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Session 32I
Designing Your Nontraditional Product from Start to Finish: Working with Your Sales and Marketing Teams

Track: Nontraditional Marketing

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Interviewees: DAVE DORANS†
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Summary: This session covers the importance of understanding sales and marketing perspectives in the design and pricing of your product. Panel members from the sales and marketing disciplines discuss their best and worst experiences in bringing a product to market and share insights on how to best leverage a working relationship with the pricing experts.

MR. ROBERT P. STONE: I'm with the Nontraditional Marketing Section Council. With me today I have Kevin Howard, who is vice president at Empire General, responsible for product development. He's also the current chair of the Product Development Section. We also have Dave Dorans from TransAmerica Reinsurance, who is vice president of consulting and product development.

Before we get started, I want to point out that all the questions that we're going to consider have been posed in a traditional sense, and it's been done that way on purpose. This will give us an opportunity to compare and contrast how the different topics might differ in a traditional and a nontraditional environment.

To get us started, who here is in a company or some sort of consulting capacity that does any nontraditional work, be it in bank products, Internet, direct marketing, credit insurance or worksite? There appears to be a fair number. The first thing we're going to talk about is where do product ideas come from? They can

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come from departments from within your company, maybe in the marketing department. Maybe it's in the actuarial department. Maybe it's from other areas of the company; perhaps they're concept-driven products. Where do your product ideas come from?

MR. DAVE DORANS: If I look around the industry at the number of companies, divisions and truly new products that we see, I think it's fair to say industry-wide, that most of the products ideas are stolen. There aren't that many good ideas out there. How many ideas do we see that are truly new and innovative? It's usually just a slight theme in variation that you've tried to steal from somebody else. I've done many other things at companies I've worked at over the years, but our first source is to try to take somebody else's hard work and copy it.

MR. KEVIN J. HOWARD: From my perspective, I agree with Dave. Wherever I've been, we've always tried to set up our product development process to take ideas from anywhere. It's not so much where the ideas come from as what you do with them after that. Your ideas can come from your administration area, from the field or from the actuarial department, but they all have to go through some sort of process to weed out the bad ideas from the good ideas and the workable ideas from the unworkable ideas, but we try not to limit where the ideas come from. We try to take the ideas from everywhere. That doesn't mean we work on every idea, but we try to keep it as open as possible.

MR. STONE: Do all those ideas come from within your organization?

MR. HOWARD: Not necessarily, no.

MR. DORANS: I would say there is a whole list of places that ideas can come from. A lot of times they come to us from distribution. Especially in the past couple of years, I've watched entire markets disappear on us, like the estate-planning market. There were many producers out there who were making good money. All of a sudden their livelihood went away, and there was a rash of ideas that were all predicated upon the tax code. You had tax attorneys who were out there trying to find loopholes to make up for what they had just lost in that second–to-die market. There was a rash of (to echo Kevin's point) some workable and some not workable ideas that were all predicated upon tax treatment. That was one vein of ideas that you could tap into.

MR. STONE: From a nontraditional standpoint, it's a given that there's not going to be the same sort of a producer relationship there, but there are still going to be representatives and other aspects that can make that a true statement.

Something we touched on a second ago is whether product ideas come from outside. I want to focus on that a little bit. Do you ever do special deals for external distribution operations? In our company, we have many opportunities that come to us, and sometimes we'll pick and choose and do something for one of those producer relationships that would be outside our normal scheme of things.

MR. DORANS: We've done a number of special deals that were completely catered to a distribution system. I wish I could tell you that we were successful all the time. We haven't been particularly good at making that work, but we've done a number of new products. We did one for probably one of the biggest credit card companies out there that was a special term product just for the credit card distribution. We have one today that's just for a mutual fund company, and we try to tailor it to those audiences. I think that one of the things that we've learned over the years is you have to spend a lot more time upfront figuring out just how much buy-in you have from those special opportunities because what we typically try to do is take all old stuff and shove it down their throat. That's not a winning model. That doesn't work well.

MR. STONE: Would that sum up where you thought it didn't work out as well as you thought it would?

MR. DORANS: They didn't work anywhere nearly as well as we'd hoped. We did one a year ago (without putting any names to it), where the company did a million-piece mailing—five-page, four-color brochure, signed by the president of this major credit card company. After 121 policies, it realized that probably wasn't the most effective means of going after that distribution source.

There were a couple of million dollars in that, and it's difficult to go back after the fact and say, "What additional costs do we put onto the couple million dollars that everybody has already spent to try to make this thing work out?" I would caution people about spending a lot more time on the front with how you are going to make this make sense. It is a function, I think, and it fits nicely in this section: Do the sales and marketing people that are involved understand what it takes to sell the type of financial services products that most of the people in this room are trying to sell? When you get credit card people, bank people and people who work for these other firms, they're good at selling.

One of the best lessons I can tell you about is after the fact, 121 policies later. After our million-piece mailing, I had one of the people from the credit card company who was in charge of marketing challenge me at a meeting because I got up and said, "What are we going to do to try to correct the failures of the first program?" This person felt that I was jumping to conclusions that this had been a failure. The company hadn't had time to go through the results and check the demographics and see because this might well have been a successful program.

MR. STONE: Let's say a company is specifically focused on nontraditional types of products. I would imagine a special deal is the way a lot of people first got their foot in the door on a nontraditional product. Someone came to them with an idea. They decided it was something they had to listen to, and they went with it.

MR. HOWARD. I'd be curious to take a poll from the group as to how many of your companies do special deals. Is it the norm? Is it every once in a while? Do you not do special deals? Let's start with a poll. How many people do special deals for external distribution? It looks like pretty much everybody. How many people do them every once in a while? There are a couple more. How about not at all? Never? It looks as though there is one "never." Can you tell us about your never? How does it work for you?

MR. GEORGE D. LIGHT, JR.: I'm with Thrivent Financial for Lutherans. The Lutheran market is a fraternal and basically a niche market. We're pretty much just in that market, and we don't have a lot of other distribution channels at this point.

MR. CRAIG E. HANFORD: Just as I've gone through the first two topics, I've had some experiences in special deals that haven't played out too well, either. I think that's going to the first discussion. I think that's why you see a lot of people copying things because creativity, especially in nontraditional markets, doesn't seem to be paying off well. I think people are afraid of spending time and energy on things that aren't going to play out, so I think you're going to see that more and more because there isn't that incentive to go too far off the curve.

