

Understanding the Product Development Process of Individual Life Insurance and Annuity Companies

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Methodology and Context

- This research report was primarily conducted via an online survey in the summer of 2015 through spring 2016, with respondents returning values for the full calendar year of 2014
- Commentary was gained by qualitative interviews with a select group of respondents and international in-market product experts at RGA
- The questions and theses were designed using previous insights from LIMRA's 2007 Need for Speed report and RGA's 2014 International Product Development Survey
- Survey respondents collectively wrote premiums* accounting for 29% of U.S. life insurance, 23% of U.S. annuities and 8% of Canadian life
- Each section of this report opens with a key highlights page summarizing some of the subsequent charts and respondent comments

Executive Summary (1/2)

- Most respondents adopt a fast follower approach to product design strategy
 - This is at odds with international feedback, whereas most carriers adopt a differentiation approach to product design strategy
- Predictive Modeling (PM) is being explored for applicability in underwriting. Currently if it is operationalized, it is for marketing purposes.
 - Internationally PM is used for cross-sell and up-sell campaigns (similar marketing to the United States)
- Administration, tracking results vs. plan and product design are the top areas of the product development (PD) process in need of improvement (includes SOA and international survey results)
- The fastest companies not only move through each stage of the PD process more quickly than peers but will overlap phases more frequently
- The fastest companies appear to be more selective when it comes to promoting ideas out of their idea generation phase

Executive Summary (2/2)

- Small companies feel they are at a pricing disadvantage because of the cost of meeting regulatory requirements
- Respondents report that 1–3 months is needed to file a product for regulatory approval
 - In many international markets, carriers operate in a launch and file market that shortens the cycle time
- New premium and profitability levels are the most common measures of success
- Consumer focus groups are more frequently leveraged by the most prolific companies
 - Internationally there appears to be more use of agents/advisors to provide feedback on product designs
- Brokerage is cited as the channel that has been most frequently added by life and annuity respondents
 - Internationally bank distribution is more prevalent and as such has a much bigger role in product design

Definitions

- **New product**: This type of initiative involves bringing to the market significantly new different (to the company) product features or functions. A new product would require a unique system identifier and/or would be filed as a new product. Information provided regarding new products should include all work required to design and implement a new product offering including planning, pricing, new business, administration, commissions, accounting etc.
- **Revision/Enhancement**: These initiatives cover the broad spectrum of changes between a rate change and a new product. The addition of a rider to an existing policy is one example of a revision.
- **Repricing/Rate change**: This type of initiative involves modifying or changing rates that are typically stored in tables or files. Some state filing may be required. Information provided regarding rate changes should include all work needed to implement a change including planning, pricing and any change to new business administration, illustrations, testing tools etc.
- **Individual life business**: Products issued to an individual insured, and not as a certificate of a group. Excludes group life products such as group term and COLI.
- **Individual annuity business**: Products issued to an individual insured, and not as a certificate of a group. Includes 403(b) business.
- **IIPRC**: Interstate Insurance Product Regulation Commission. Also known as the Interstate Compact.
- **MLEA**: Multi-Line Exclusive Agents
- **PPGA**: Personal Producing General Agent
- **IMO**: Independent Marketing Organization

Definitions

- **Simplified issue:** Means you answer a few questions about your medical history for the life insurance application, rather than undergoing a medical exam
- **Guaranteed issue:** Situation where a policy is offered to any eligible applicant without regard to health status
- **Low interest rates:** Low amount charged, expressed as a percentage of principal, by a lender to a borrower for the use of assets
- **Wellness programs:** Include activities such as company-sponsored exercise, weight-loss competitions, educational seminars, tobacco-cessation programs and health screenings that are designed to help employees eat better, lose weight and improve their overall physical health
- **Wearable devices:** Electronic technologies or computers that are incorporated into items of clothing and accessories that can comfortably be worn on the body
- **Underinsured:** Gap between the current state and full potential
- **Predictive modeling:** Predictive modeling involves “mining” datasets and performing statistical analysis that may uncover unexpected relationships about the underlying risks that may indicate the likelihood of future outcomes for an insurer

Definitions (Based on results of survey)

- **Fastest**: Top five companies that completed product development (idea generation to launch) in the shortest time according to data collected from Section D of this report
- **Most prolific**: Top five companies that completed product development (idea generation to launch) most often, i.e., launched the highest number of products in 2014 from question B3 of this report
- **Most respected**: Companies that were chosen by respondents as having the most admired product development according to this report's data
- **Life only**: Companies that answered survey questions only pertaining to its life insurance PD
- **Annuity only**: Companies that answered survey questions only pertaining to its annuity PD
- **Both life and annuity**: Companies that answered survey questions pertaining to both life PD and annuity PD (when both is not separated out in responses, answers for life include life and both; answers for annuity include annuity and both)

Specific Question Definitions (section and question number reference)

- **Differentiation-market leader**: Distinctiveness in broad market (B2)
- **Differentiation-fast follower**: Distinctiveness in broad market (B2)
- **Focused differentiation**: Distinctiveness in niche market (B2)
- **Cost leadership**: Lowest cost in broad market (B2)
- **Focused cost leadership**: Lowest cost in niche market (B2)
- **Cost-driven**: The price is set such that the company can cover the costs of creating and selling the product with a reasonable amount of profit (B8)
- **Customer-driven**: The price is set such that the company will charge whatever the customer is willing to pay (B8)
- **Competition-driven**: The price is set relative to what competitors are charging; the price could be slightly more or less (B8)

Product Types

Life Insurance:

- Pure [mortality] protection: Term, Term to 100
- Nonvariable permanent products: Whole Life, Universal Life, Indexed Universal Life
- Universal Life with secondary guarantee (ULSG) when the guarantee available can be at least as great as life expectancy or maturity (should not include shorter term guarantees only products)
- Variable Life products: VUL

Annuities:

- Traditional Fixed Deferred Annuities
- Indexed Deferred Annuities
- Single-Premium Immediate Annuities and Contingent Deferred Annuities
- Variable Deferred Annuities
- Fixed Indexed Annuities

Living Benefits or Morbidity Rider Products: Insurance products that can be used for individual illness protection, while the policyholder is still alive

- Disability/waiver of premium/charges
- Accelerated benefits for chronic illness or critical illness
- Accelerated/extension of benefits for long-Term care
- Accidental death benefits

Product Development Process

For purposes of the survey, the following steps in the typical product development process have been defined to provide for consistency in responses across participating companies.

- 1) **Idea Generation**: Ideas for new products or features are reviewed and screened to identify candidates for formal analysis.
- 2) **Product Concept and High-Level Feasibility**: Business cases or feasibility studies are prepared for each candidate idea. Selected ideas are grouped into projects and funded.
- 3) **Product Planning and Design**: Products and features are designed.
- 4) **Establish Underwriting Guidelines**: Underwriting rules and processes are established, with an appropriate classification of risks.
- 5) **Product Pricing**: Actuarial pricing that includes setting the rates, reserves, compensation and any other pertinent data. This data are stress tested against product profit objectives and expected or actual data.
- 6) **Reinsurance** : Pricing and treaty negotiation
- 7) **Update IT Systems Day 1**: Systems requirements are developed and implemented for each gap to cover anything a customer can do Day 1 contractually and anything required Day 1 by your organization. This includes illustration systems.
- 8) **Update IT Systems Day 2**: Systems requirements are developed and implemented for any further functionalities and organizational requirements not required Day 1.
- 9) **Update Business Procedures**: Operations and business procedures are developed for each gap.
- 10) **Marketing Plans**: Marketing materials and campaigns are developed and executed.
- 11) **State Filings**: Product forms are drafted and filed. *This includes informational product filing (approval not required) to full forms/rates filing.*
- 12) **Product Launch**: Product Development Complete
- 13) **Tracking of Results vs. Plan/Business Case**: comparing actual business results to pricing/plan to gauge assumptions versus experience

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Right click on link at the left
Select “open hyperlink” to go to desired section

Section A

Company Profile

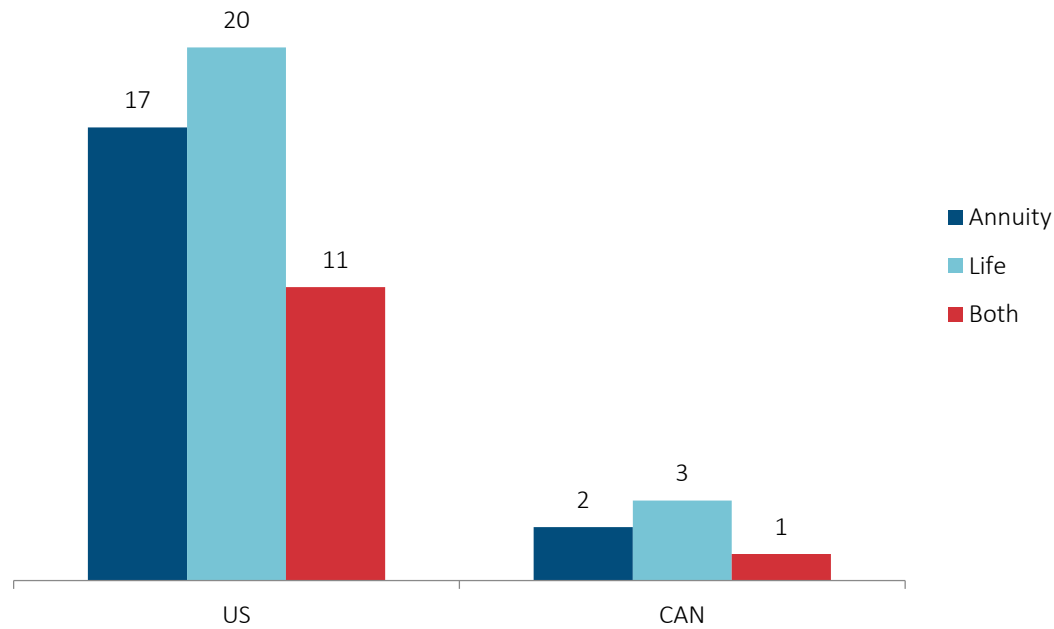


Key Section A Highlights

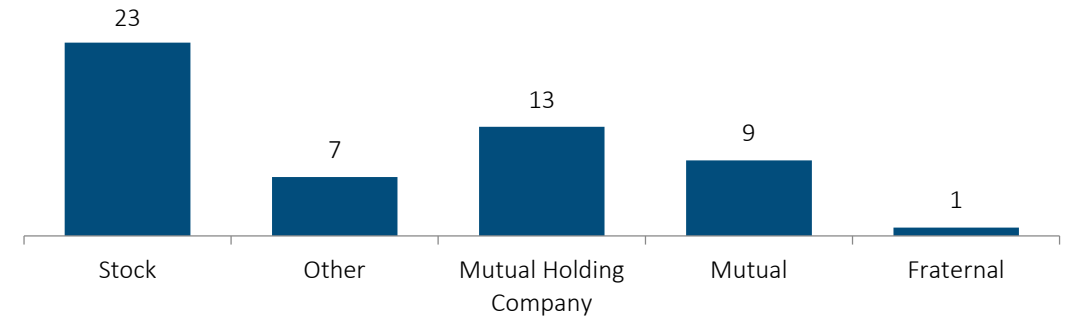
- Most respondents are from U.S. companies
- Most respondents come from medium-sized to large companies, with some results presented based on small companies
- Respondents collectively wrote 29% of U.S. life insurance, 23% of U.S. annuity and 8% of Canadian life premiums in 2014 according to LIMRA's U.S. Retail Individual Life Insurance Sales 2014, U.S. Individual Annuities 2014 and Canadian Individual Life Insurance Sales 2014
- Waiver of premium/accidental death riders are more prevalent on whole life products in both U.S. and Canada
- Variable annuity products tend to include death benefit riders
- UL, VUL and variable annuities have higher prevalence of living benefit riders being attached

A1:A3 Company Profile

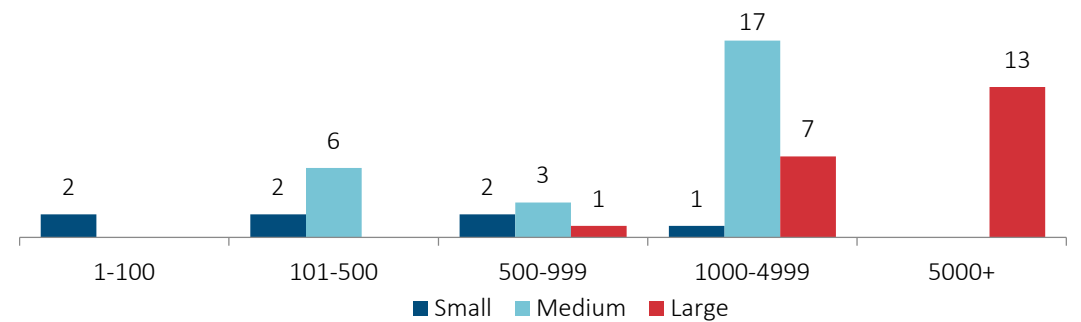
Line and Country of Business



A1: What is your organization's corporate structure?



