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How Do You Bring New Insurance Products to Market?

Five Insights from the Society of Actuaries Product Development Survey

By Donna Megregian

Past success doesn't guarantee ongoing success, particularly when it comes to insurance product portfolios. Today's evolving insurance landscape has made new product development vital to insurers' financial strength and business growth. At a time of changing customer demand, regulatory standards, and market pressures, how do insurers bring successful new products to market?

After two years in the making and more than 3,700 data points analyzed, a far-reaching product development survey conducted by RGA and LIMRA on behalf of the Society of Actuaries (SOA) sheds new light on how individual life and annuity insurers are evaluating this question. RGA and LIMRA collaborated on this study to explore product development practices in the United States and Canada adding some global markets perspectives for the SOA. The survey findings provide an effective tool for insurers to benchmark performance, identify common challenges and seek areas for improvement, growth and/or investment.

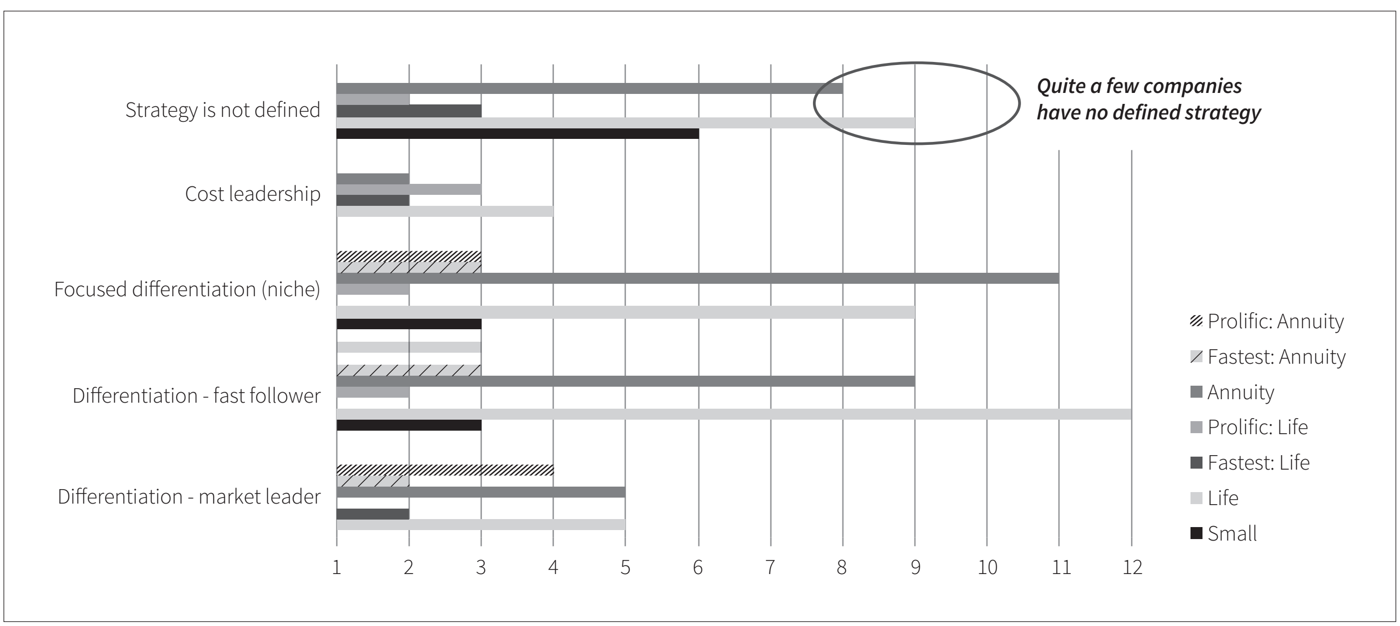
The following are just a handful of insights from the over 200-page analysis; readers can access the overview and full report on the SOA website.[1]

1. FAST FOLLOWERS OUTNUMBER FIRST-TO-MARKET INNOVATORS.

We're probably a fast follower like a lot of companies. But on the other hand, we do have some innovative things that we have done… It just takes more money and more time to do things in today's market environment than it took us 10 years ago. See Figure 1.