MR. HOWARD: Our company's position right now on special deals echoes what Craig just said. But we don't say, "We'll never do them." Rather than do special deals, we'll take the idea, and, if we can open it up to everybody without an exclusive, then we'll consider doing it if it fits all of our other parameters. But we go through a process where external distribution brings it to us with a special deal, and then we look to see if we can open it up to everybody. It's not a never, but we make sure we stay within our focus and our niche and make sure we can deliver on it. This is just our approach right now. Rather than get us distracted by different things, if we can't open it up to anybody, then we don't do it that way.

MR. DORANS: I would throw in another caution. I've entered a couple of these deals halfway through, but one of the things that we've done now that I'm there and I've seen what's going on, is you need to make sure everybody's interests are aligned before you have these conversations. We too often find ourselves in a situation where, as insurers, we're so hungry for potential distribution that someone says, "I have access to the public. Give me a product, and I can get you Y." You don't ever sit back and say, "Are we really in this together? Are our interests aligned? You have as much to lose if this goes south as I do."

Normally, as insurance companies, we set these deals up so that we take on the vast majority of the risk, both time spent and money spent, and the distribution partner says, "Oh well, that didn't work out well. We're off to the next thing. You know, we're selling umbrellas next week to the same distribution." It isn't any big deal for them. You have to find some way to do that, be it through contractual terms or something else.

I can tell you that I have a nontraditional deal going now where we have gotten the cash deposit from the customer of a couple hundred thousand dollars that says, "As soon as we get x amount of dollars of premium back from the deal, we'll gladly return your deposit to you." It's a completely different view in the way they're handing it and the way they're keeping up their end of the bargain to make sure that it works when they have a little bit of skin in the game.

MR. STONE: While we are talking about product ideas, what else have we not touched on that drives product in your company? We've touched on a lot of things. Is there anything different that anybody would like to share?

MR. JAY M. JAFFE: Something you haven't touched on that I find important is to expand the concept of what a product is. I would expand that to include a new process. Sometimes a process is more important than a product. A process can make something work that couldn't work before. It can take a product and make it work even better. When you're looking at product ideas, think about the whole range of what goes into a product, and the process may be just as important.

I've been doing a lot of work in this area and doing a lot of thinking. You need to be careful about plagiarizing. The intellectual property law is changing greatly. My prediction is that there will be a meeting such as this, and somebody will then start telling a war story about how the company was taken into court and paid treble damages and a few other things as it infringed on somebody's patent for a product or other intellectual property. A word to the wise is we're talking about developing new products. We also need to talk about how you can protect your ideas, on the one hand, and how you're going to prevent yourselves from being a victim of infringing on somebody else's patent or intellectual property. That's part and parcel of what is going on.

Part of what goes on with new products, as well, in terms of success is knowing how to develop new products efficiently. Part of the reason that products fail, I believe, is that we don't know how to develop them efficiently. We spend too much time and energy developing products. We have too much involved in the product. We have to find an internal process to develop the products much more effectively, get them through the pipeline, do our research so that we don't have hundreds of thousands of dollars and in some cases millions of dollars invested in products.

The Nontraditional Marketing Section has become a co-sponsor of a product innovation award, along with the Professional Insurance Marketing Association (PIMA). If you have a new product, there is going to be a real reward for this. I think the award is going to be recognition plus a plaque.

There will be announcements coming out along with PIMA. Interestingly, this is called the Process and Product Innovation Award. We're not talking about inventions; we're talking about innovations. There's a difference between invention and innovation. A fellow that I know has said, "invention is legal concept;

innovation is actually getting something to work and making it an economic reality and an economic success." If you have new products that you want to share with the world, in part to win the award, of course, and also perhaps it's good business, you want to disseminate what the new product or process is.

Get in touch with Ian Duncan or Chris Hause on the section council or me. We have three judges—Nancy Manning, the head of the Marsh Affinity office of Washington, Don Neal, and I. We have some good people looking at your ideas. We will not steal your ideas. Everything is confidential, but it is a way to get your ideas known to the world and reward those people for having taken the time to develop these new ideas.

There are a lot of new ideas out there on the street. The last thing I'm going to say is that I think the insurance industry tends to react negatively to new ideas. Stealing is easier than development. It's much easier to go out and steal a good idea or a bad idea, which is what often happens, and they say the difference between plagiarizing and research is plagiarizing is when you steal from one and research is when you steal from 10.

Think about these new ideas. Work with them. You need to get yourself in a framework to work with a new idea. That's another part of it. Many companies reject ideas out of hand. We all know what the excuses are. The data processing department is too busy. It's not our core business. It doesn't fit our image. Whatever it is, there must be a half dozen excuses. There's a skill in evaluating what a new product is. Most companies, I believe, lack that skill.

One of the good reasons they lack the skill is that the new product development process tends to be assigned to somebody who also has line responsibility and production responsibility. More new product ideas are considered in January, February and March, until the first quarter results come out. That same individual then has to get back onto getting the production up to the point where they're going to meet the goals for the year. The new product ideas go right down the tubes in April through December.

MR. HOWARD: I'd like to echo that, too. Many of the companies that I work with have a lot of product ideas, and sometimes they outsource the development of some of those ideas to me or to a firm similar to mine. When you attempt to go back to the company to report on your results, you find that it's almost lost interest in it. Getting somebody to focus on is difficult, and said it says, "That's why we gave it to you." I said, "No, you don't understand. We have a number of ways that we can go about it, and you have a number of product modifications that need to take place, and also perhaps you need administrative upgrades." There are some far-reaching things that go with the new market and the new product, and we find that the company hasn't dedicated the resources to it. Perhaps that means that it shouldn't be doing it. Internally, we recommend that it assign people to the feasibility of the various phases of it before a new product is seriously considered.

MR. JAFFE: I have one last comment. As I've been going through the new product area, I announced this at the PIMA meeting last February. Do you all know what PIMA is? It's the group that's involved with a lot of the association marketplace. It comprises three different types of organizations—the producers, the companies themselves and then what they call their vendors, which would be advertising people, consultants, etc. It's basically in the association group marketplace. I had always been taught by my friends in the marketing business that the condition that you're going to determine success by is whether or not the dogs eat the dog food.