A2/A3: Company Overall Size and FTE Employee Head Count

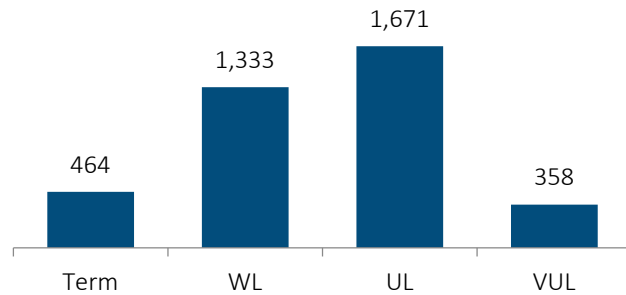


A4: Please provide the following information on new and inforce individual life/annuity business for calendar year 2014.

U.S. Life

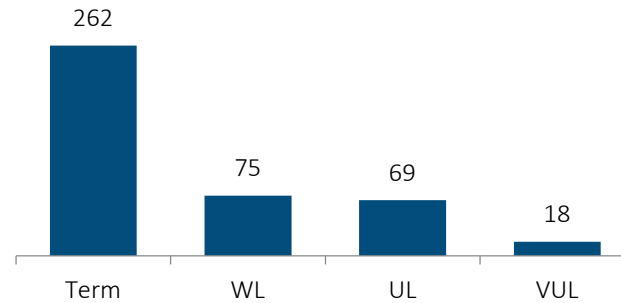
29% of all U.S. life premium* in 2014

New Annual Premium (\$M) – Overall \$3.8B



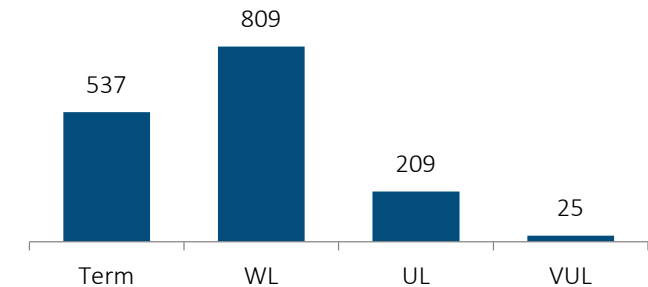
27% of all U.S. life face amount* in 2014

New Face Amount (\$B) – Overall \$424B

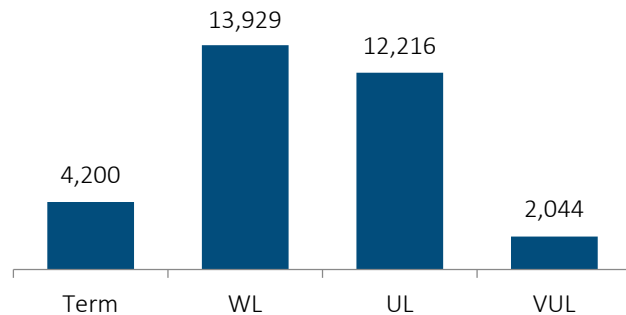


18% of all U.S. life policies* written in 2014

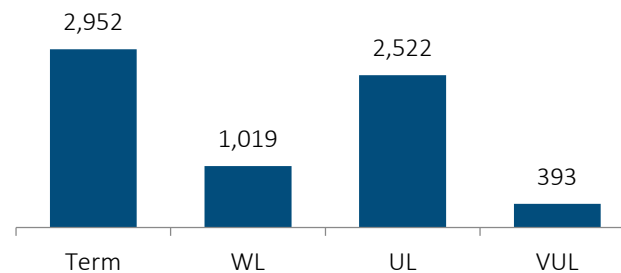
New Policies (000s) – Overall 1.6M



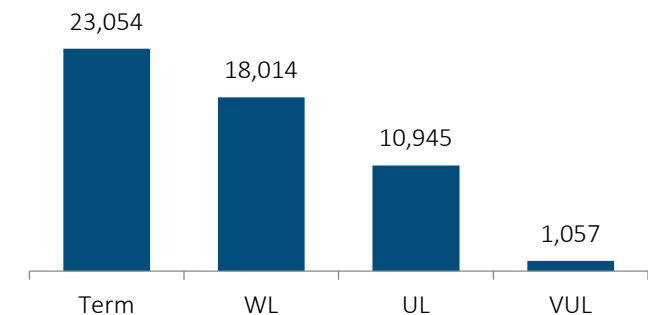
Inforce Annual Premium (\$M) – Overall \$32B



Inforce Face Amount (\$B) – Overall \$6.9T



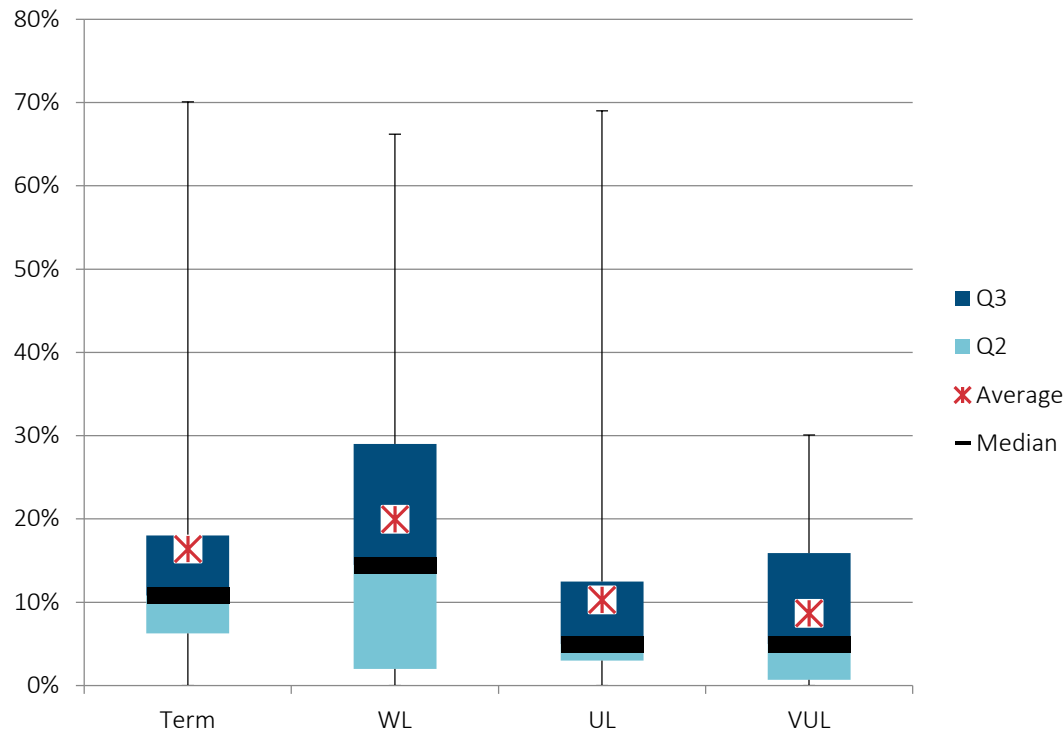
Inforce Policies (000s) – Overall 53M



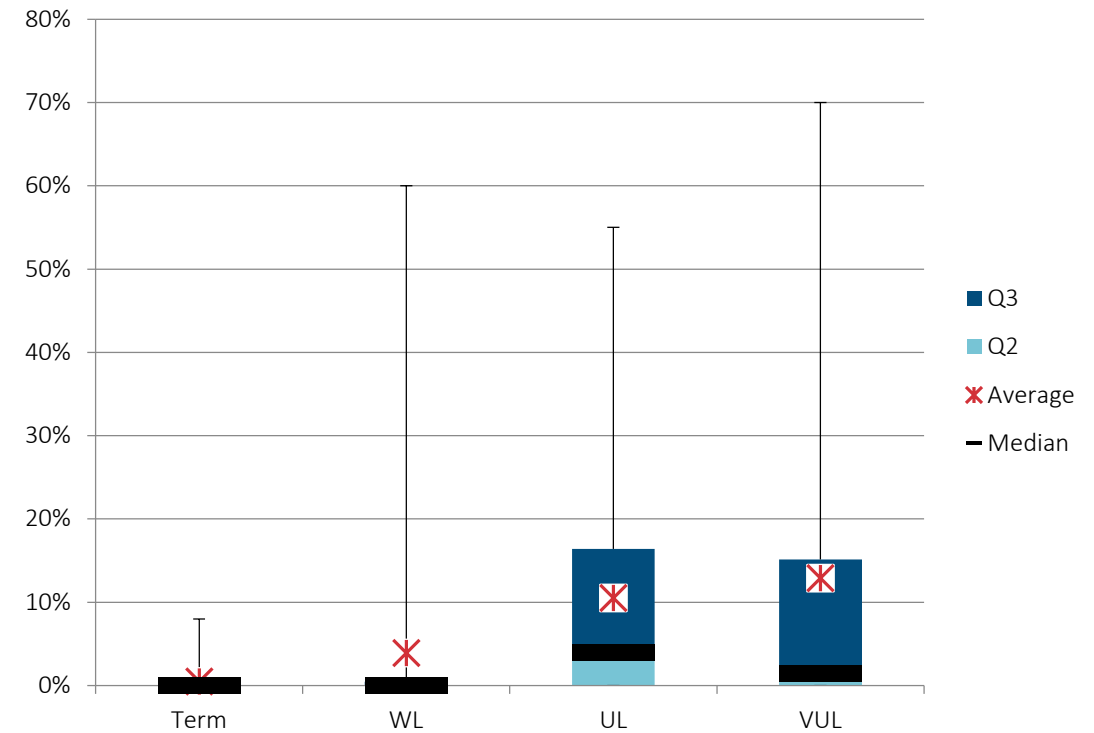
A4: Please provide the following information on inforce individual life/annuity business for calendar year 2014.

U.S. Life

% of Policies with Waiver of Premium or Accidental Death



% of Policies with Living Benefit Rider (excl. terminal illness)



Waiver of premium/accidental death showed more prevalence and availability on Whole Life, but the average/medians is $\leq 20\%$ of all life policies with either of these riders

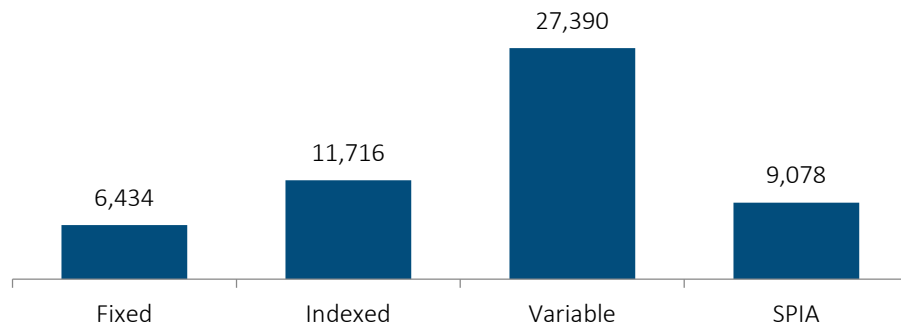
Living benefits are more popular on UL/VUL, with means and averages less than 15% of policies

A4: Please provide the following information on new and inforce individual life/annuity business for calendar year 2014.