Many insurers acknowledge they do not have a clearly defined strategy for product development, but this does not necessarily hinder the entire product development process. For example, the undefined strategy companies do not report launching fewer products. Those companies with a defined strategy most frequently embraced fast-follower or niche approaches. Fast followers avoid the investment and risk of first-to-market innovation, but must work quickly to react to changes in the market and seek to improve on the design being followed. Fast follower companies may not consider themselves highly innovative, nor do they make disruptive innovation a measure for success.

Figure 1
Which of the following best describes the primary focus of your organization's life insurance product development strategy?



2. GREATEST NEED FOR IMPROVEMENT: ADMINISTRATION.

We always complain about the IT capacity. I think our company really made a great stride in recent years. See Figure 2.

The top area identified as needing improvement was administration; however, most insurers have taken little action in the last two years to improve this significant bottleneck (p. 74). If budgets permitted, hiring staff and upgrading technology are ideal goals (B16), but many companies struggle to achieve them. Some have realized efficiencies in their process by outsourcing (D1a and D2a).

3. SPEED MATTERS, BUT IT MAY NOT BE EVERYTHING.

We don't necessarily want to set a date 12 months ahead of time and crunch to get it. We'd rather set the priority, get the proof of concept, get the work done, and then as we get closer, start to finalize that date for all the planning. See Figure 3.

Faster companies are able to shave off weeks, even months, from certain product development efforts (pp. 133–154). Insurers that navigate the development process faster tend to begin steps much sooner and alongside other steps, without waiting for completion of one task to move on to potential dependent tasks. For them, items like rider development and reinsurance start earlier in the overall process than at other providers. However, the most respected companies are not necessarily the fastest, and tend to spend more time in pricing and marketing than other insurers.

> The survey findings provide an effective tool for insurers to benchmark performance, identify common challenges and seek areas for improvement, growth and/or investment.

4. LEVERAGING PREDICTIVE MODELING IS MOST KEENLY BEING SOUGHT THROUGH UNDERWRITING.

We have a [predictive modeling] team. They don't really work that closely with us yet…We're starting to talk more about how we tie into the broader data and analytics team. See Figure 4.

While currently used more in the marketing space, almost 70 percent of companies indicated they are exploring predictive modeling in the area of automated, simplified or accelerated underwriting. This highlights the link to increased customer satisfaction, and where market leaders and fast followers are spending a great deal of time. Blending with marketing plans based on predictive modeling's ability to identify consumer

Figure 2

How important are the following to your organization's current product development strategy?