A dog is a dispassionate thing. The dog doesn't see television. The point is either the dog or the cat is going to like the food, or it's not going to like the food. I came up with this idea. What do I think about new products? I started doing it this way, based on that. As you go to the restaurant or movie guides, you get stars. I've taken my files when I see a new product now, and on the outside of a file where there is a good idea, I'll have four dog bones. For a file that has a bad idea, it now only has one dog bone on the outside. I would recommend coming up with some kind of rating system because people don't like it to be known that they're only part of a one-dog-bone file. It's things like this that will change how you look at your product, so four dog bones is the way we want to go. There are a lot of great ideas still out there right now that need help.

MR. EDWARD MOORE: In the context maybe of direct mail, you said to expand the idea of product and that the process may allow the product. Do you have an example for me in a nontraditional, direct mail sense?

MR. HOWARD. Yes. For example, there are new underwriting paradigms in the marketplace that would make a huge difference ultimately. That's a process. It facilitates the development of the product or the product idea. It could be faster delivery. I was at a conference a couple of weeks ago about Internet marketing. I didn't see any of you there, but I invite you to come next year. It's amazing what is being thought about. There's not a lot of progress in terms of actual sales.

MR. DORANS: We have a product that we've introduced. We have two pilot markets out now, but we've spent a significant investment and it's process-related. It's prescription drug database history on clients that is going to allow us to offer direct-marketed products at probably a 25 percent discount over traditional direct marketing with, I would say by January of next year, probably a one-hour turnaround time. That's going to open up a new world of possibilities. The product is term insurance, but the underlying technology, in terms of making the decision and in terms of executing on that decision, is going to potentially open up all kinds of new markets for it. When you have that combination of ease of use with a reasonable price to it, that can be a game changer.

MR. CHRISTOPHER H. HAUSE: Certainly another process that we'll be talking about tomorrow morning at my session is E-signature and voice signature, which will greatly enhance the usability of certain selling techniques.

MR. HOWARD: I agree with Jay fully on thinking of product as process and as being holistic because you have to think about it for your whole company. It impacts everywhere, and Chris brought up a great point with E-signatures. You think about the whole process of selling the insurance, but I have a case study in my own company that I was going to draw on in a little bit, but I'll jump ahead to it. It was a direct-marketing thing for a credit card style company, Internet-issued style, term insurance. There was a poor turnaround on it. It had the same sort of results as Dave mentioned, except it did only a half million mailing. You saved a little money that way, but there were 100 policies in force or something like that.

I think there are two messages out of that. The first is that the process and the product aren't everything in and of themselves. There's still something else about getting the insurance product to be sold, and I don't know what that is yet. I'm still thinking about that and working on it because you can build the best process, and the dogs won't come to the bowl. You have to figure out a way to get the dogs to the bowl, and then they'll smell the food. That's to take your analogy a step further.

Getting back to the external distribution and what it did for us, this is one of the situations where we decided to do something special for a special external distribution because we felt we could get it done easily and relatively inexpensively. It allowed us to take that same process and that same product without any additional work out into the bank channel. Now we've expanded into a new distribution line because we did do something with one external distribution that made sense for us, even though it wasn't successful. You have to think about the process a little more holistically maybe.

MR. STONE: What special issues do you face that might vary by product idea? My guess with this question was thinking along the lines of, for an external distribution arm, you might have distraction from your core business that you'd have to deal with. Certain products might be more complicated than a certain distribution channel is used to, and that might raise education issues. I guess I was getting at those sorts of ideas.

MR. DORANS: I think the education issues are enormous. How many people have been involved in a direct-marketing campaign of some sort—a bank or Internet—that's failed? Somewhere along the line I think, as an industry, one of the things that we haven't conquered yet is how we get out and teach that platform representative at the bank. How do we get out and teach that stockbroker? How do we get out and get that information across that this is a valuable product that has some real merits? Here's what you have to do about it, and it's a real missing link in most of the nontraditional ideas that are out there.

The successes are probably the exception for people who are doing these ideas. Someone is going to crack the code, but I suspect that a big part of that is going to be more time, more energy and more effort on our part to figure out how to interact with those people and teach them or bring in experts to handle the interaction with the client part of this equation that traditionally we, as home office insurance people or product design and development people, don't get involved in. We stay two steps away from that. We let some producer handle that for us.

MR. STONE: Kevin, when your company was attacking the new channel, new product idea, I'm assuming you came across some new implementation issues that you hadn't necessarily had to address before on other sorts of products that you designed and implemented.

MR. HOWARD: Yes, but not so much on that particular issue. I was thinking about a preneed block that we brought on at a previous company I was at. There was one where the company was relatively efficient at bringing on term universal life (UL), annuities, the stuff that it normally did. But it made a decision to get into a preneed line of business that had a completely different back-office feel to it. We actually met distribution's needs. We got the product file priced, distribution was in place, and sales were growing. Back office killed us because it lacked the subject matter expertise. It happened on the back end because we didn't have the special issues where it didn't understand the processing of that business relative to what it did in its day-in and day-out world. That was what derailed us there.

MR. DORANS: But if you spend the time and effort, you can get over these issues. I think one of the things that I find the funniest in our business, because we do both traditional and nontraditional, is we have spent a significant amount of time and effort getting those processing issues. Once we get a client ready to buy, we want to get ourselves to a point where four or five questions on the Internet or a four- or five-question application, and then whoever the salesperson was, be it a bank representative or a stockbroker, was done, we would pick up the rest of the process.

Fast-forward two years. That process worked so well for us that we find ourselves going back to all of our traditional relationships and saying, "We don't want your agent getting Part Twos anymore. In fact, we don't even want your agents filling out a full-blown part one anymore. We have this process down so well. We've reduced costs; we're getting better information; and we're getting it earlier in the process. We're getting it into the system, so it doesn't have to be entered in manually." As you attack each branch of this problem, there are some solutions, and you'll find ways to do it better than the traditional model that you use today. It saves time and money.

MR. STONE: How do you size up the competition to the market? As a follow-up question, do you have a person or team that's responsible for this?

MR. HOWARD: We don't do this particularly well right now. That's partly due to our size. We don't have a team responsible. We rely on our senior management team at this point. It's something that I'd like to work on, at the moment, this is all we can chew.

MR. DORANS: I've worked in a number of different organizations, and the entire product development process goes significantly more smoothly if you put a few resources in and have a reasonable competition unit. I can tell you one of the things that we found was we were competing against phantom products that were out there. People were telling you, "I need this feature. I need this price. I need this underwriting." What they were doing was mixing and matching all the various pieces, one from column A, one from column B and one from column C, and you had to try to get a sense of what was out there. You had to have people who were available to go out and get that information because what's out there can be deceiving without having a decent competition area to get some sense about what you're up against.