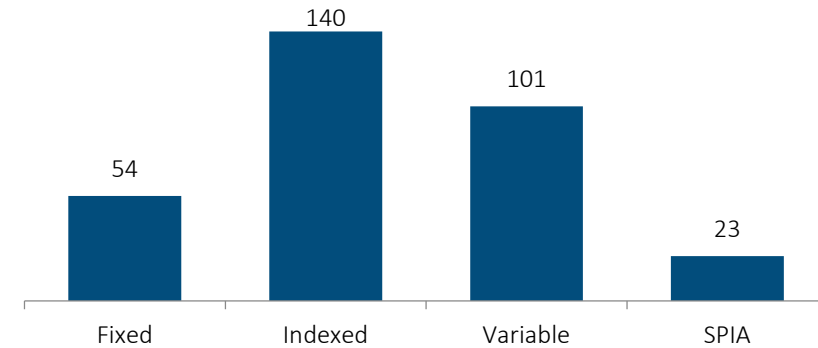
U.S. Annuity

23% of all U.S. annuity premium* in 2014

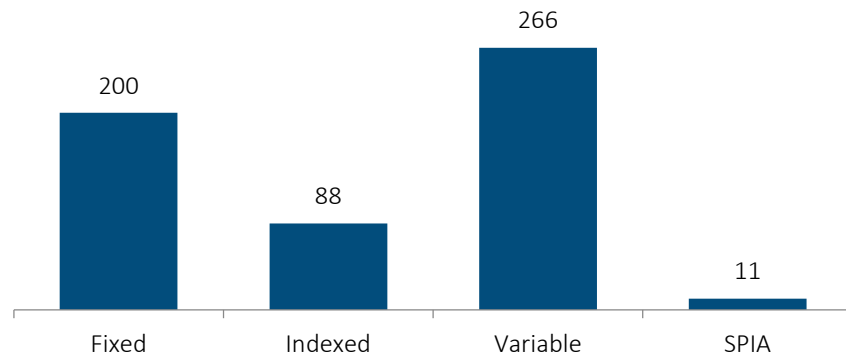
New Premium (\$M) – Overall \$54B



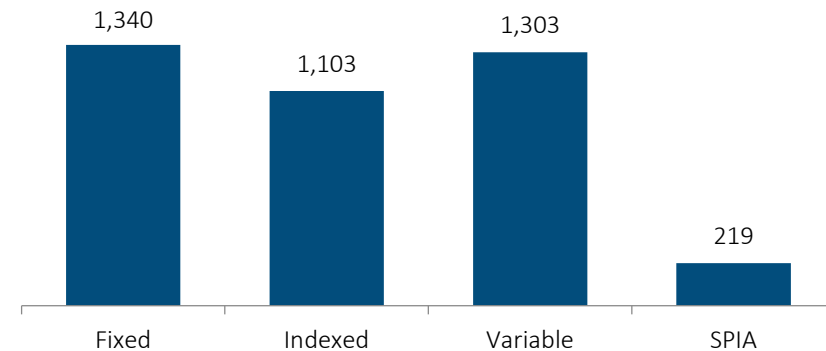
New Contracts (000s) – Overall 318k



Assets Under Mgmt (\$B) – Overall \$564B



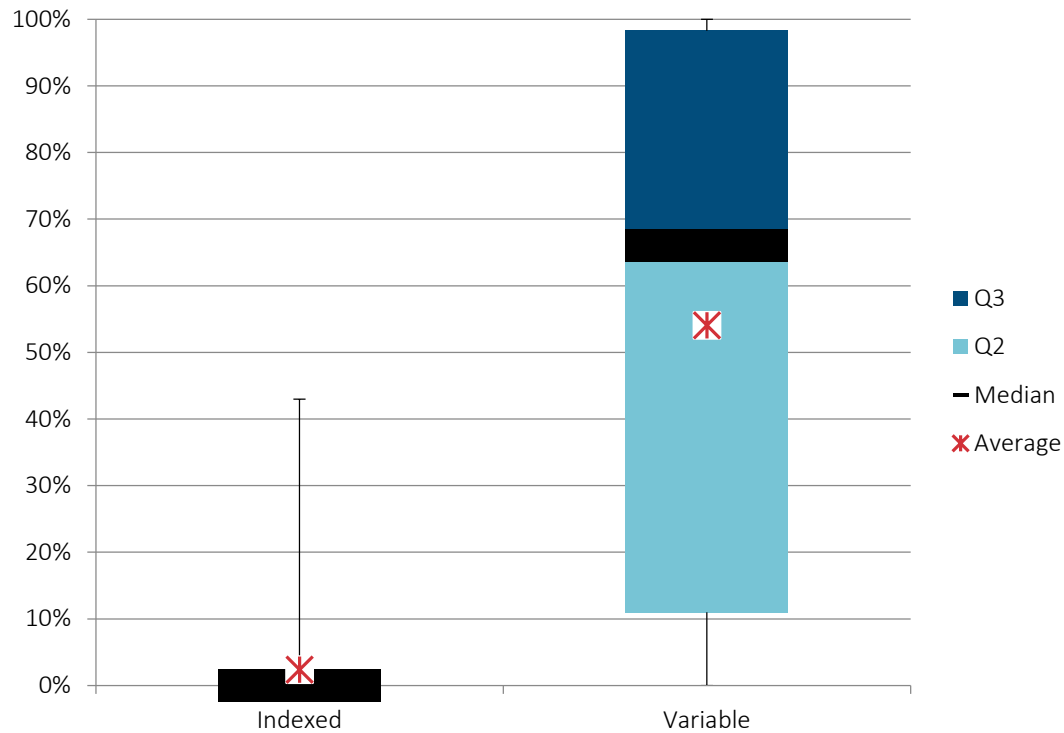
Inforce Contracts (000s) – Overall 4.0M



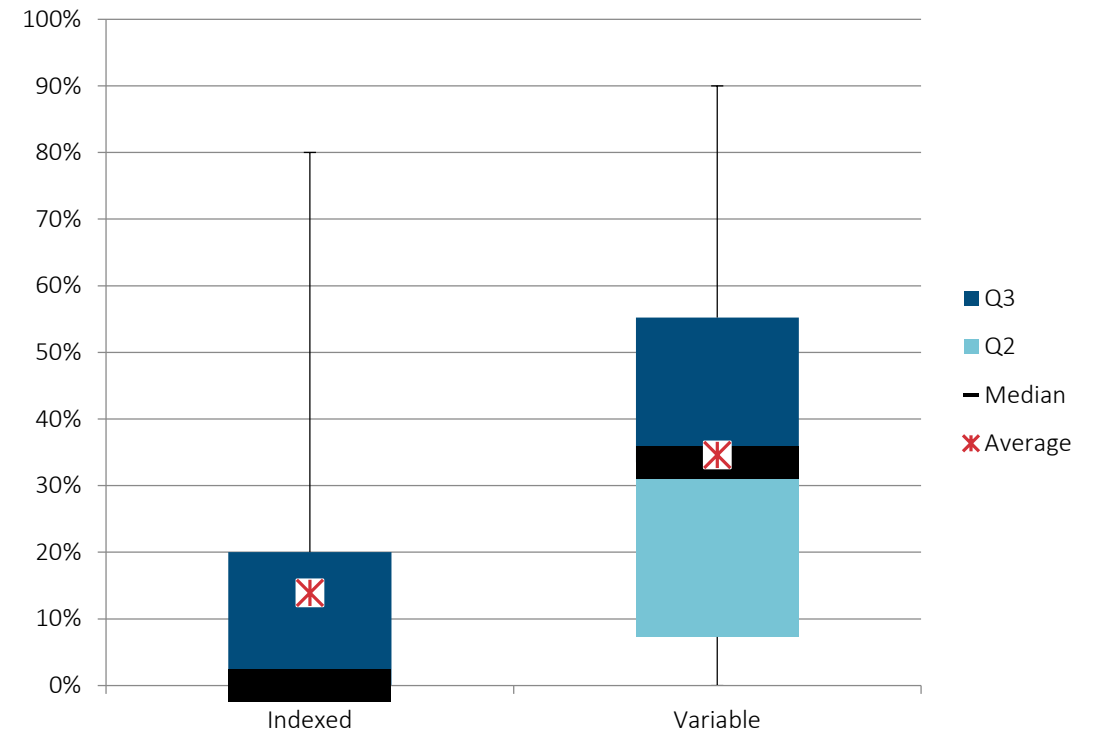
A4: Please provide the following information on inforce individual life/annuity business for calendar year 2014.

U.S. Annuity

% of Inforce with Death Benefit Rider



% of Inforce with Living Benefit Rider

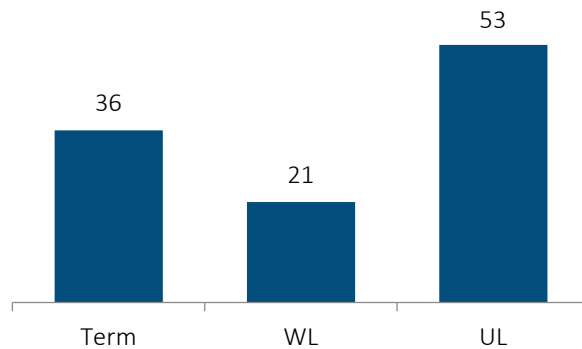


A4: Please provide the following information on new and inforce individual life/annuity business for calendar year 2014.

Canada Life

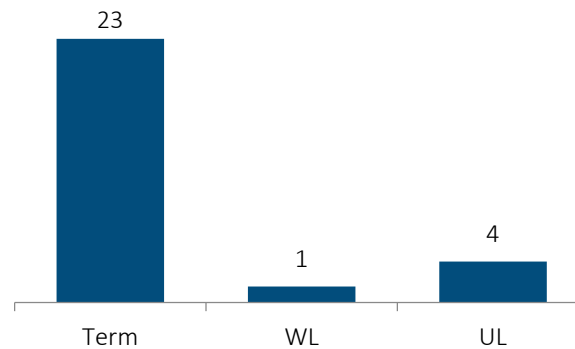
8% of all CAN life premium* in 2014

New Annual Premium (C\$M) – Overall \$110M

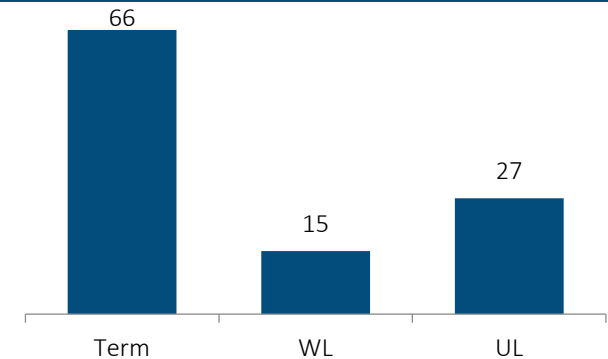


12% of all CAN face amount* in 2014

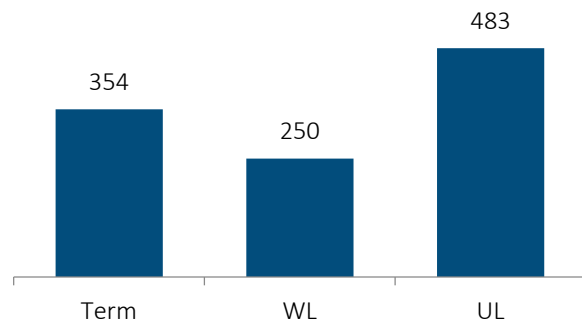
New Face Amount (C\$B) – Overall \$28B



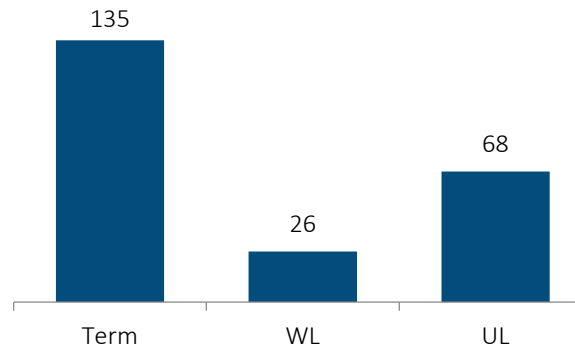
New Policies (000s) – Overall 1.6M



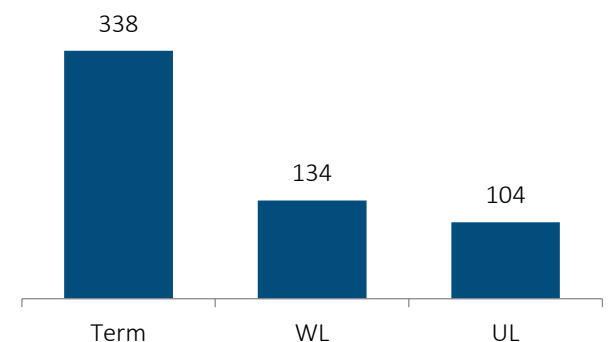
Inforce Annual Premium (C\$M) – Overall \$1.1B