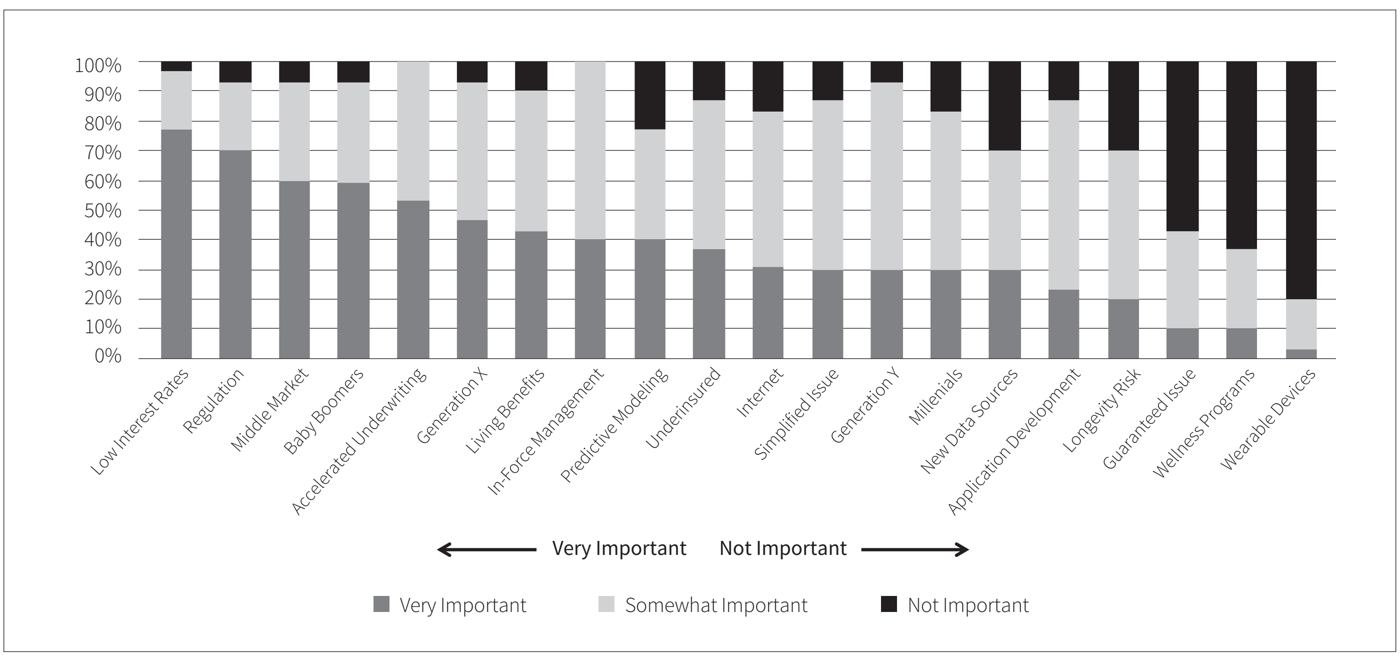


Figure 3
For which steps of the product development process is your company currently using predictive modeling (PM) or beginning to explore the use of predictive modeling?