Usually when someone comes up with a neat feature, it's not too atypical that there's a tradeoff in there that the person don't go out of the way to point out to everybody.

MR. HOWARD: We have a phrase for that at Empire General. We call that "seduction of the composite."

MR. STONE: How many people's firms or companies have a designated person to do competitive analysis? In how many companies is this done by a marketing function? Actuarial function? Not done at all? We had a smattering of hands for each of those. Does anybody have some other area in which this is done that I haven't touched on that you'd like to share?

FROM THE FLOOR: Where this competitive analysis is done, regardless of who does it, where do you go to get the information?

MR. STONE: You have to be careful about what you're sharing and what you're not sharing, but LIMRA has a group that you can become aligned to if you're a LIMRA member. It gives you great places to go and get information. It's not going to give you proprietary pricing stuff. It's not going to give you insider technology, but most of the features of its products are public information, and there are sources that you can go to get that stuff. A lot of states have Web sites where the product had to be filed. You can go out and find the information that was filed. That is something you can look for, as well.

MR. HOWARD: There are some other things you can do. Get on mailing lists. Subscribe to different publications. There's a lot of information that is sitting out there and that's available. Catalog it when you get it. You can't just throw it in the pile. It doesn't do any good. You have to find a way to put it not in a random order, but in some order where you can go back to it the next time you need to use that information.

FROM THE FLOOR: Read magazines. Any time we've ever come up with a new idea, I'm not trying to hide it. We're out beating our chests about it, trying to get it out and trying to drum it up wherever we can. Come to meetings, present it, etc.

MR. STONE: Here's a traditional question that we'll bring up anyway. How do competition issues drive product design? Our product development is traditional at American United Life. Usually the first question that is out of their mouths is, "What's the compensation look like?" From a nontraditional standpoint, you're not going to pay a normal commission. You can have sales situations where there is going to be compensation pay, but it's not going to be your normal percentage of premiums compensation that you might think of for an agent.

MR. JAFFE: In one sense in a lot of nontraditional situations that I've seen, probably the most damaging thing that's happened is that you have a bank where a stockbroker or somebody wants a program requiring significantly more from the insurance company. That person needs sales help, marketing help and training and goes out and finds a consultant or finds somebody's brother-in-law, who tells him, "You shouldn't do a deal unless the compensation is 140 points," and the person is dead in the water.

You have to be able to sit down upfront and say, "Whatever number you might have heard thrown around is a deal from a traditional marketplace where you don't pay a nickel until there's a premium that's been received and where you don't have to have that same level of support. If we come at each other from day one without an understanding that all of that additional support that you're going to need and all that additional risk has to be paid for someplace, and the compensation is not going to be the same as that number your brother-in-law told you, we're probably not going to be able to come to terms."

MR. HOWARD: I'm going to echo what you just said. Compensation is often what is needed by the sponsor in a nontraditional marketplace. In fact, if you are using a sponsor, then the product is profitable if you get a decent return or response. Or you're going to have to go back to the sponsor and say, "On this one, we can't afford to pay you whatever the percentage is. It has to be something less." The difficulty with that, of course, is that the sponsor fails to look at dollars. It often looks at percentages. You might have a product that has an annual premium of $100, and it's getting 20 percent or 25 percent and making $25 or $20 a sale. Or there's a product that has an average premium of $600. A 5 percent commission may even be ahead of the game, but it sees 5 percent versus 20 and says, "That's not enough commission!" You have to get them also to start looking at dollars.

MR. HAUSE: We found that in designing single-premium, deferred-annuity products, using a bank distribution system, initially people were willing to accept lower compensation in exchange for other marketing support, which was a little more difficult to quantify because then you get into more of a nontraditional analysis of how much production you can have based on a fixed amount of upfront cost and marketing. Initially they were willing to accept a lower degree of compensation, which could allow for lower initial surrender charges in the deferred annuity market. Their requirements have gone up recently. They want to make more percentage-wise, so that's risen back up a little bit and the initial surrender charges as well to more traditional levels like what we see develop through the general agency and brokerage market. That was an area where the compensation originally drove a fair amount of the spread and initial surrender charge in, and now that's gravitated back to more traditional levels.

MR. DORANS: I would argue that the solution to that for all of us is for these deals to be much more transparent in nature between you sitting down with whoever this new distribution source is and saying, "These are the expenses, and this is what I can afford." We design term products for people all the time, and they say, "What's the compensation?" I say, "You tell me what you want the compensation to be, and I'll tell you what the price to the consumer is going to be. Then you figure out how much you can sell, and then we have to travel around that circle. I can pay you whatever you'd like, but it's not free. It has to come from some place. That's another line expense that we're going to have to pay for as we design this product."

MR. HOWARD: A little bit of what I heard Chris say was that perhaps if you have somebody come to you with a marketing support dollar, you need to do that analysis and factor it into the cost and whether you have a viable economic system. I had a personal situation where a fee-based company came to us and wanted a fee-based product. It asked for no front-end compensation and no surrender charges. By the time you took a present value of the trail commission, it ended up being bigger than 150 points front-end. Be careful of what it is that people are asking for, even in a nontraditional sense. You have to take it back to dollars, like Jay said—the dollars economic analysis based on the whole deal.

MR. STONE: Who is responsible for product design especially with respect to the features and the riders that are to be offered? As a follow up to that, what advantages does one area have over another in designing a product?

MR. HOWARD: From my perspective, it's everyone. When we looked at features and riders in other companies, it was a team approach. It can't be done in one area. I think that's where a lot of failures, at least in my experience, have been—when either the idea came out and was thrown over the wall to the other area, or the other area threw it in and said, "Get this done. We've already committed to it." That's where you run into problems. It's important to have a holistic view of a team, with bantering back and forth about what the advantages and pitfalls are, so you end up understanding where each side is coming from.

To answer the second question, each area has its advantages that you need to listen to. Marketing people understand what the distribution aspects are, and they are the ones who would be able to tell you what you designed, as an actuary, is not easily saleable. At the same time, you need to watch out for the seduction of the composite, so you have to bring the actuarial perspective to the marketers: Here's engineering-wise, risk-wise, why we can't get this to work. It ends up being a dialogue, a communication.