Inforce Face Amount (C\$B) – Overall \$229B

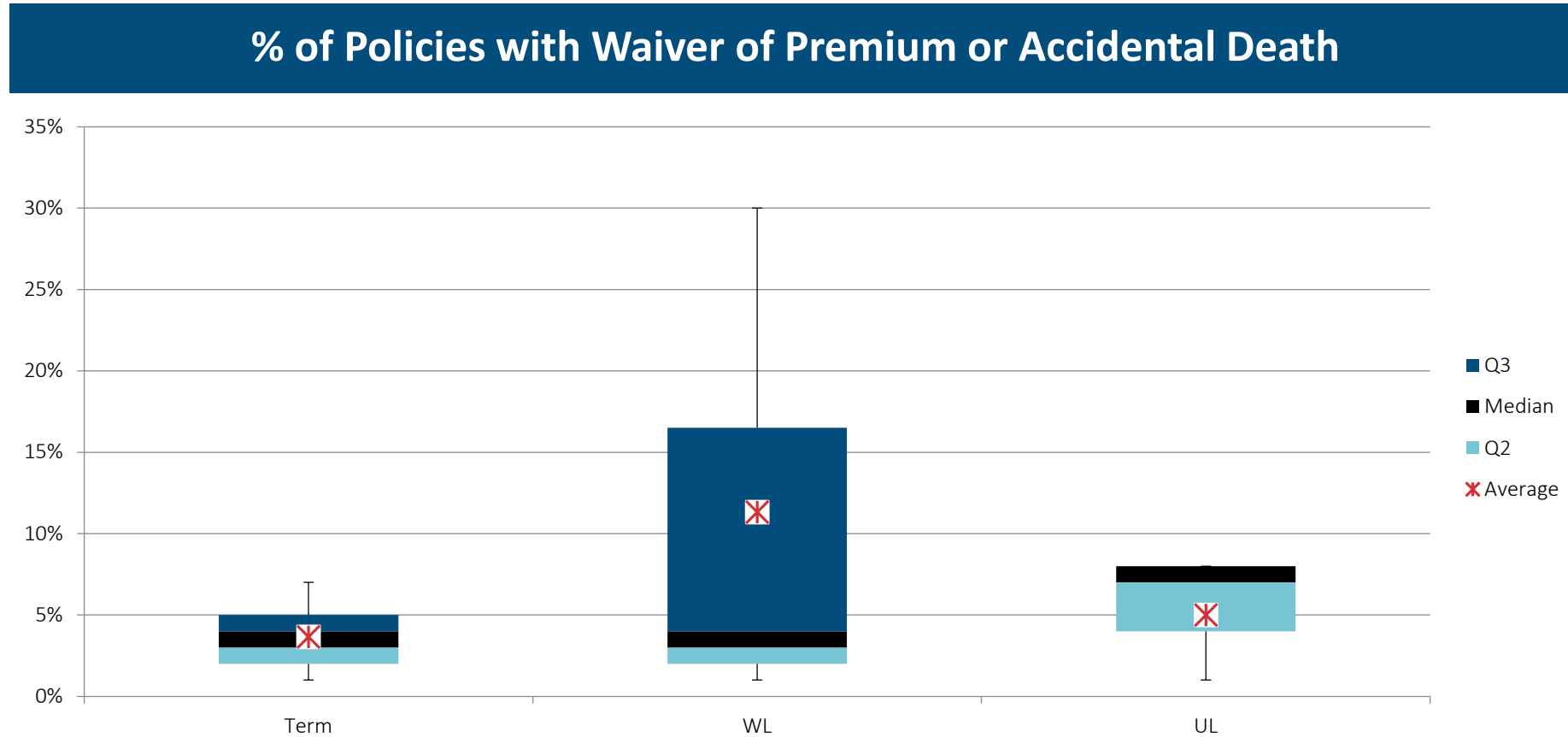


Inforce Policies (000s) – Overall 577M



A4: Please provide the following information on new and inforce individual life/annuity business for calendar year 2014.

Canada Life



Section B

Product Development Process and Strategy



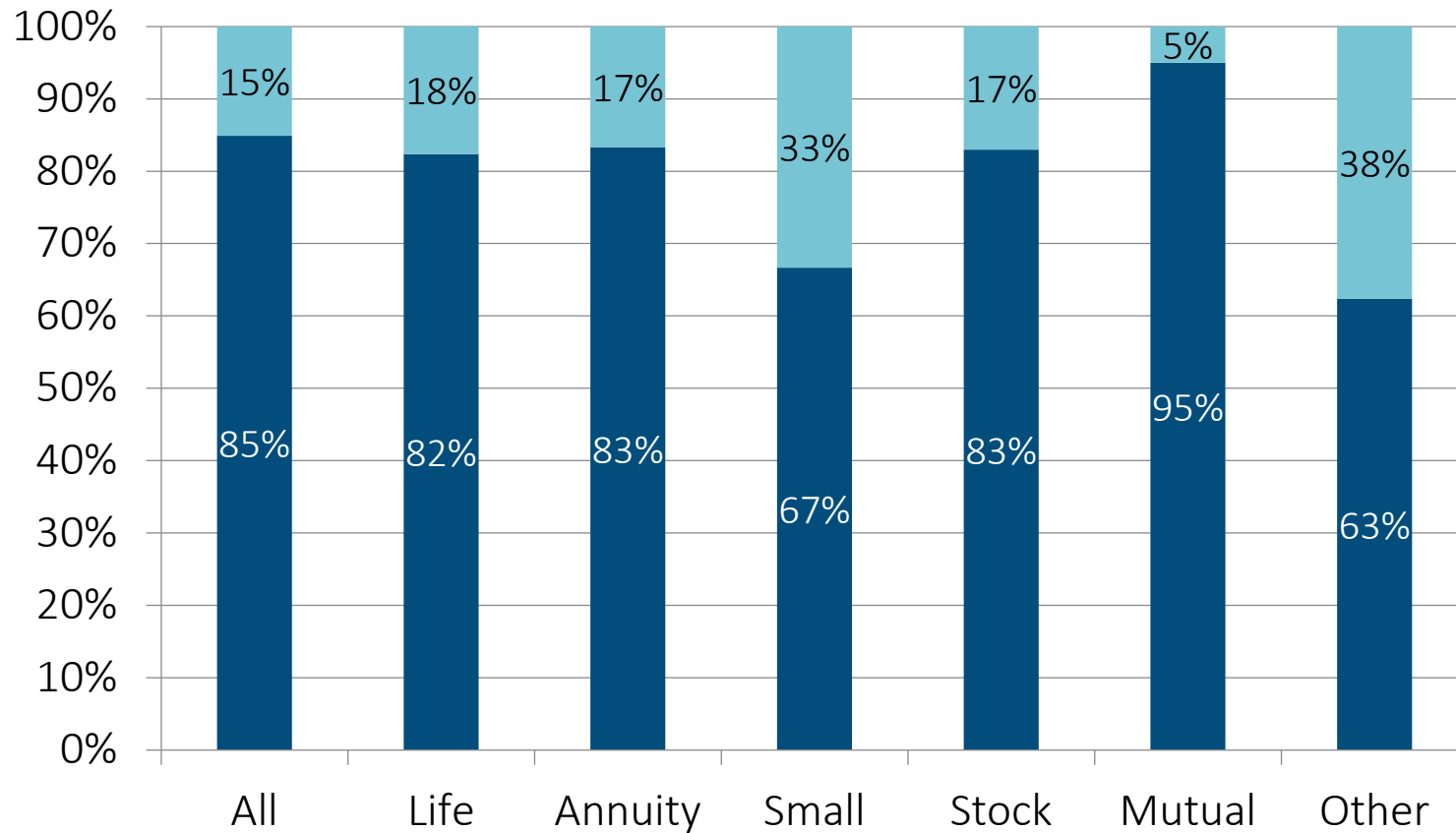
Section B Key Highlights

- Many life and annuity companies are fast followers or focused differentiation, but a noticeable number of companies did not indicate having a defined strategy
- Top reasons for deprioritizing/abandoning products include profitability, resources and administration
- Although some areas do not have direct authority to abandon/deprioritize products, areas such as IT may be part of a steering committee or decision-making group to influence the decision
- Fastest companies indicate fewer ideas do not make it out of the idea-generation phase
- Companies rate test marketing and consumer engagement as weaker parts of the product development process
- Predictive modeling is being explored most in the underwriting space but currently used more in the marketing space

Section B Key Highlights (continued)

- Administration, tracking plan vs. actual results and product design are top areas in need of improvement, but less than 30% of companies indicated improving IT in the last two years
- Economic conditions have most negative impact on product development
- Small companies tend to feel competition more from medium and large companies rather than other small companies

B1. Is product development considered a core competency by Senior Management at your company?



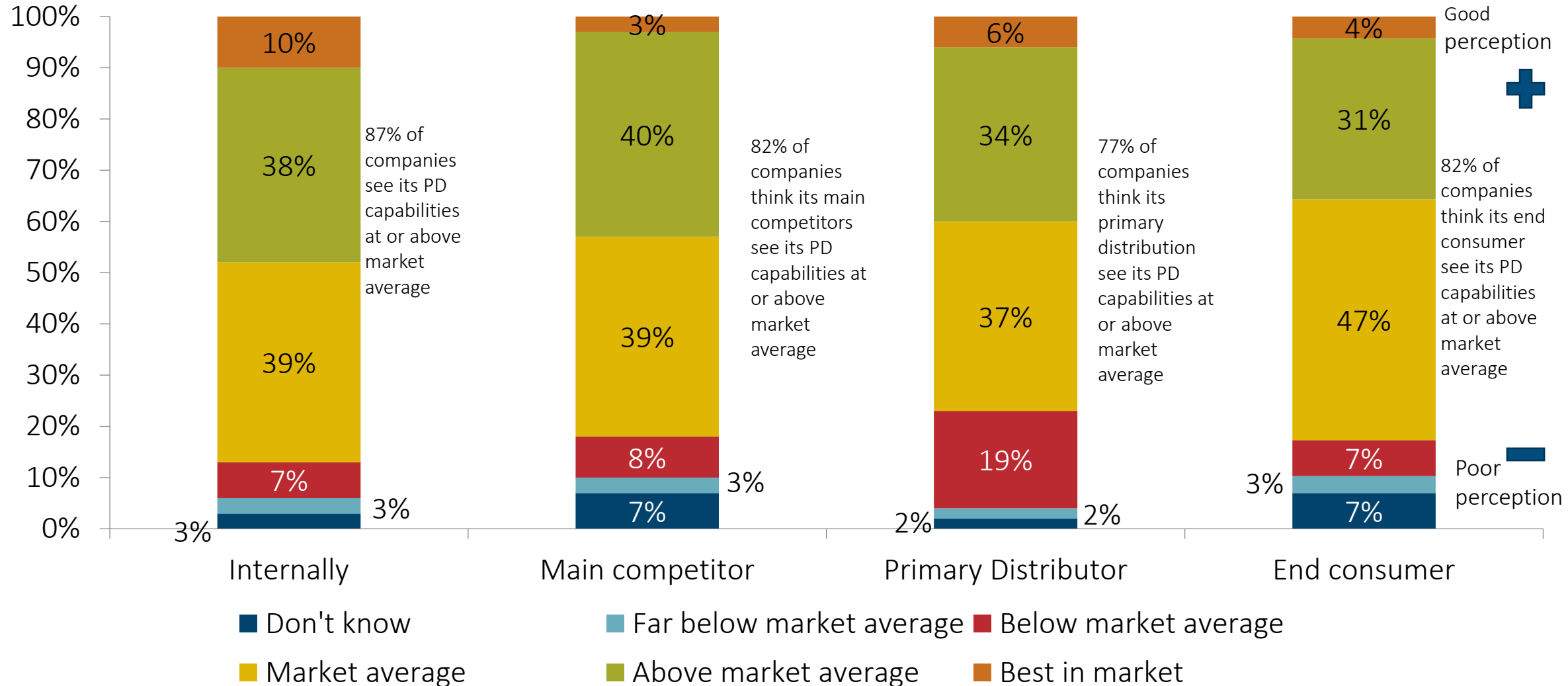
Core competency is fundamental knowledge, ability or expertise in a specific subject area or skill set that leads to a competitive advantage.

