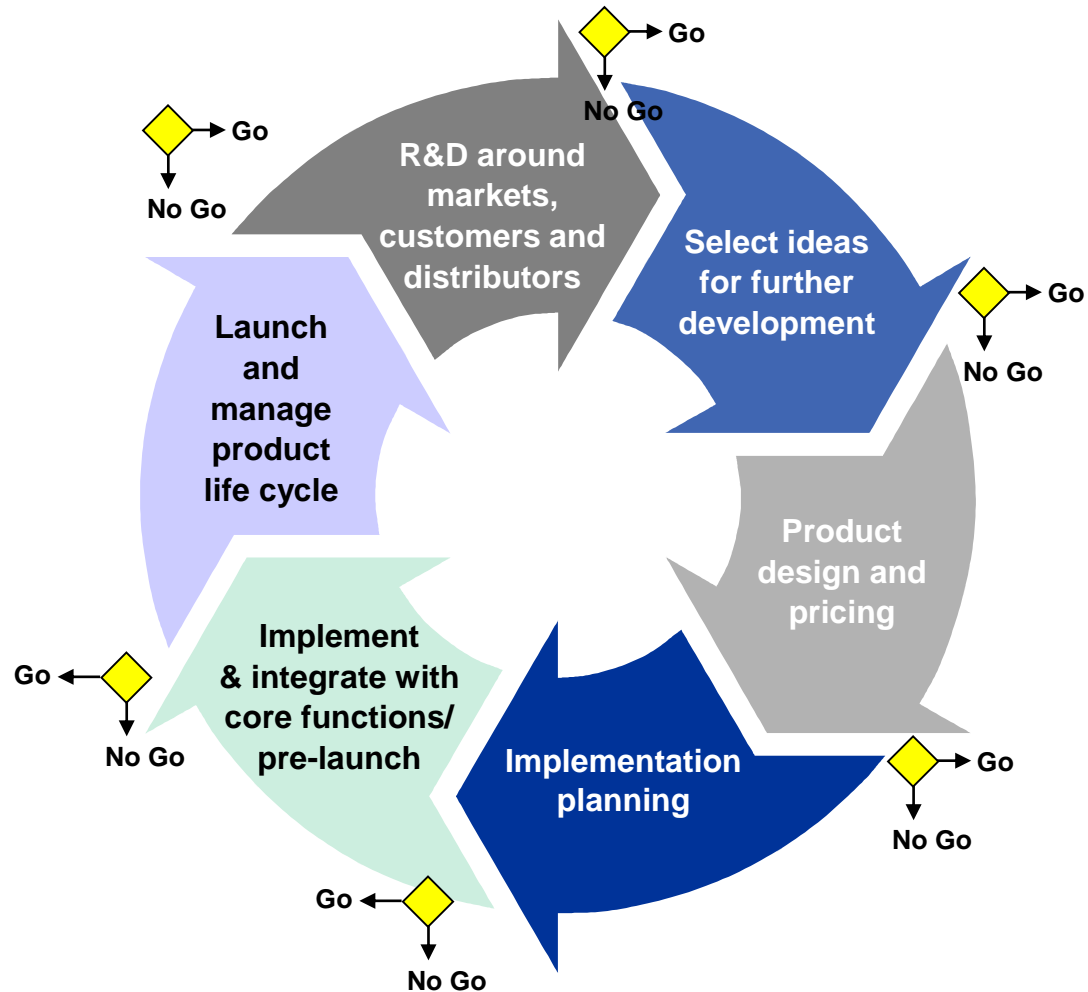
Process Flow and Roles

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

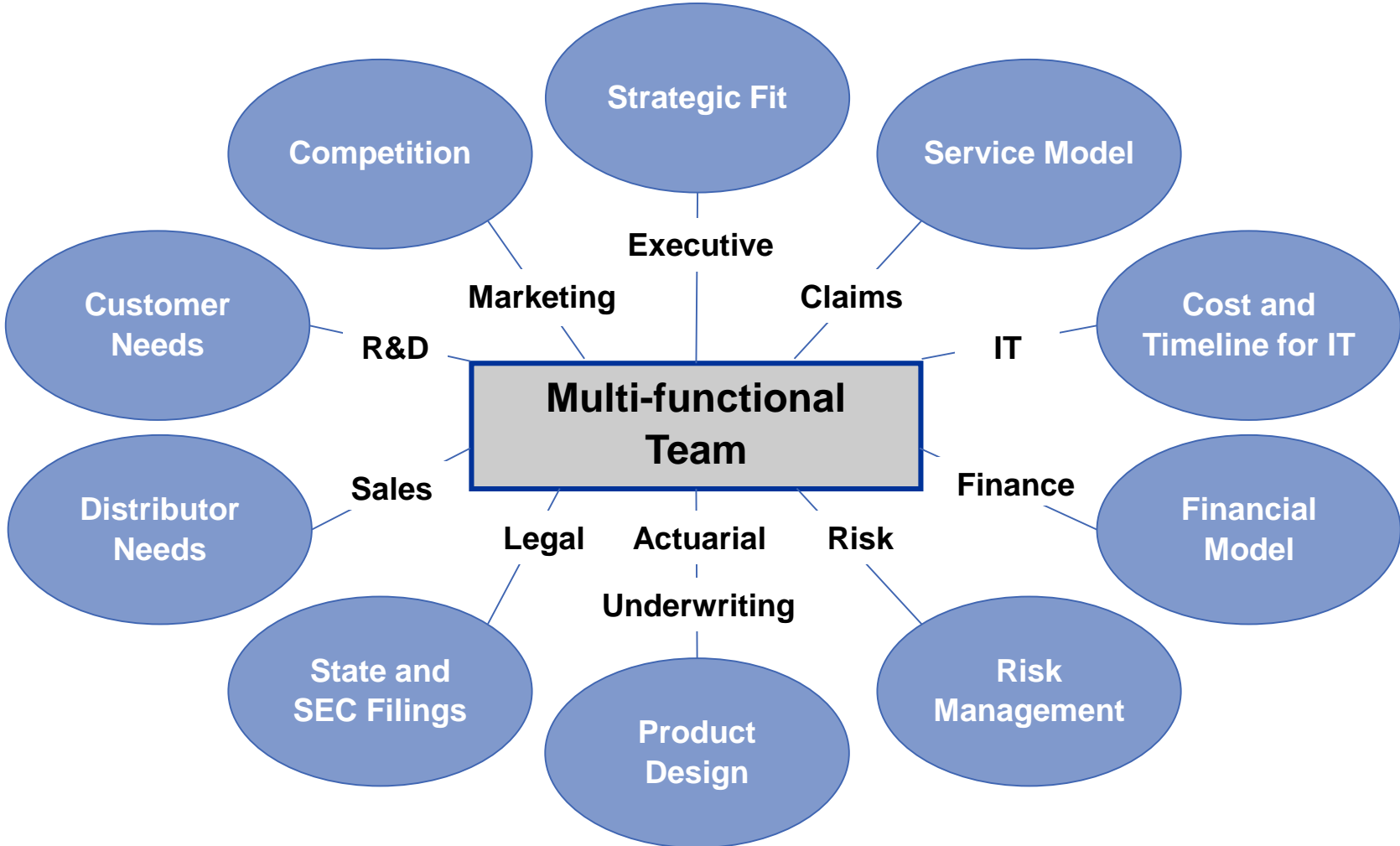
Governing body monitors the execution of the end-to-end process

Maintain strategic focus and discipline across the product lifecycle



Good governance drives integration & collaboration across functions

Invite the right parties to the table at the beginning



Governance structures establish roles and accountability

Responsibilities of Governance Entity



Executive Management

- Guides the development of product strategy in line with the overall strategic direction of the company
- Decision-making authority for topics elevated by the Steering Committee such as critical portfolio tradeoffs, funding issues

Steering Committee

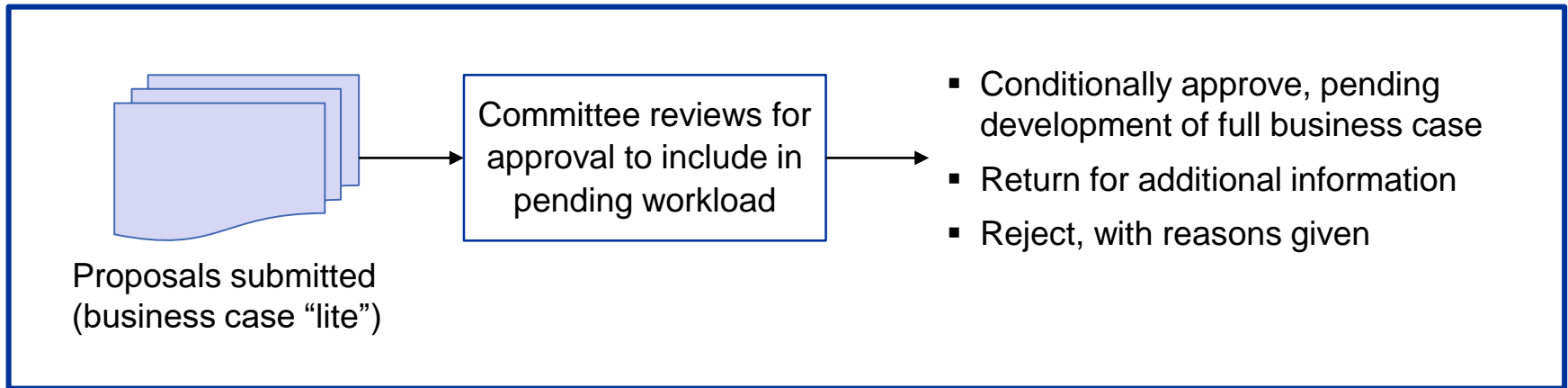
- Charters, reviews, approves, and prioritizes product initiatives
- Monitors and manages the product portfolio, ensuring an adequate and manageable number of products aligned with product strategy
- Provides final approval of product design, go/no-go decisions

Product Lifecycle Leadership

- Manages the execution of the project lifecycle for each product
- Produces requirements and supporting documentation
- Reports progress and communicates issues to Steering Committee
- Conducts analysis for ongoing management of in-market products

Key responsibilities for governing body

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

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?

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

ILLUSTRATIVE

Rating Workstream - State Template							
Item #	Project Plan - Tasks	Skill Set	Duration	Target Compl	Status	Dependencies	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, regulatory & compliance experts 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	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ 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.	<ul style="list-style-type: none"> ▪ 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

Metrics Scorecard Definition

Product Performance Monitoring

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

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?*

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