



SOCIETY OF ACTUARIES

Article from:

# Product Matters

February 2015 – Issue 91



# Product Matters!

ISSUE 91 | FEBRUARY 2015

- 1 **Life Teaches Product Development Lesson**  
By Donna Megregian

---

- 3 **Chairperson's Corner Product Development Global Perspectives**  
By Jim Filmore

---

- 7 **RA, RA, RARORAC!**  
By Dean Kerr, Tom Mao and Helen Duzhou

---

- 12 **Highlights of Sessions at the 2014 Life and Annuity Symposium and the 2014 SOA Annual Meeting & Exhibit**  
By Kurt A. Guske and Donna Megregian

---

- 18 **Fixed Indexed Annuities: Recap ... And What's Next?**  
By Guillaume Briere-Giroux

---

- 22 **Product Development Council 2015 Election Results**  
by Vera Ljucovic

---

- 23 **Evolving Strategies to Improve Inforce Post-Level Term Profitability**  
By George Hrischenko

---

- 29 **Better, Stronger, Faster—Life Insurers Confront Product Development**  
by Elaine Tumicki

## Life Teaches Product Development Lesson

By Donna Megregian

Life is just a series of experiences, and luckily we can continue to learn outside of a classroom through daily occurrences. I've spent a number of years going through the product development process with various companies and clients, but sometimes a more personal experience can teach you more. I learned a pretty amazing lesson from my daughter about product development.

As many parents do, I want my children to try a number of things to gain experience. A certain amount of resistance is to be expected, but I didn't expect that getting them to eat would be much of a fight. I wanted to push beyond some kids' understanding of the four basic food groups: chicken nuggets, macaroni & cheese, pizza, and apple juice.

I was very aware that my daughter was adamantly against anything resembling or containing Mexican food. Being something that my husband enjoys (and me on occasion), I went on a quest to get my daughter to try and hopefully like Mexican food. Particularly, I was trying to make Mexican lasagna.

What I thought might help was to include her in the preparation, so I engaged her in the process. I asked her to help me cook and assemble the lasagna. Each step along the way, I assured her that the ingredients in her lasagna were not like her father's, because he liked spicy things and she didn't. We put in some ingredients that I knew she would like—cheese, plain ground beef. Now, there were certain things that I knew she didn't like (or said she didn't without trying it—just seemed fundamentally afraid of it), but I assured her that it was necessary, it was good to try new things, it would taste good and she'd like it, especially since she helped make it.

She enjoyed helping, told me how much of certain things to put in, and assured me she would try it. We then joyfully put it into the oven and set the timer.

When it came out and was put onto her plate, she immediately asked for more cheese, which I thought was a good sign. After a few minutes of moving it around on her plate and one small bite, she proceeded to pick at the cheese then cried about having tasted it and not liking it. She wouldn't budge on trying any more of it and settled for some yogurt.

### Real Life Product Development

So what went wrong? I tried to inform her, engage her, assure her, tell her how this will be good for her, but it didn't work ... at all. Sound familiar?

Daughter's Process	Insurance Process
Fundamental: Need to try new things	Fundamental: Need for life insurance
I engaged her in the process	Customer research
She helped me assemble the product	Focus group
Created the product she helped design	Product development
I encouraged her all along the way	Agent interaction
Present the food	Launch product
Settle for yogurt	No sale; bought new cell phone

Some say knowledge is power but just because you know something doesn't mean you will take action because of it. Telling my daughter why she would like it didn't give her the motivation to actually buy into eating this product. We face this issue with life insurance. Fundamentally, we have a product we cannot change. We can only deliver it in different ways—lasagna, seafood, and broccoli become term, universal life, and whole life. Deep down, we know it's important to try new things (protect our family), but somehow, we haven't been convinced this item in front of us is what we want, even if we are engaged in the process.

### So Now What?

I believe asking my daughter how she wanted to prepare her Mexican lasagna started her on the wrong foot, just like asking people what they want from their life insurance. As soon as you mention the word, there is a preconception, a fundamental dislike for what you are going to offer them. It doesn't matter if it is good for them, it tastes yucky.

Given that, should we stop trying to get insurance products to the uninsured and underinsured? Of course not, because we know there is a fundamental need out there. It makes me think that we are facing as much of an uphill battle as many parents face in getting their kids to eat their veggies when there is cake with frosting sitting on the table. How do you compete with that?

I often feel that I can be convinced with enough knowledge, but I now realize there are people (not just kids) that need more than that to incent them to give up something that can provide immediate satisfaction for something more general and less immediately tangible. We need to be diligent in delivery, but maybe we need to get away from the idea of selling life insurance because it's good for your family and throwing statistics at them (this coming from an actuary). I think people know that. But, could we ask them "Would you be willing to give up one Starbucks trip a week to provide some comfort to your family?" Can you give up your land line (since everyone has a cell phone anyway and you don't want telemarketers calling) and provide some education for your child?" Could we appear less invasive on daily life to get people the veggies, I mean, coverage we know they need?

## Sneaky Chef

When all else fails, we may need to rethink how the product is delivered. I am a fan of the Sneaky Chef who hides healthy ingredients in foods kids like. The hard part is finding a food they like and a way to sneak the healthy stuff into it. What do people buy and how can we attach life insurance to it? If you can sneak cauliflower and zucchini into macaroni and cheese, why not sneak life insurance into the cell phone packages that people buy? Then at least they might not lapse until year two with the two year service agreement. How about locking in that cable rate for five years (five-year term)? Maybe with the marriage license, an additional fee can be charged to buy some coverage. Life events are key triggers for insurance needs, right? If I buy a TV and they ask for maintenance coverage, why not include life insurance in that? This all sounds simplistic and maybe a bit ridiculous, but I'm working on concept here. I think companies are going to need to partner with other organizations to reach people and get them over the hump to buy some insurance.

## Conclusion

What my daughter taught me was sometimes consumers will only tell you how they intend to act provided the offer sounds good. In the end, when the decision needs to be made, they may not act like they promised or believed they would. But as I parent, I need to keep offering the product, but maybe put it into different forms. I may need to break it up—four ingredients in lasagna appear to be too much at once. Maybe chips and salsa. Maybe tortillas with melted cheese dip. Maybe term insurance with cell phone or cable. Maybe accidental death with an ability to convert to term insurance. One piece at a time, in different forms. Hopefully, diligence will pay off. ■



---

*Donna Megregian, FSA, MAAA, is VP and actuary, in charge of actuarial services for RGA. She can be reached at [dmegregian@rgare.com](mailto:dmegregian@rgare.com).*