■ No
■ Yes

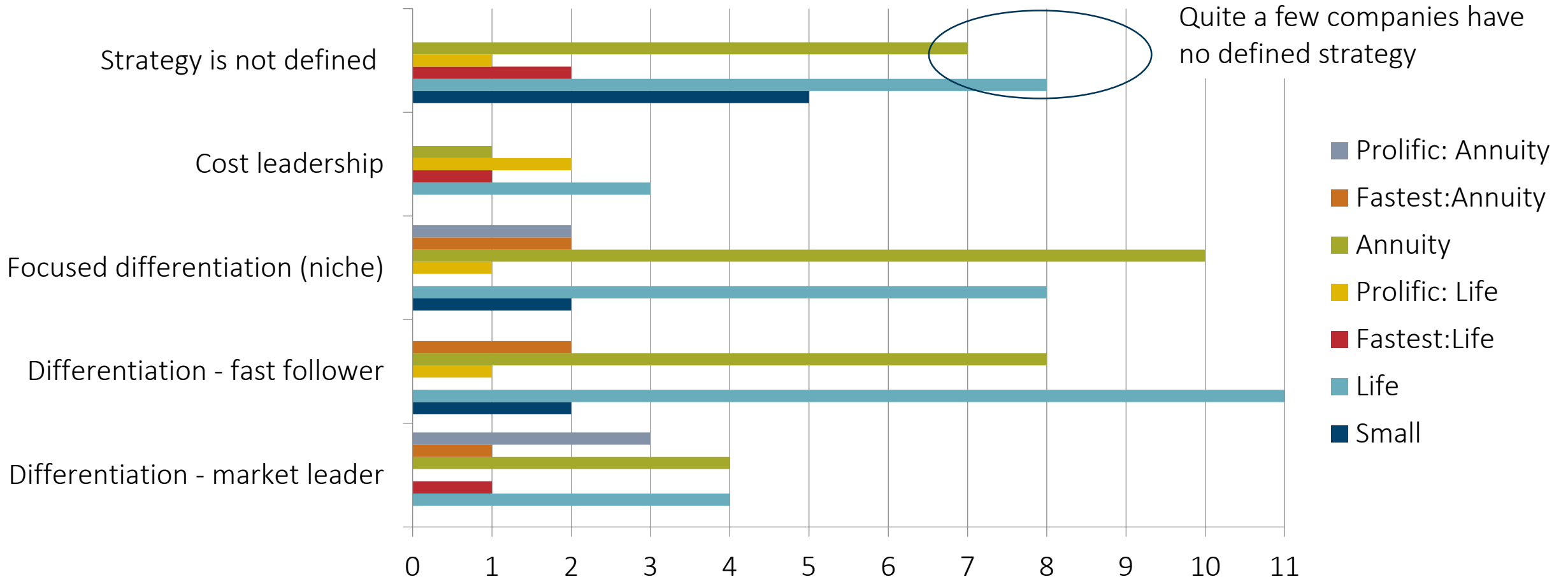
International Survey*: How would you rate your company's product development capabilities from the following perspectives?

For example, company A may see its own PD capabilities as above market average, feels its main competitors see PD capabilities are market average, feel its primary distributor sees its PD capabilities are below average, and the consumer sees PD capabilities are market average.

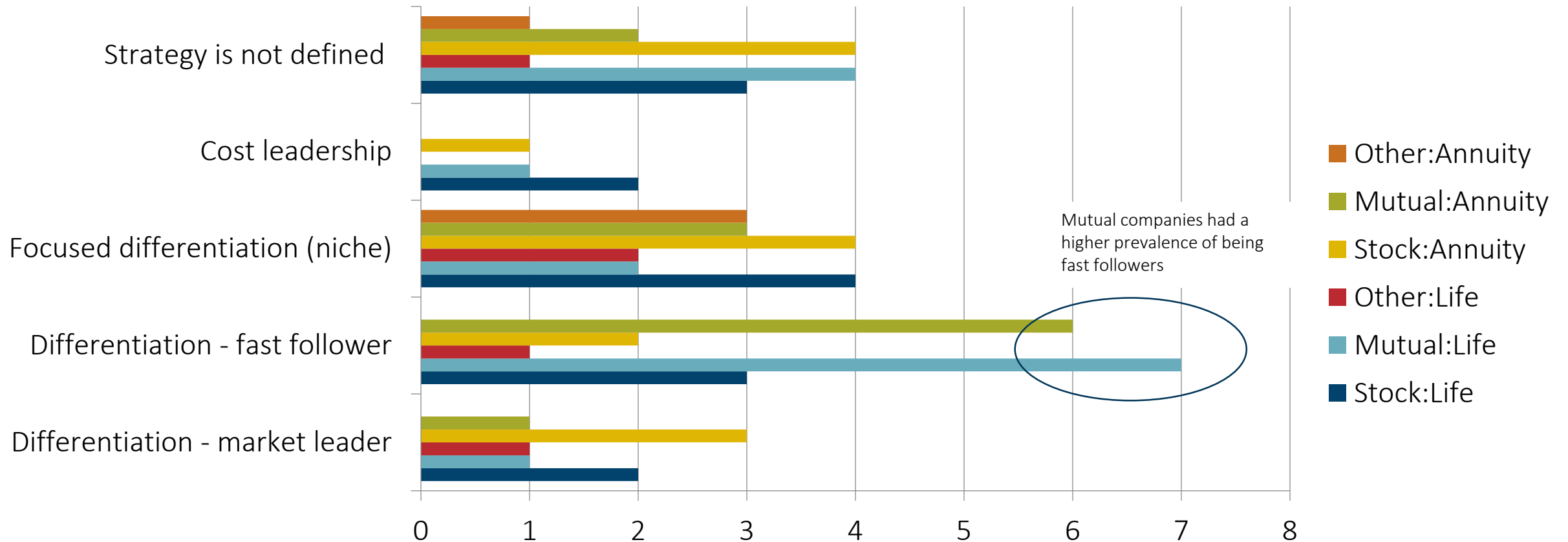
*2014 RGA International PD survey



B2. Which of the following best describes the primary focus of your organization's life insurance product development strategy? (If your strategy varies by product type (e.g., UL vs. term), select based on your top-selling product type)



B2. Which of the following best describes the primary focus of your organization's life insurance product development strategy? (If your strategy varies by product type (e.g., UL vs. term), select based on your top-selling product type)



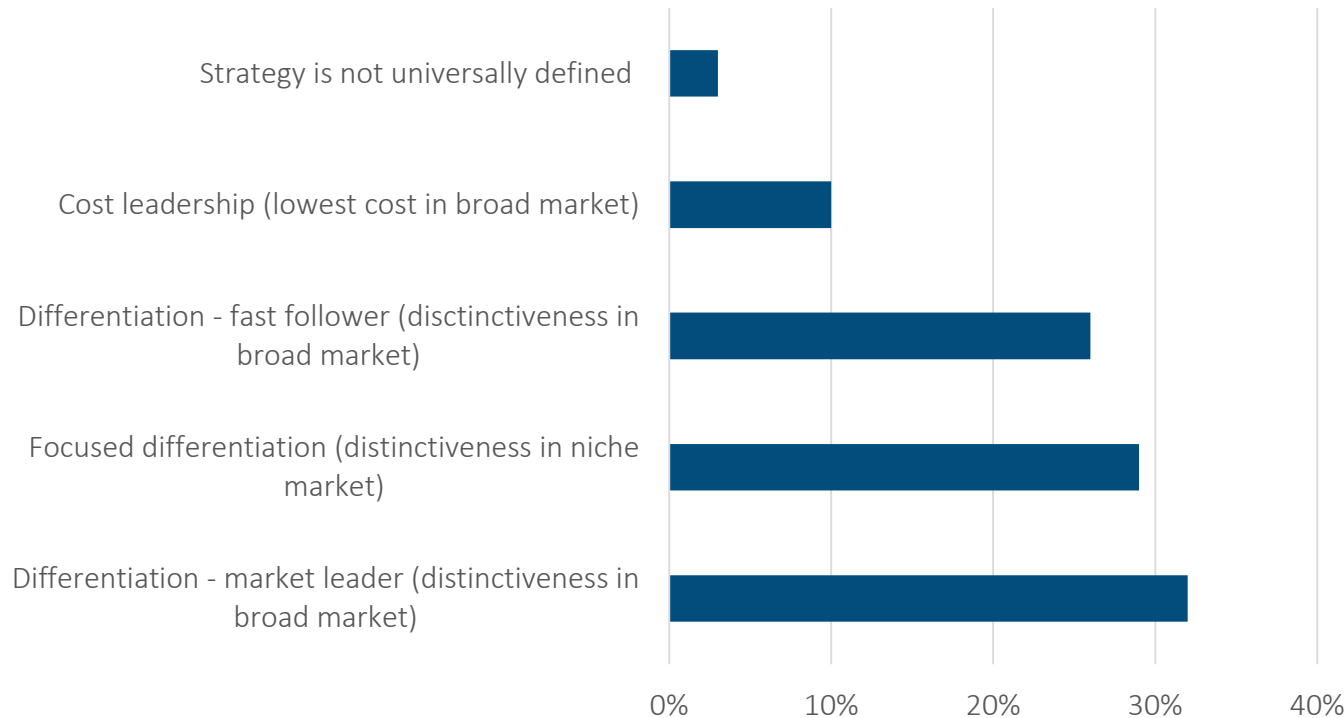
One of the largest drivers for being a fast follower includes the huge expense of innovation (especially around technology, legacy systems and inflexible processes)

Interview comments on overall product strategy

- ... fast following. I think part of it is, to launch brand new in the market, it's very much test, try, test. It's sort of that cycle. It comes down to your size sometimes in that perspective ... [You] only have so much technology innovation budget.
- I would say it's not a black and white answer. I'd say we've squarely landed in the gray ... We do research and look at what might be innovative, what might work. But at the same time we've got to watch what other[s] are doing.
- 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.

International responses on product strategy

Which of the following best describes the primary focus of your organization's life insurance PD strategy?*

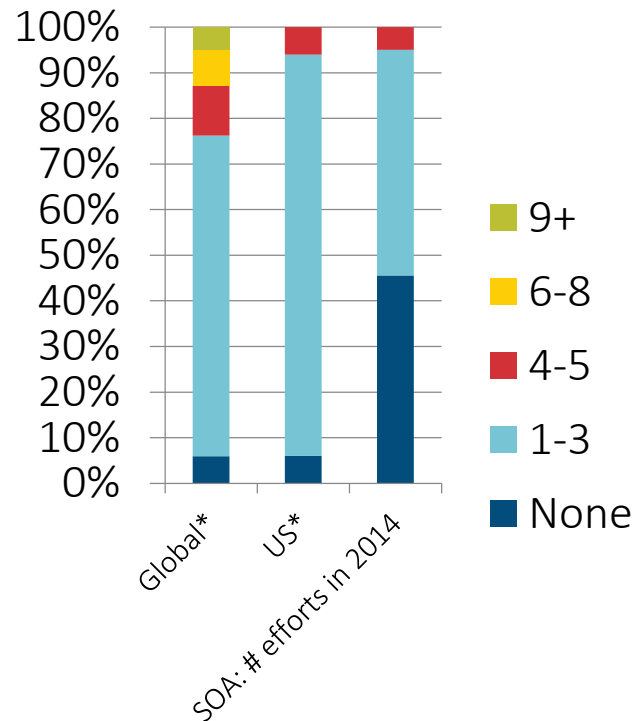


- In Hong Kong, focused differentiation is the more prevalent strategy. Small companies tend to follow leaders and create product niches.
- In Italy most products sold are investment oriented, and company strategies have changed due to volatile market conditions. Thus, companies cannot define a single product strategy.
- In France, multinational insurers are always market leaders where national companies' strategies focus on lower cost.
- In Brazil, there is a hyper-focus of strategy with little variation or openness to change due to distribution.

International Survey*: Approximately how many product launches does your company complete in 1 year?

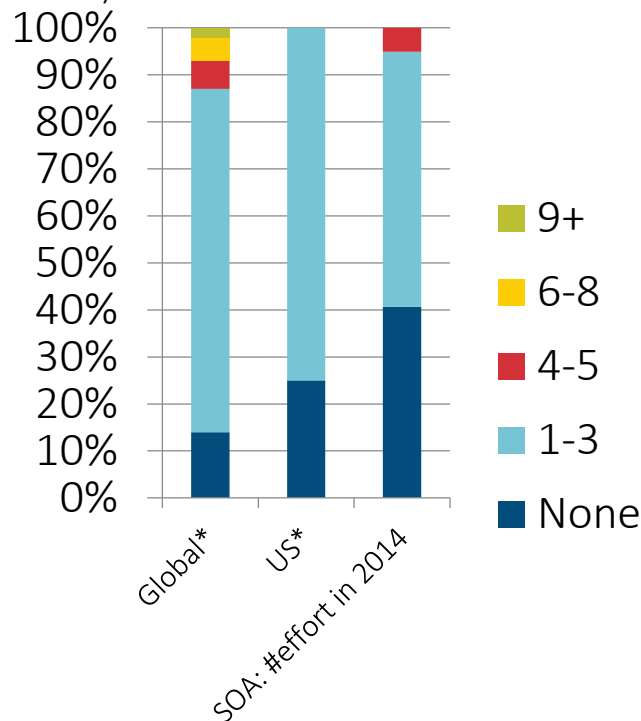
Savings¹

¹Insurance products that can be used for individual savings due to their cash value accumulation (e.g., UL or Whole Life)