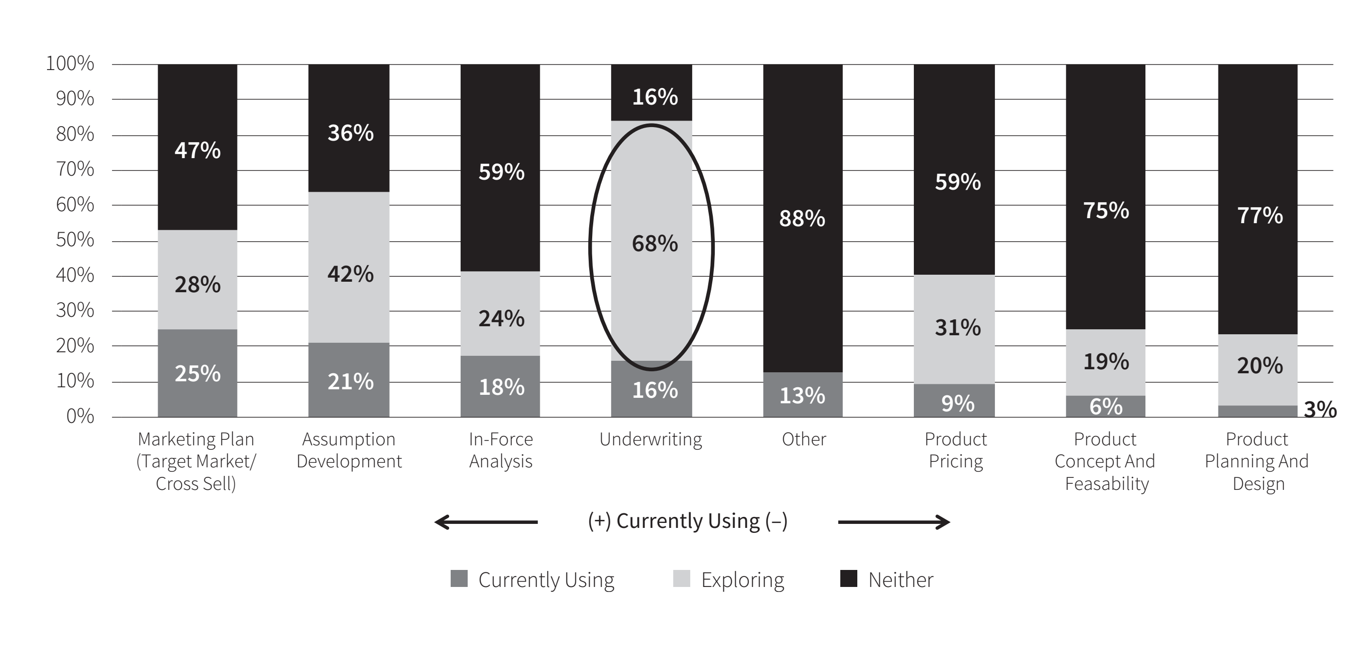


Figure 4
Duration and Timing of Product Development Steps

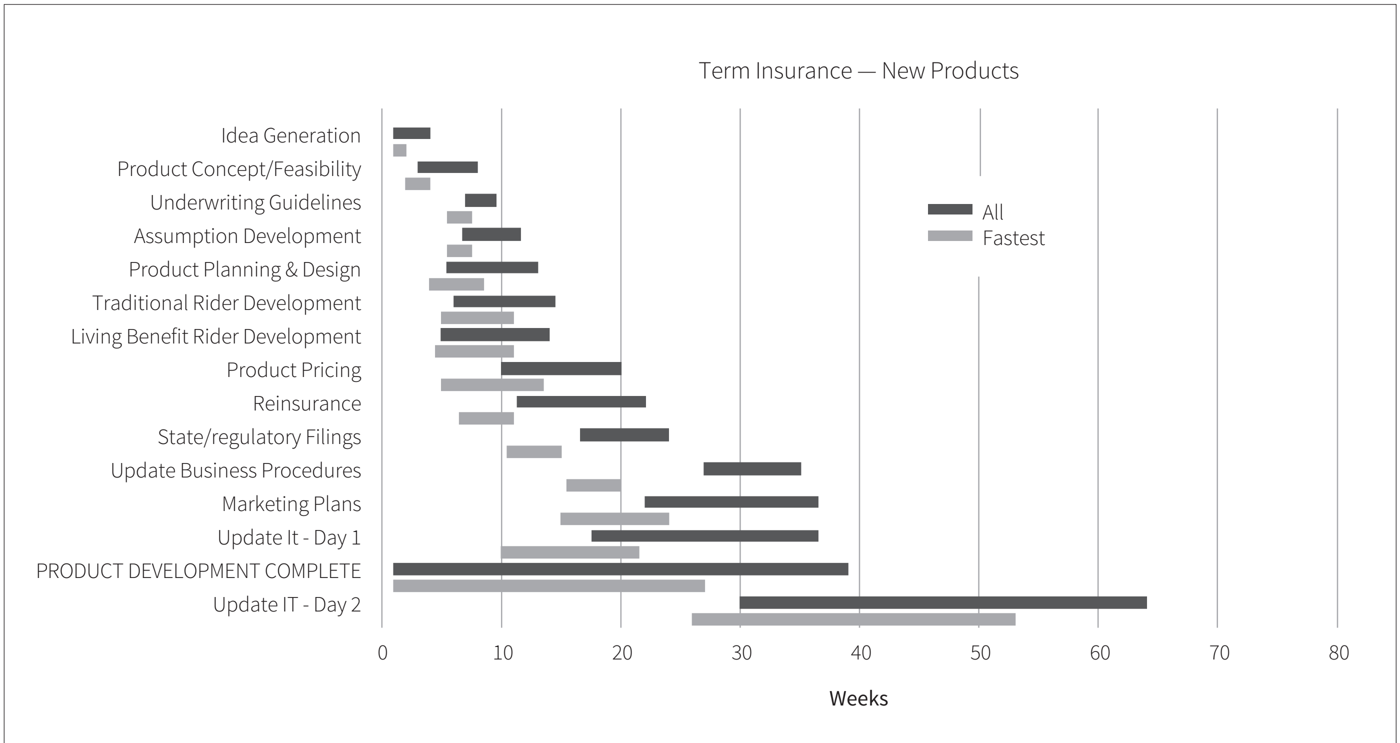
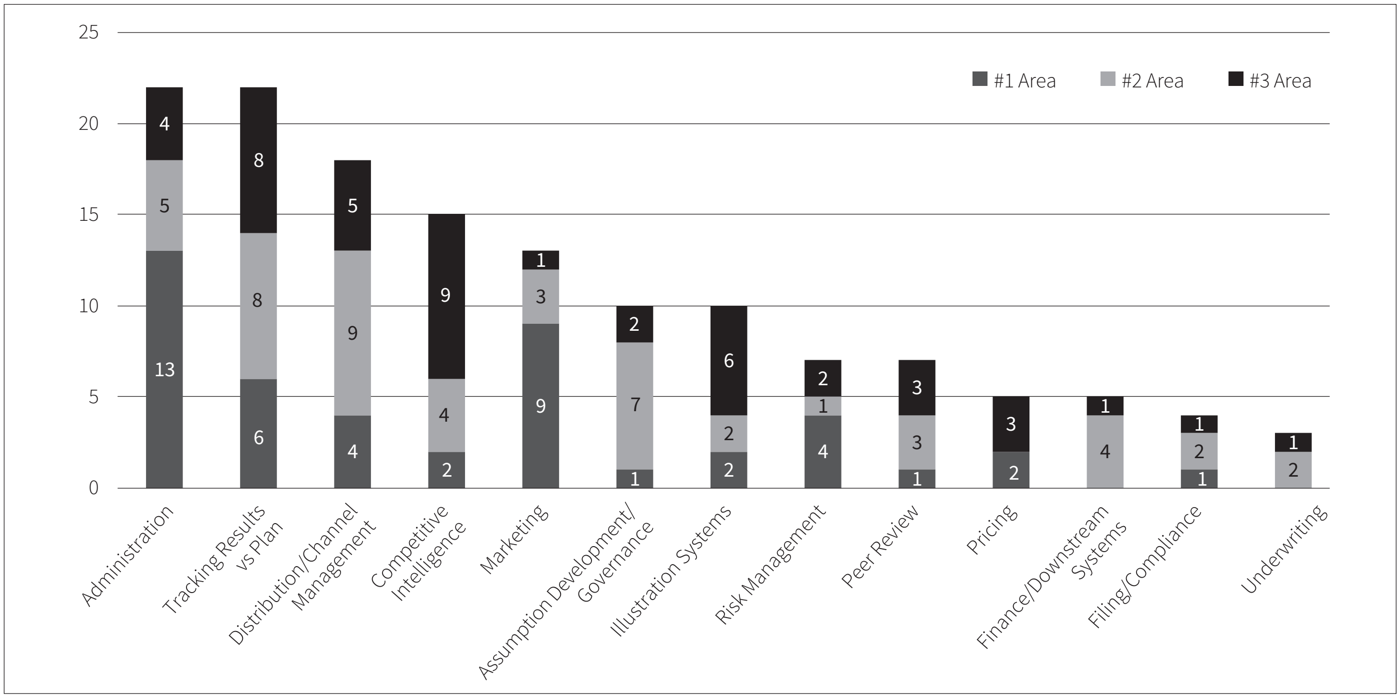