MR. DORANS: The most successful model that I've been involved with is one that I've probably seen six or eight companies go to in the past two years. They give it different names. Companies are going to a model where they'll have a department (the full name I've seen is product management), where that is the specific responsibility of one group. It's not the sales team; these are not the people who are going to price the team. This is the group that's overall responsible for designing and maintaining the portfolio of products that the company is going to have. They're going to sit squarely among the pricing people, the salespeople, the administration people and the compliance people and try to wrestle all those guys down to get everybody to agree, but they have the bottom-line responsibility for getting new products out that are both sellable and going to meet the profitability targets. They also are making the right portfolio that the company wants to put together. I don't care how big your company is. There is a finite number of new products you can present. It's powerful to have a group that's specifically designed just for this purpose and has that responsibility.

MR. STONE: Do they then take on the role of being the project implementation team?

MR. DORANS: They're the project implementation team, as well, the front-end part of the project implementation. Most of the models that I've seen have some point where this project is far enough along that they now turn it over to a more traditional implementation team. It might have some overarching responsibilities. It is going to vary from company to company, but that entire responsibility, vetting all the ideas through until this project is most of the way developed and on the path to implementation, rests with this one group.

MR. STONE: Does anybody have any other models that you think are successful?

MR. JAFFE: I'm sorry to keep responding, but I've gone through a lot of this stuff. I would also suggest using the virtual company concept for this department and not even get involved with the administration and the underwriting, etc. I would farm all these functions out until such time as I discovered whether or not the idea is going to work. There are people out there today who will do even small volumes of business in terms of administration and other functions at a nominal cost, and most of it is all marginal cost. In fact, I know one guy who was willing to do all of the advertising work that way, to take on your whole advertising function. Virtual companies have a lot of opportunities that insurance companies today are not taking advantage of.

MR. HAUSE: I wouldn't mind hearing some feedback on this. Remember in the traditional market, the products started out in whole life. They had guaranteed insurability rider and maybe an annuity rider, payor rider, kiddie rider and everything like that.

Then we went to UL and probably had a couple of new products in the future. We do illustration work and see companies out there that have 17 riders of various things attached to their UL list, spouse and kids, spouse only and kids only. It is ridiculous, but our advice is always, in a nontraditional setting, to have a simple, straightforward, understandable product as your buyer is going to not be following the recommendation of an agent who is going to lead them through the process. Most of the time, they're going to be going through this process by themselves and choices will lead to rejection. The more choices you have, the more idea that a guy will mentally start to reject your product offering. I would like to hear from other people on that concept. That's always been my advice.

MR. STONE: Is anybody willing to comment?

MR. HANFORD: I'll talk a little bit about a trend I've seen in the past year or two, getting a little bit off the tangent. The product design responsibility seems to be dictated a lot by senior management, and I think it's put the product development actuaries behind the eight ball on a lot of different occasions where the senior management team will go to a group of producers, and the producers will say, "We've seen this rider; we've seen this product, or this product has this level of competitiveness elsewhere." The senior management group, I think, is weak, and says, "We'll get it for you." It puts a lot of strain on the product department from a lot of different companies, and I've seen that too many times in the past year or two. I think it's a disturbing trend.

MR. STONE: Are there other comments?

MR. HOWARD: I'll comment on what Craig just said. It's important if you can get it accomplished. I know that sometimes it's not always easy to get it accomplished. Try to get your senior management team to follow your process. Once you have a strategic process that's bought in from the very top, then every idea has to go through it, and hopefully it won't be committing you to those kinds of things, but that's easier said than done. I have enough bruises on my forehead from hitting concrete walls to prove that. It can be done, but try to get your senior management team to buy into your process, and the ideas flow through the process every single time.

MR. DORANS: The last experience I had with the senior management team stepping in and making promises, without using the process, was probably about two years ago at a previous employer. It approved a new UL with secondary guarantee rider that was returning a 6 percent return on equity (ROE) to the company based on commitments it had made in front of a couple thousand people, so it couldn't take back.

MR. STONE: Are there comments from the floor or from our panel on the trend in the industry toward more complicated insurance products and company management of these?

MR. HOWARD: I think Chris already hit on a lot of this, at least in a nontraditional channel. I echo his comments that things need to be simple. My personal feeling, although again you're bucking the trend, is that our ultimate end consumers are so confused now that anything we do to differentiate ourselves as product-based is only adding to that. They don't understand the guarantees they have, and they don't understand the protections they have in their policy, so it's going to take an industry sort of thing to fix this issue. It's going to take the first company to stand in there and to get it done. I don't know if it's going to be us or who else. Management needs to look at some of the regulatory costs, which are usually sunk, and you're not quantifying them, but also your administrative costs of modifying systems for increasing more complex stuff. If you put that into your product, your targeted ROEs are probably a lot less if you factor in all the costs associated with them.

MR. DORANS: I have a unique look on this as a reinsurer now that I get to talk to so many different insurers. I'm new to the reinsurance business, but I met with a direct writer a couple of months ago that, upon its full counting, realized it had more than 90 administrative systems that it was running simultaneously. It has completely gotten out of control in terms of administration. Few companies that you run into have fewer than three or four. We have to start adding in the back-end costs of keeping all that stuff going because there's no way we accurately price for that upfront when we put in what we consider to be the marginal per-policy costs.

MR. STONE: How have product trends toward complication affected the development of marketing materials?

MR. HOWARD: Have you ever seen a footnote or a page of footnotes?

MR. STONE: Does anybody from the floor want to comment?

FROM THE FLOOR: I think from a nontraditional standpoint, simpler is better. If you have to send out a lot of materials explaining too much complication, then what are you gaining?

MR. STONE: To what extent do nonproduct-related issues affect product sales success? I think we've already touched on your underwriting stance, number of classes and number of exceptions you're willing to give as far as how that affects your ability to do business. Are there other things that people would like to bring up? I think we already touched on education of representatives and sponsoring of companies, as well.

MR. DORANS: I would say that nonproduct issues are critical in the traditional market; they are whatever is more important than critical in the nontraditional market. In a lot of these situations, the product is probably less than half the equation. How is it positioned? What's the incentive for the people who are involved? Do they care about this? Is this important to their jobs to distribute this?

They are all absolutely critical factors that probably can mean as much or more than the product itself.