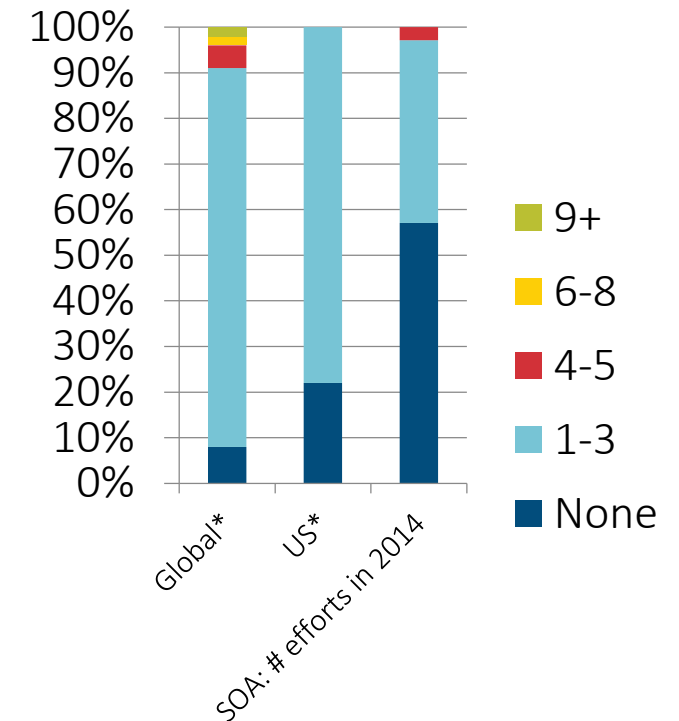
Risk²

²Insurance products that can be used for individual mortality risk protection due to their lack of cash value (e.g., Term Life, ULSG, Accident)



Living Benefit³

³Insurance products that can be used for individual illness protection, while the policyholder is still alive (e.g., Critical Illness, Long Term Care and Disability)

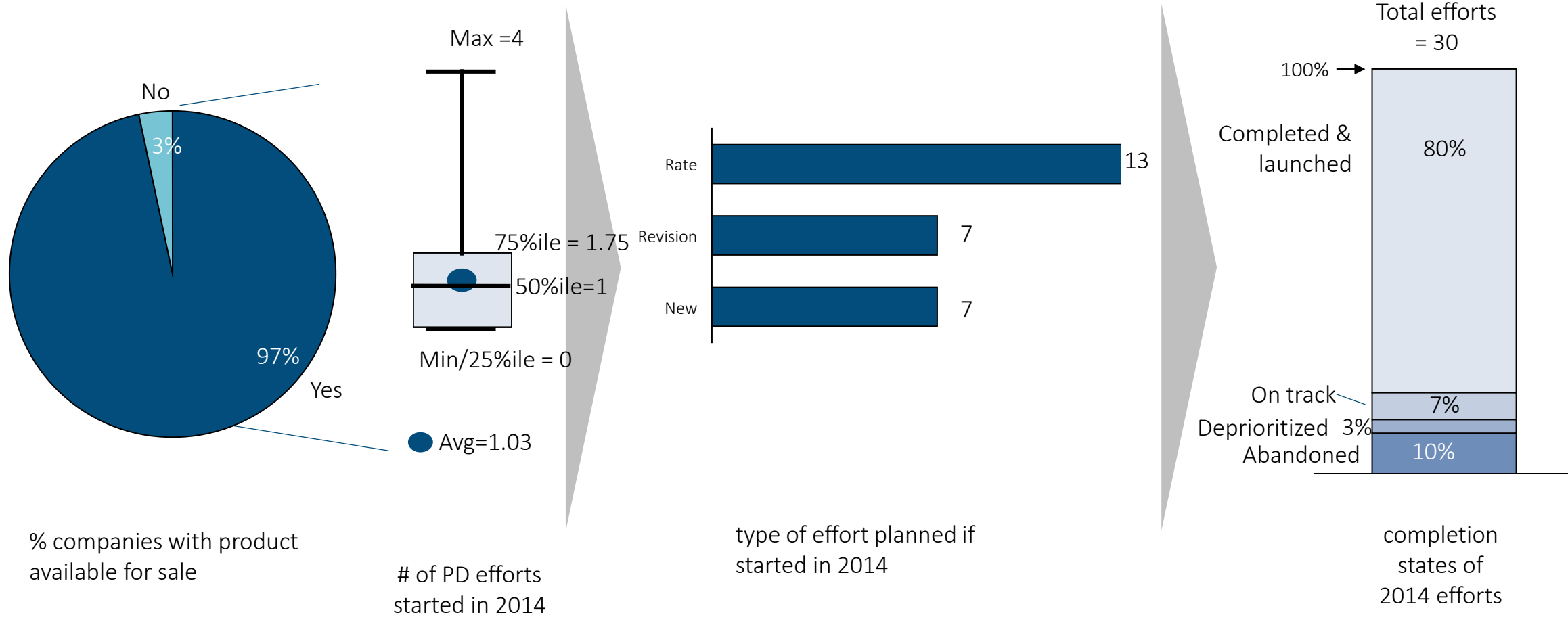


Globally, companies develop more products outside of North America; possibly due to immature markets and different regulatory regimes.

Most North American companies developed <4 products in 2014

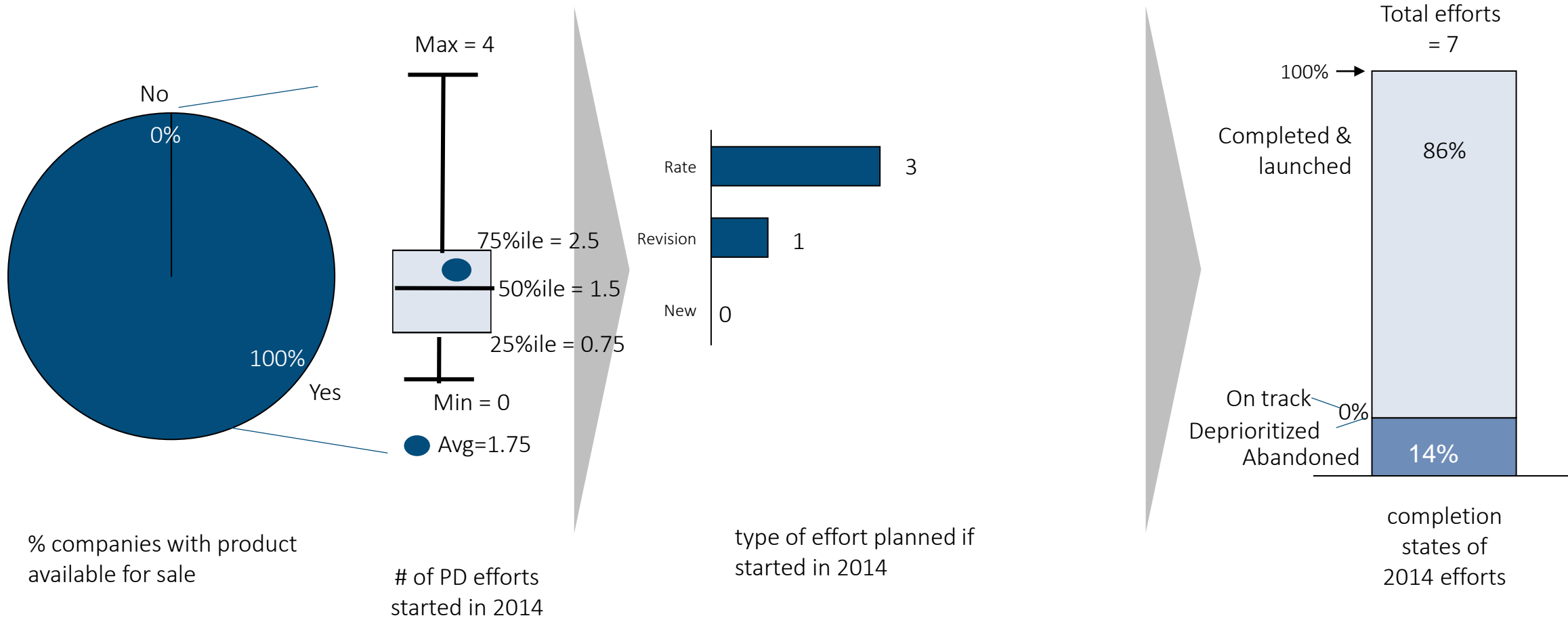
*2014 RGA International PD survey

B3. Please provide the following information for U.S. *Term Life Products* offered by your company on an individual or retail market basis in 2014.

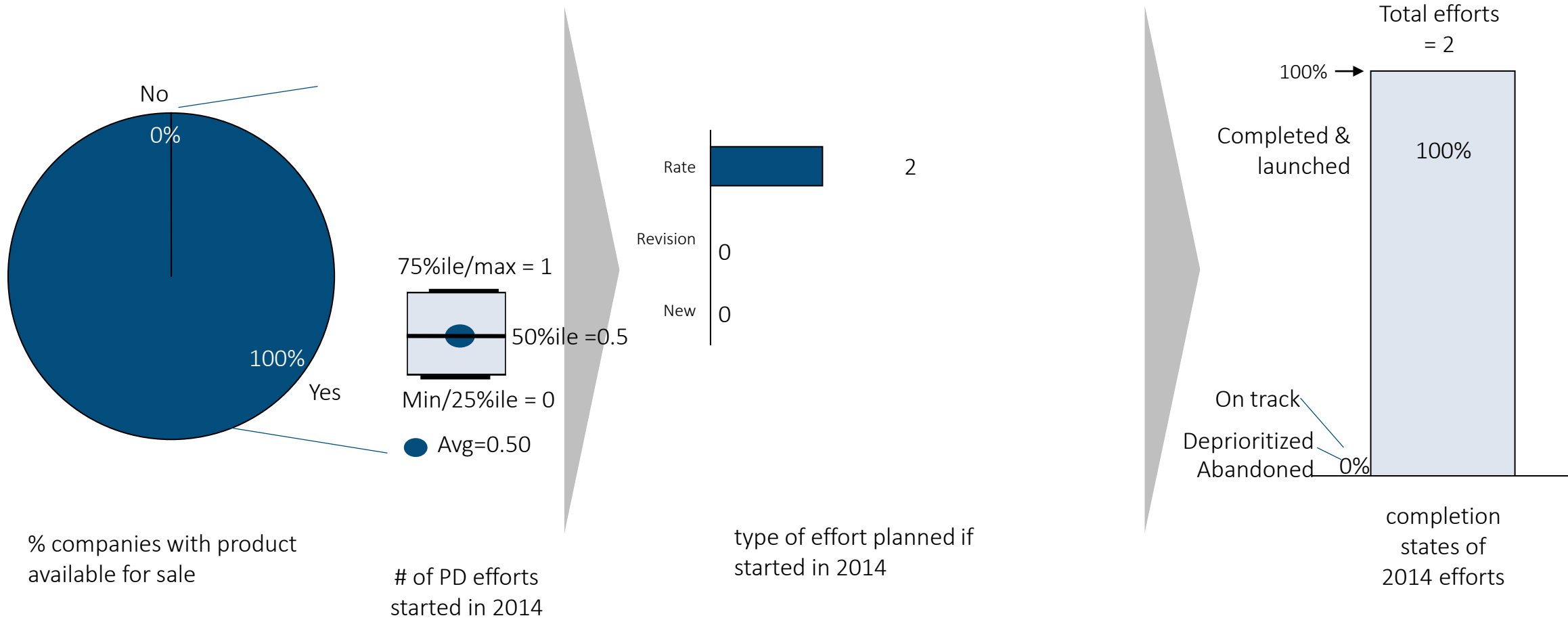


Not all companies answered all parts of B3, therefore type of effort will not always equate to total efforts in 2014