Figure 5
Please select and rank the top three areas in the product development process that are in need of the most improvement in your company.



needs and propensity to buy, disruptive underwriting can lead to compelling products with the right value proposition.

5. HOT TRENDS AREN'T ALWAYS HIGH PRIORITIES.

One trend is the wearables idea in the underwriting process (can and how data could be used). I think another one would just be in general what we here refer to as an "e-initiative," so an electronic application, electronic signatures and the electronic underwriting. See Figure 5.

In recent years, the industry has put a great deal of attention and research on emerging trends, such as wellness programs and the use of wearable devices to collect consumer data. Yet when it comes to actual product development, bottom-line concerns such as low interest rates and meeting regulatory requirements remain the most important considerations. Interestingly, accelerated underwriting and in-force management are the only considerations out of 20 choices to be considered at least "somewhat important" by all survey respondents.

SUMMARY

There are many items to take away from the research. Companies that seek to understand travel time from idea to launch will most keenly focus on Section D of the report. Considering that the survey asked about 2014 actions, product development in 2017 has already been impacted by regulatory changes of a new valuation manual that will likely increase travel times for product development until the process becomes more ingrained in companies.

Administration is identified as an issue, and just because the answer is simple, it does not make it easy. The cost and time to effectively overhaul various processes/systems are too much for most companies and as legacy systems increase, the burden will continue to grow. Use of certain changes in process (e.g., Agile) may alleviate some time constraints.

The research does not have all the answers, but mainly gives companies a chance to look at certain parts of the product development process to benchmark and think through how to potentially improve. ■

Donna Megregian, FSA, MAAA, is vice president & actuary at RGA. She can be reached at *dmegregian@rgare.com*.

ENDNOTE

1 *https://www.soa.org/research-reports/2017/product-development-process/*