MR. HAUSE: On the back-end administration, we worked with some worksite companies. Many people who attempt to start worksites are unaware of the administrative issues. They didn't do their homework, and their own administrative people already had eight-hour jobs. They didn't, once again, commit the resources to finding out what the market and administrative considerations were and commit the resources to make that work. The back-end administration has dogged more than one reasonably successful company from a marketing standpoint. They shot themselves in the foot completely on the back end.

MR. HOWARD: I echo both of those comments. One of our sister companies has a process in place for selling fully underwritten term insurance through the stockbrokerage channel, and it's experienced compound annual growth rates in sales over 20 percent. The product is still the same as it was. It's not a commodity-related sale for it. It's a process sale. It's come up with a program called the "snap app" or something like that, where the stockbrokers have taken nothing more than a ticket sale, just like they would for their typical stock sale. The rest of the stuff happens on the back-end without their involvement. An answer is that our sister company is coming up with a process to think outside this standard underwriting process and application process to be able to help their sales area.

MR. STONE: How do you make sure your best product design efforts are perceived by your field force, in a traditional sense, to be your best efforts? We hear a lot of "perception is reality" stuff thrown back at us in our company. If it's not perceived as being a good product, then it isn't a good product, although you might argue otherwise. Would anybody like to comment on this from a nontraditional standpoint? Does anyone have any stories to tell?

MR. DORANS: From a traditional or nontraditional standpoint, I think I've had a fair number of good failures here and good successes here, and the successes are spending more time and more effort upfront in having the initial relationship be more of a partnership. You bring whoever that distribution entity is into the fold with you and have it be part of the pricing decisions that you're making. Have it understand that it does take more time, and it does take more effort, but that's twofold.

First, you are getting it's input about what kinds of products it wants. There are dozens and dozens of decisions you make when putting a product together that we like to make ourselves. We know what we should do. Bringing the entity in and getting its real opinion is helpful on the front–end, but it's really helpful on the back-end. There it can come out as an ambassador of this product and say, "I was in on this process, and these guys acted in good faith with us, and this is legitimate." It can pay tremendous dividends on the back-end to involve the entity in the design upfront.

FROM THE FLOOR: Do you find that your sales force, Kevin, is receptive to underwriting compensation price and tradeoff discussions? Do you engage the group successfully in these types of discussions like you suggest?

MR. HOWARD: We've had good success in both my current company and my prior company with that. The way we operate currently, it's all internal, so we have internal field. It's as though the wholesaler is making the decision for the retail marketplace. We have to take the input of the retail and try to synthesize it. It's the small group internally, and that small group works well with the tradeoffs. I used this particular technique with some annuity wholesalers in a previous company, where rather than say, "Here's your product, and here's the specification," I would say, "Here's base product with a menu of options."

We try to throw out compensation and basis-point-spread sorts of costs for each of the things that they were asking for. Then we have an iterative discussion, as Dave was talking about, to get away from seduction of the composite. You have this list, a menu of things that they ask for, and you end up with something that has 300 or 400 basis point spread on it. Clearly, this can't sell with something like a 1.5 percent interest rate.

We end up letting them do the tradeoff of you can have this or you can have this, which ends up being the best product for you guys. Having that dialogue over the table, taking it back into the product development and the pricing function later and sending it back to them with final pricing ends up working well for us.

MR. DORANS: I've had a number of good successes in that, and I have to say that those are more traditional models. In nontraditional, that would be a twist.

MR. HOWARD: I use that in a preneed, bringing that preneed distribution system onboard. We had eight principals in the marketing group. We brought them all in and had a joint product development effort with them and let them make the tradeoffs. We'd walk out of the room and let them have their discussion about how compensation issues impacted them, and they'd call us back in. We had an open discussion about it. We didn't give them all of our internal pricing stuff because it could end up walking to the next manufacturer, so we gave them what we felt they needed, and we opened it up enough for them to understand the decisions they were making. Basically, reality ended up being in their perception.

FROM THE FLOOR: The farther you get away from the traditional channels, it seems like the more you need to get the perception of the field before you get into it because there's less of a tie there with the company and the field force. I think the best way to make sure that your perceptions are right is to understand what the perception of the field force is before you do too much work.

MR. DORANS: To tie it home if you can, have some kind of group that's been somehow elected or somehow appointed and have it be there for the rollout. Have it do an endorsement. If it can't be there personally, have it write a letter. We did that at my previous company. We had a president of the distribution group who would send out a letter that was his personal endorsement of this product, which was taken much more seriously than anything I could say. I was a stooge of the company. I was there for the home office; anything I said was automatically tainted. Here was someone whom people trusted saying it. It's taken so much more seriously before you even get going.

MR. STONE: How is the marketing product actuary relationship managed in your company? Do you have a formal liaison role for this? Is it an ad hoc discussion between the product development staff and marketing? We touched on this a little bit.

MR. DORANS: In two companies that I've worked with, I'm seeing more and more a formal role in between these two spots that's solely responsible for managing these two things. If there isn't such a role, you're going to need a lot of work and effort from both sides of this equation to try to understand the world that the other person is living through and what his responsibilities are to make this an amicable relationship. This is fraught with danger.

MR. HOWARD: I live danger. I've reported to a chief marketing officer for over 10 years now, and I wouldn't have it any other way. The product development function has reported to marketing but with dotted line responsibility to some other corporate entity that had an oversight role to make sure that the fox didn't get in with the chickens or some other analogy like that.

The fraught with danger piece that I was referring to is that it requires a special sort of armor because you have to be willing to say, "We're not going to meet our profit goal. This isn't ethical. It has too much risk. I'm going to have to go to the president. I'm going to have to go to someone, the corporate actuary, with the decisions." At the same time, if you can manage that well, then I think there's no better place to be because you're in the forefront of the deal-making. You're out there in the field and can serve marketing and the function better. I believe that in a product development actuary's role or the product that we try to get out to the street, we serve the marketing and sales function because nothing happens until something is sold. We have to find a way to support that sales process. I'm happy being where I am, but again, product development ends up being a function of the marketing.

MR. STONE: Are there any other models out there?

MR. DORANS: I'm a sales and marketing guy, so I love that we got what you just said on tape. I think we have to play that at all the companies around the country. That's excellent.

MR. STONE: Describe the interaction between marketing and the product actuary during the design or pricing process and how this interaction has changed over time.

MR. HOWARD: I think I've already stated my position pretty clearly. As far as the changing over time, I find that when I entered his new role and ended up bringing this process, my boss was clear that he wanted a product development actuary reporting to him. I just don't think he knew what he was going to get. Now it's comfortable, but the first time through I think it ended up being the more traditional expectation that the actuary is going to come in and say, "No," and "We can't do this." That was a lot of his experience in the past.