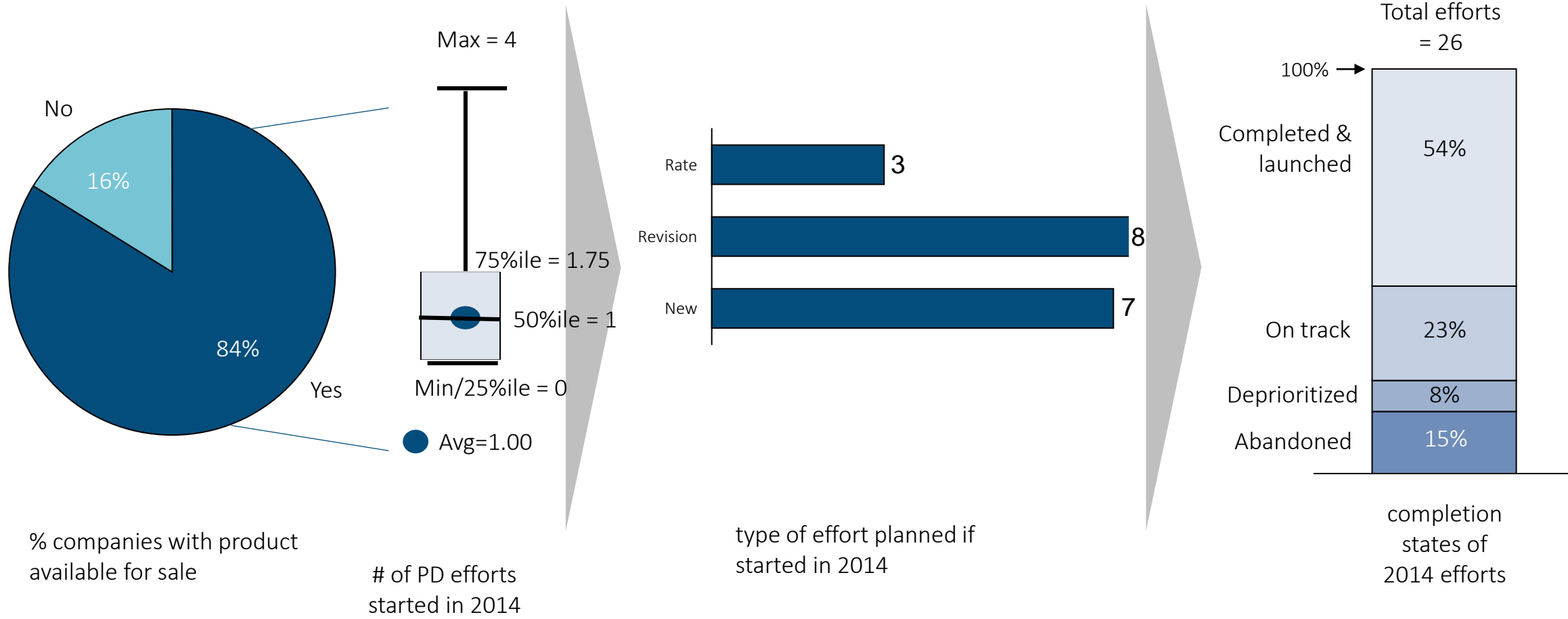
B3. Please provide the following information for Canadian *Term Life Products* offered by your company on an individual or retail market basis in 2014.



B3. Please provide the following information for Canadian *Term to 100 Life* Products offered by your company on an individual or retail market basis in 2014.



B3. Please provide the following information for U.S. *Whole Life Products* offered by your company on an individual or retail market basis in 2014.



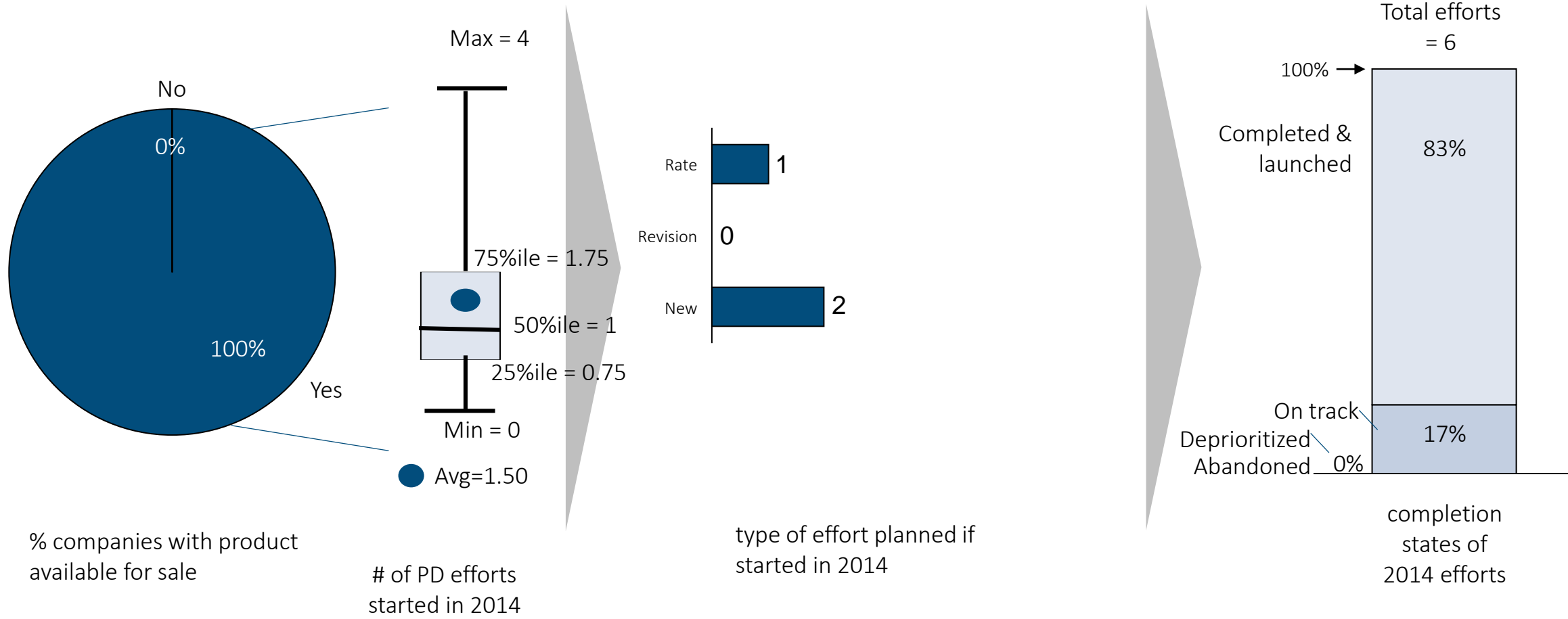
% companies with product available for sale

of PD efforts started in 2014

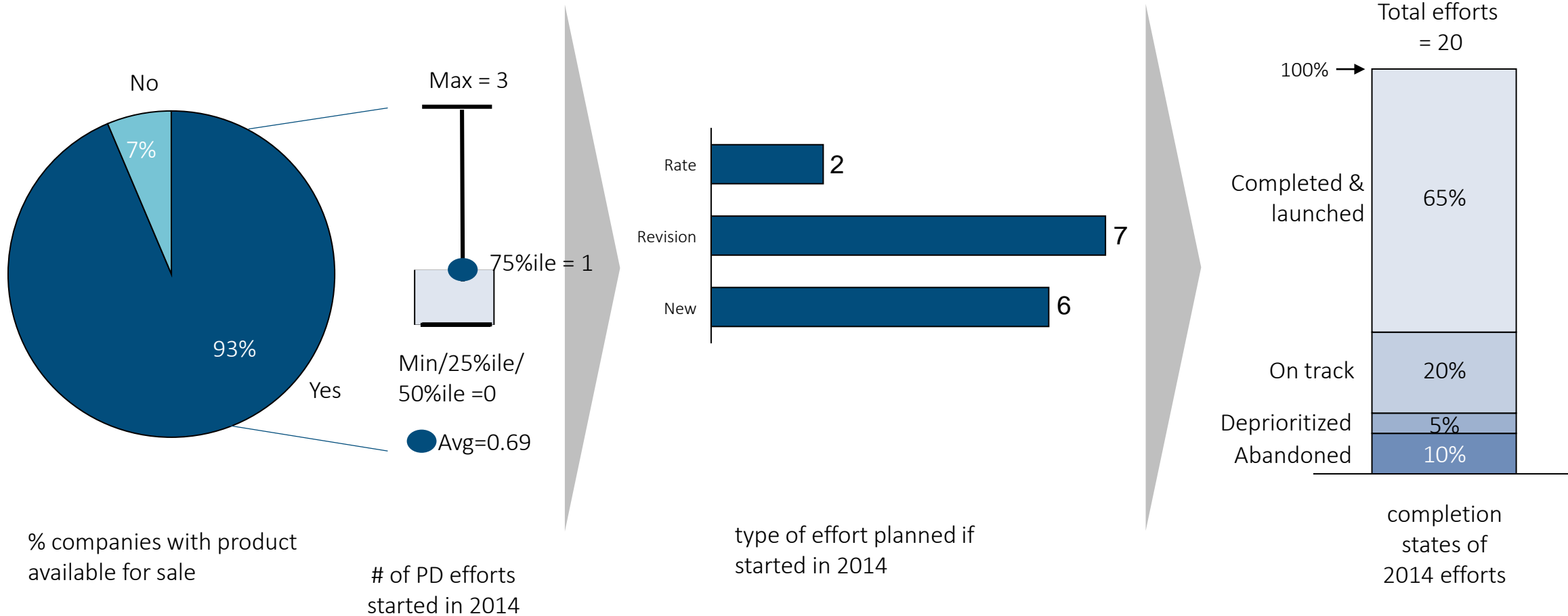
type of effort planned if started in 2014

completion states of 2014 efforts

B3. Please provide the following information for Canadian *Whole Life Products* offered by your company on an individual or retail market basis in 2014.

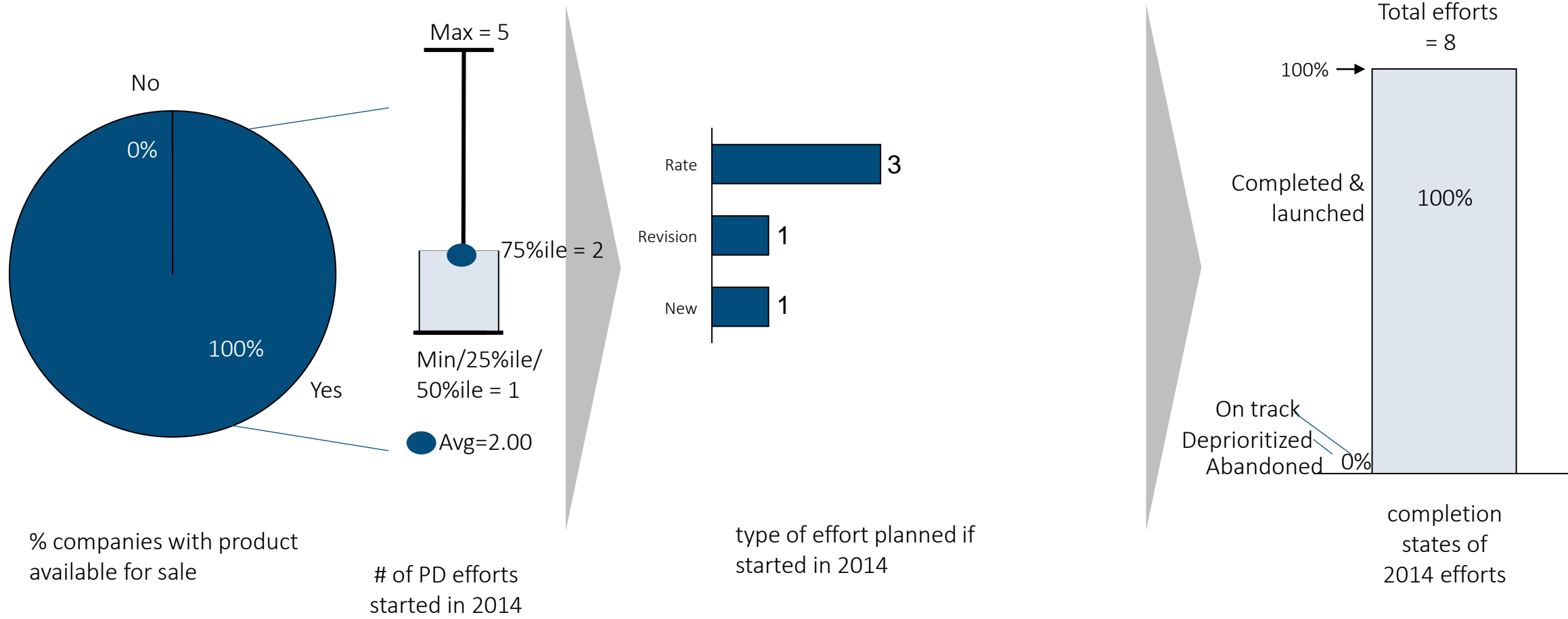


B3. Please provide the following information for U.S. *Universal Life (UL) Products* offered by your company on an individual or retail market basis in 2014.