When we brought in a model of collaboration and this menu of options, we knew how the other thinks. There are four or five of us who get together to make the final decisions and put the issues on the table, and it ends up being a collaborative process. It's gotten more comfortable over time as each side trusts the other and listens to the other more often.

MR. DORANS: I have some interesting experiences. If I go back eight or 10 years, this might have been a function of where I was working at the time, but these are two completely different camps that didn't even talk to each other; they just wanted to blame each other when everything went wrong. I think there was a big push to bring everybody together, make this into one happy family and reduce the tension. I think there's been an awareness by a number of people over just the past year or two that there's a certain amount of tension here that's healthy. There needs to be a little bit of tension.

If you want to have real ideas aired; if you want to have healthy debates; and if you want to have real conversations about whether we are giving away the store, could be more cutting edge and could be providing a better product to increase sales, there's a tension that's necessary there. You want to get the amount right. If there's not enough there, you have to ask yourself if you are really airing all the ideas. Is everybody getting an open honest forum to get their opinions out?

MR. HOWARD: I think if the tension is from joint respect, you're in good shape.

FROM THE FLOOR: Speaking of that, I was at a former company that introduced a new term product. The head of sales threw a fairly large conniption that ended with, "If you want me to sell this crap, I may as well quit right now." He stormed out of the boardroom. I was shaken at the time, and my boss turned to me and said, "I think he'll like it. He'll be back in about 10 seconds." But he had to get that in. He had to get his displeasure in. He came back and was willing to work, and I think you're exactly right. There needs to be that exchange of ideas whether it's heated or not.

FROM THE FLOOR: In the end, who decides what products you offer? That refereeing position used to be the president, by and large, having heard both parties, this product level or this compensation level, this pricing level, whatever. Now I think it is a more inclusive process. That's my impression. The salespeople do appreciate what we do. We obviously, I think, appreciate a lot of what Kevin said—somebody has to sell something, and we're all about increasing the value of the company.

MR. STONE: Are there other comments on this topic?

MR. DORANS: There is one other thing because I know this is something my firm does. It's something your firm does. I think the guys at ING are doing it. The one thing that obviously puts a twist to this is when you hire an outside firm to do the product design for you. Obviously, everybody is sitting in the same chairs, but it's different when you don't have the same boss at the end of the day. It can change the nature of that interaction. I wouldn't tell you there's one standardized way that it changes it. Sometimes everybody is more civil because you work for another company. Sometimes it can be even uglier. I don't know what you guys think, as outside product people doing a product for marketing people who you don't work with other than as a customer. Do you have any comments on how that relationship is different?

FROM THE FLOOR: You're right. It can be challenging, and communication is the key through the whole thing. You have to set your expectations upfront because you are the foreign object going into the relationship. You have to communicate before, during and after all the time through.

MR. STONE: It's time for war stories. What are your top frustrations experienced in the design process as it relates to the marketing/product actuary relationship?

MR. HOWARD: I have an analogy I've used in product development process discussions of working with marketers—it's like keeping parakeets in the cage. As soon as you get one idea corralled and into the cage, the other goes flitting out this way. You get marketers into a room and start working with a bunch of ideas. You finally get them out here, and they flit off in another direction on a tangent when you think you have your specification document about worked out so you know what you're going to be working on. The biggest frustration I have is once you get them in there like that, take it back and think you have it all here, then all of a sudden, that next great idea comes in or there's a last-minute change. You're all the way through the process and about ready to implement it and say, "Oh, wait!" Even with the best process, you still have that human reality associated with those great ideas coming in at all times. It's my top frustration, but it also makes the process what it is and makes it as creative as it possibly can be.

MR. STONE: I received a couple of comments back from people who had been involved in the process. They said lack of communication in the early product development stages, which we've talked about quite a bit, is frustrating. The other frustration, I think we touched on what you just talked about Kevin, was multiple changes in direction during the pricing phase.

MR. HOWARD: I think that one other frustration goes back to the special deals thing a little bit. Oftentimes whoever it is who is responsible for bringing in some of the ideas will say, "Everyone gets to do this." This is even when it's only the opinion of that last guy they talked to. Again, it goes back to that competitive unit. If there is a great idea that comes in or this one particular feature or this company does it this way, you can open it up and then say, "Let's check this out." Maybe it's not true what the words coming to you are then; it becomes the opinion of a bigger group as opposed to the opinion of one person.

MR. DORANS: If I go back a couple of years to my sales and marketing days, just for a little bit of balance, I'd say the top frustration from that side used to be we're working on this product. We don't know the price yet. I don't know the specifications. I don't know what features we're going to have. I don't know when it's going to be ready. "Can you commit to $50 million annual premium?" "Sure, why not?"

MR. HOWARD: That's the old paradigm without it being collaborative.

MR. STONE: Are there any other stories that would be shared from the floor? Do you have any successes with respect to designing products with actuary or marketing, depending on whether you are marketing or actuary?

MR. DORANS: Unfortunately this team has been disbanded, but at Provident Mutual we had a product management team that was a lean, tight team. It was a combination of the salespeople, marketing people, IT and product actuaries. We averaged probably four-and-a-half to five months implementation. It was a fantastic team. Everybody cooperated. Everybody knew what his part of the equation was, and each time we went through, you ended up with that joint respect, and you ended up with that understanding one another. No one felt that anybody had any bad intentions behind the scenes and was trying to pull something over. It is possible to put together a great team that can crank through these things.

The team understood that the rules were going to change. We might be halfway through, and we'd have to change course. We'd change course, move on and keep on going. It is possible. I think you mentioned that you probably have a team like that together now. It's as much a function, I think, of people as it is the process. Keeping that process going as the people change can be difficult.

MR. HOWARD: I don't have anything to add. To echo what he said is my current role, and it's lean. We've done turnarounds similar to what Dave mentioned there, and we do them regularly.

FROM THE FLOOR: Sales are growing at the same time, which is the ultimate measure.

MR. STONE: Someone touched on the frustrations question, but does anyone have anything you would term a complete failure with respect to designing products? I think we've mentioned on a story or two.

MR. HAUSE: The previous story that I told was not between actuary and marketing. That ended up working—the actuarial function reported to marketing and marketing and distribution all worked well together. We failed by not doing our due diligence with our own back-office function. Basically, that's a different story and not on topic. We've had several instances in different places where (it was mostly on the special deals type of thing) one person didn't exactly check out and commit to doing something. I guess the bottom line is that there are plenty of failures, but it's important to learn something from them and always try to work within your process as much as you can. If you have a good process that's well-tested, then usually within the process you'll be successful.

MR. JAFFE: One of my universal experiences is that this is a complete circle, and what determines failure and what determines success often has a lot to do with your data feedback. If you don't have good information, you're going to make bad decisions. The failure often happens because you don't have the information at hand. You've gone ahead with the marketing, you've gone ahead with the filing, you've gone ahead with the actuarial and then somebody wakes up and you say, "How's the persistency?" "After the stuff is about two years old, we'll be able to tell you." That's the wrong approach. You have to integrate the back-end in the front–end, and that will give you minimal failures.

There hasn't been a failure that I've been involved with (and believe me, I've seen them) where I haven't learned something from it. The next time around, I'm smart enough not to make that mistake. I know I can make others easily, but knowing what failed and trying to figure out why it failed will help me to avoid those same mistakes in the future. That's what has to be communicated back to my clients and my case because I'm not working for a company.

The failure and the frustration may be that other people want to make their own mistakes. That's difficult when you've seen the problem exist, you know it's not going to work and you convey to somebody, "Why are you doing this? I know offhand it's 99 percent failure." The frustration is you often have people want to go ahead and make their own mistakes.

MR. DORANS: A failure that I've seen a lot of is that people have an idea for a product. They saw something out in the market. They liked something they saw. As we've gone through the design and the building process, we've had to make so many compromises that we didn't have the courage to look ourselves in the eye and say, "This is dead." We compromised, and the original intent is gone. Eight percent of the work is done, and everybody has spent so much time and effort.

They just want to finish it off, but it's gone.

MR. VAN BEACH: I have just one comment. I wanted to wait until the end because I understand this is a marketing/actuarial interaction, but I work with the insurance technologies group with Milliman. One of the things I find interesting about the setup of this nontraditional marketing start-to-finish process and what's come out of this session right now is that even though we're talking about marketing and actuarial, the administration piece has come up three, four, five, six times as being a key component to the success or failure. Jay mentioned it just now when we talked about failures and what caused them. We had a hard time pointing to something that was in the marketing/actuarial interaction. It comes back to the back-office interaction and the feedback, taking the data that you have and pulling them back through.

Even when we set up the design process from start to finish, the administration piece has stayed outside of that loop. It's as though there is a little wall that administration sits on the other side of, that it's not part of the whole design process. It's something that exists and, as actuaries, implicitly we know that it's there. We know there are some costs associated with it, but I think some of us might be frightened that if we explicitly brought those administrative costs back into the equation, we might be surprised about what the actual profitability of the product is.

I think there are solutions. There are tools and ways to address this administration issue. But it seems to me that when these types of issues are brought up, no one wants to grab hold of them and address them directly. You want to leave it on the other side of the wall because that would get in the way of the whole product development process. We have enough issues to deal with in terms of the underwriting, distribution, actuarial and everything else without bringing administration into the equation. Nothing would get done at all. But the reality of it is that the ultimate profitability is heavily driven by the administration. In fact, as Jay pointed out, you can't even think of it as purely as the cost standpoint of it. It's your ability to do the management of the product once it's up and running, and the feedback is the piece that is missing.

Who is the person within an organization who needs to address those administration issues, and why has he stayed out of the loop? In a nontraditional context, is it more or less of a driver of ultimate possibility than for traditional products?

MR. DORANS: My first response to that would be that's why I'm a big proponent of there being a separate role of someone who is in charge of product management and not just being this one-off relationship between the marketing and the actuarial functions. I think it is as important that you have all those other relationships. I can tell you we ran into as many problems on the compliance side where we're 90 percent of the way through and realize we've designed a product that has compliance problems. We have a product that has illustrations.

It was critical that that function interact with all of the aspects of the company. At Provident Mutual, we were fortunate that the woman who designed the concept of joint application development and wrote a textbook on it was on our team. Our team of people was almost a NASA-type thing. Go, no go, down this entire series of checklists of whether we're ready to do this, and we found that the traditional model had been the pricing people are ready, the marketing people are ready, but there's a whole bunch of other things that haven't been considered yet. We didn't go forward if we didn't get a sign-off from all those groups. It cost you some time, and it was a little frustrating upfront, but it ultimately led to making better decisions.

MR. HOWARD: I don't think I did a good job of explaining the preneed administrative problem because they were involved in our process and were in it from start to finish. What we didn't realize is that they were telling us that they heard what we were saying about it being different from the normal, and they were basically lying to us. They didn't understand. They didn't ask the questions, and they were under pressure to get it done and not willing to ask for a time out and say they were stuck. Ultimately, that ended up hurting us. It's the integrity of the process and the integrity of each piece of the process. We had them involved. I'm fortunate right now that our administrative system people reported directly into marketing, and we push the same direction, so it's not an issue currently.

Nontraditional marketing-wise, right now, I'm a huge proponent for what Jay said earlier. If you guys don't have the backup, expertise or whatever to do it, look for somebody who does. I'm a huge proponent of outsourcing when it makes sense, and managing an outsource vendor adds a different piece to the management function. But that's easier than building something that you don't have, especially if you don't know whether it's going to have long-term success.

MR. DORANS: The economics make sense. There are outsource vendors out there that have invested a couple of million bucks in putting state-of-the-art systems together. Customizing it for your new product is usually not a big project.

FROM THE FLOOR: Can I make one comment to pull some of this together? An expression that I find helpful is to picture what's going on, there has to be product ownership or there has to be ownership of something, whether it's a committee or whether it's an individual. If there's ownership, there have to be consequences, both good and bad. We'll accept one failure. We may accept two failures from the process, but on the third one, we have the wrong team and we the wrong person there with ownership.

This leads me to my other observation about the product development process. Because failure is part of the process, my observation is that those companies that seem to be the most successful are the ones that somehow know when to cut their losses. There's an innate ability to say, "I don't care what the problem is. I don't care what's going on. This just doesn't smell right; we're out of it." That takes more guts than to continue with the process that you've talked about.

FROM THE FLOOR: It would be a million dollars down the road and still say, "We're done." Take no matter what kind of heat you're going to take to say that the sum cost is a million bucks.