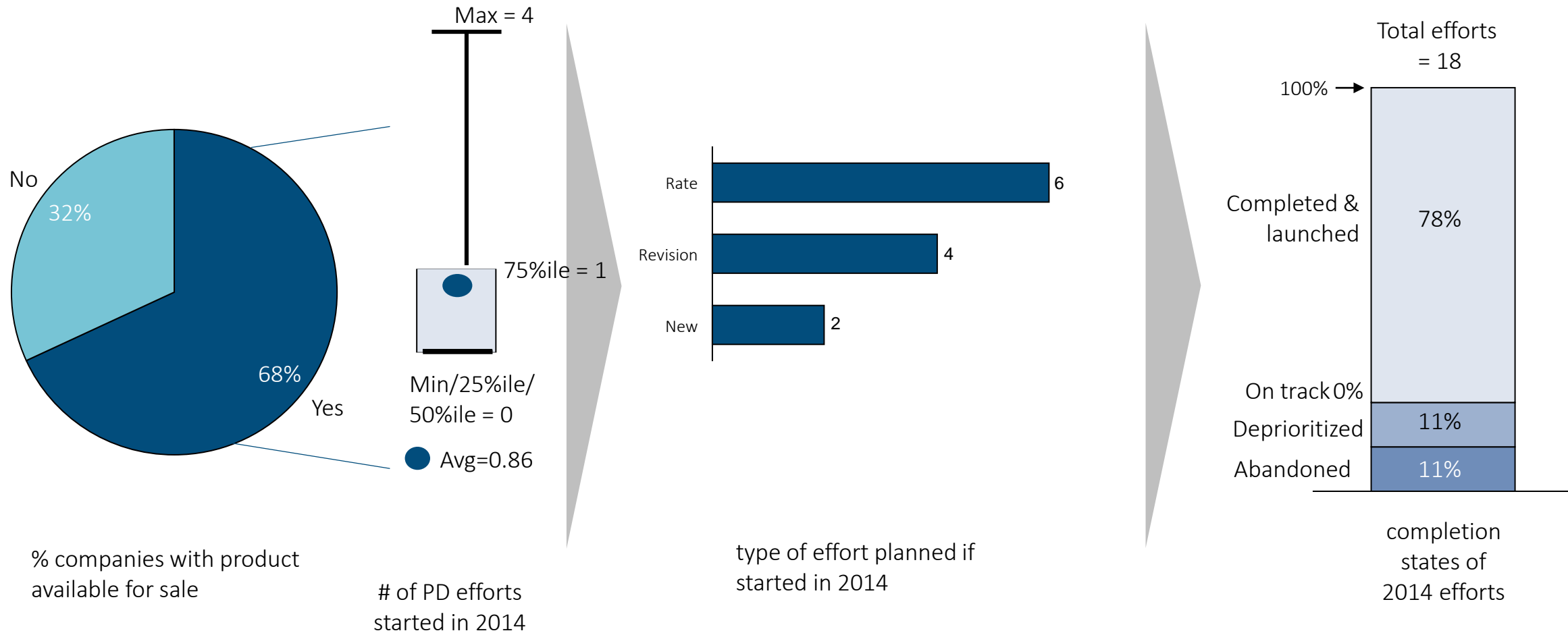


Not all companies answered all parts of B3, therefore type of effort will not always equate to total efforts in 2014

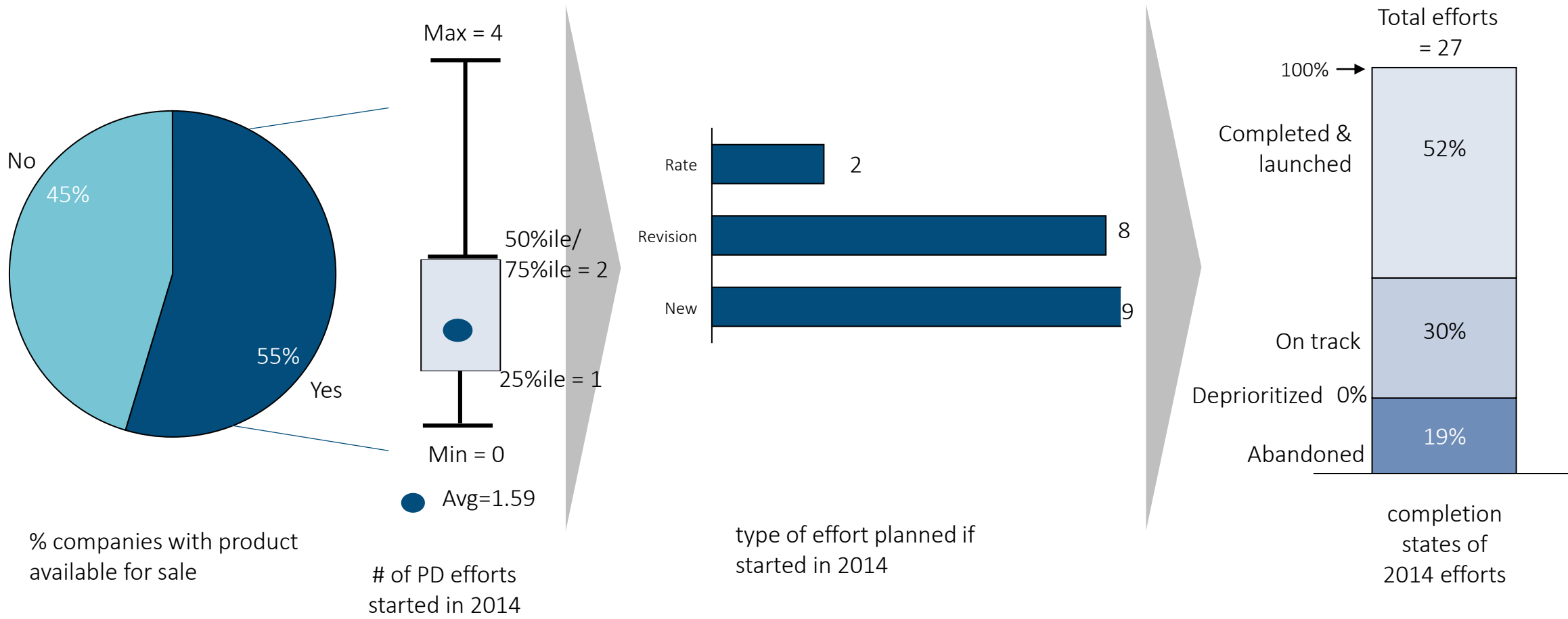
B3. Please provide the following information for Canadian *Universal Life (UL)* Products offered by your company on an individual or retail market basis in 2014.



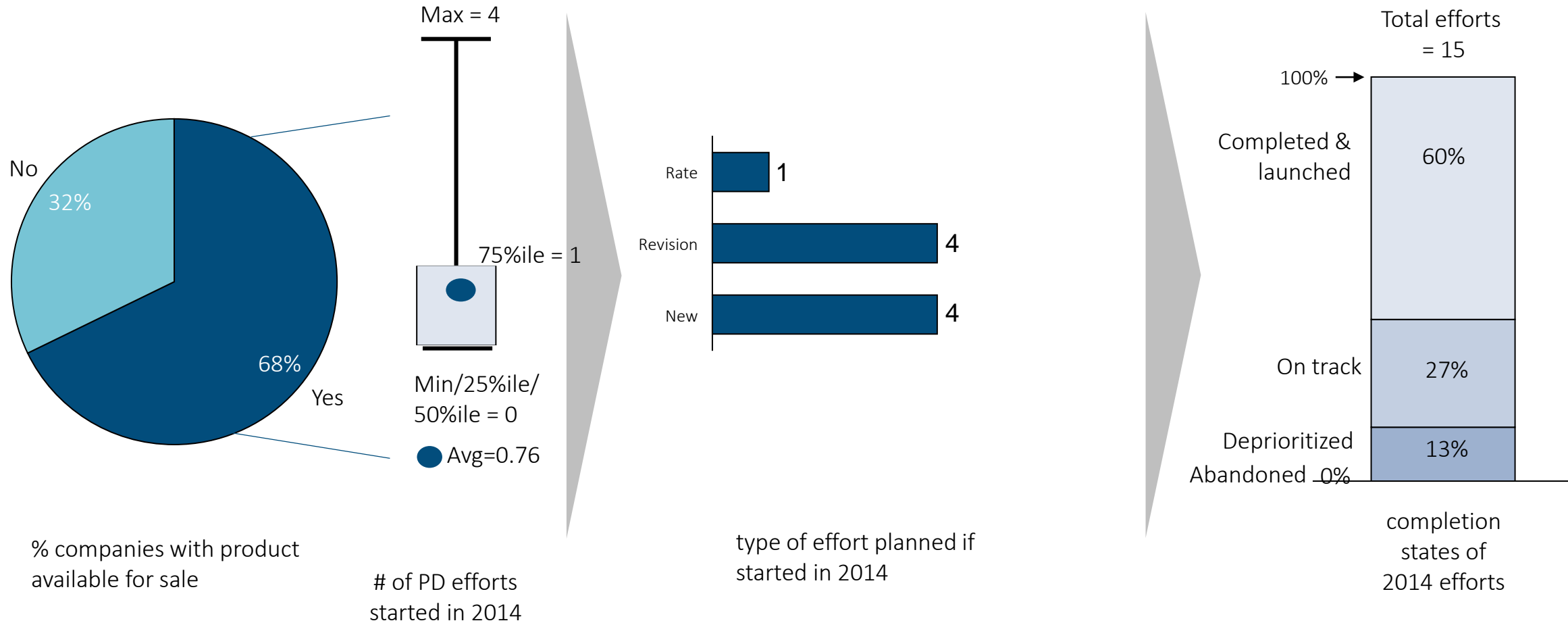
B3. Please provide the following information for U.S. *UL Secondary Guarantee Products* offered by your company on an individual or retail market basis in 2014.



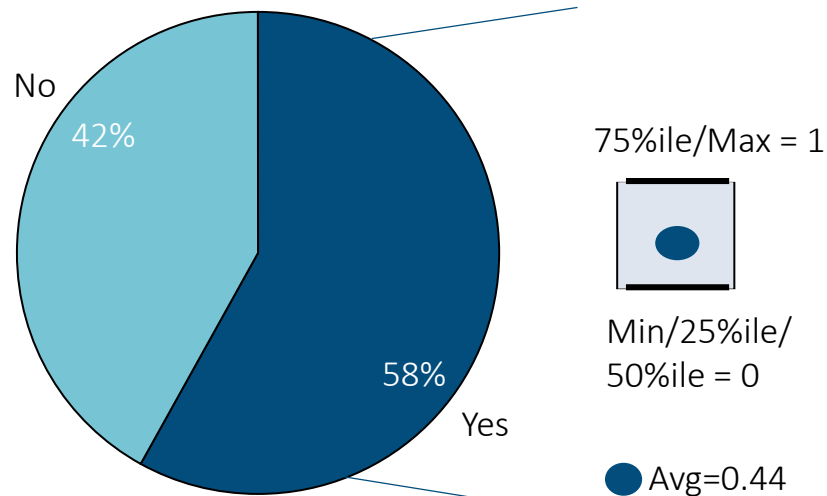
B3. Please provide the following information for U.S. *Indexed Universal Life* Products offered by your company on an individual or retail market basis in 2014.



B3. Please provide the following information for U.S. *Variable Universal Life* Products offered by your company on an individual or retail market basis in 2014.

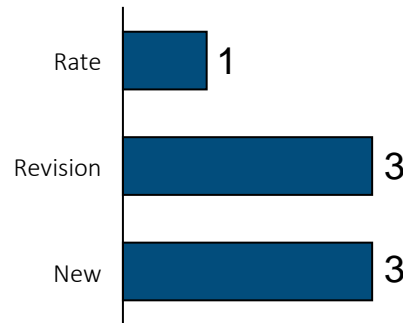


B3. Please provide the following information for U.S. *Chronic Illness Accelerated Death Benefit Riders* offered by your company on an individual or retail market basis in 2014.

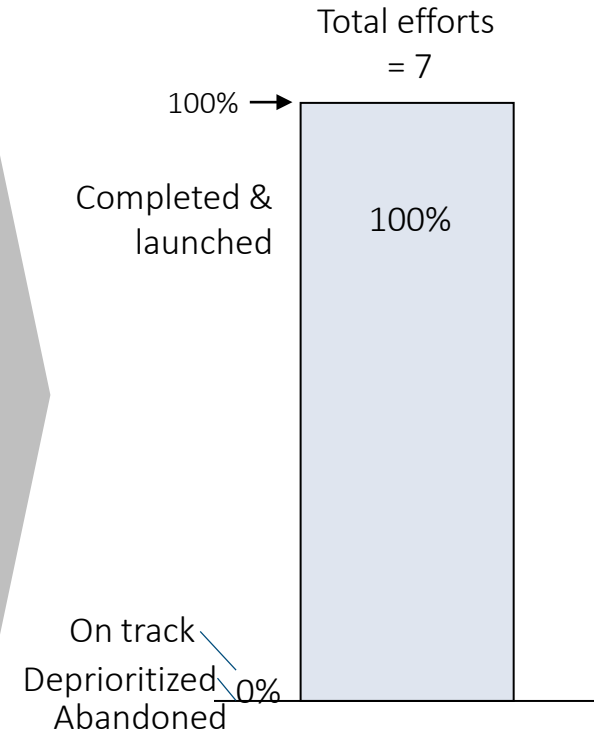


% companies with product available for sale

of PD efforts started in 2014

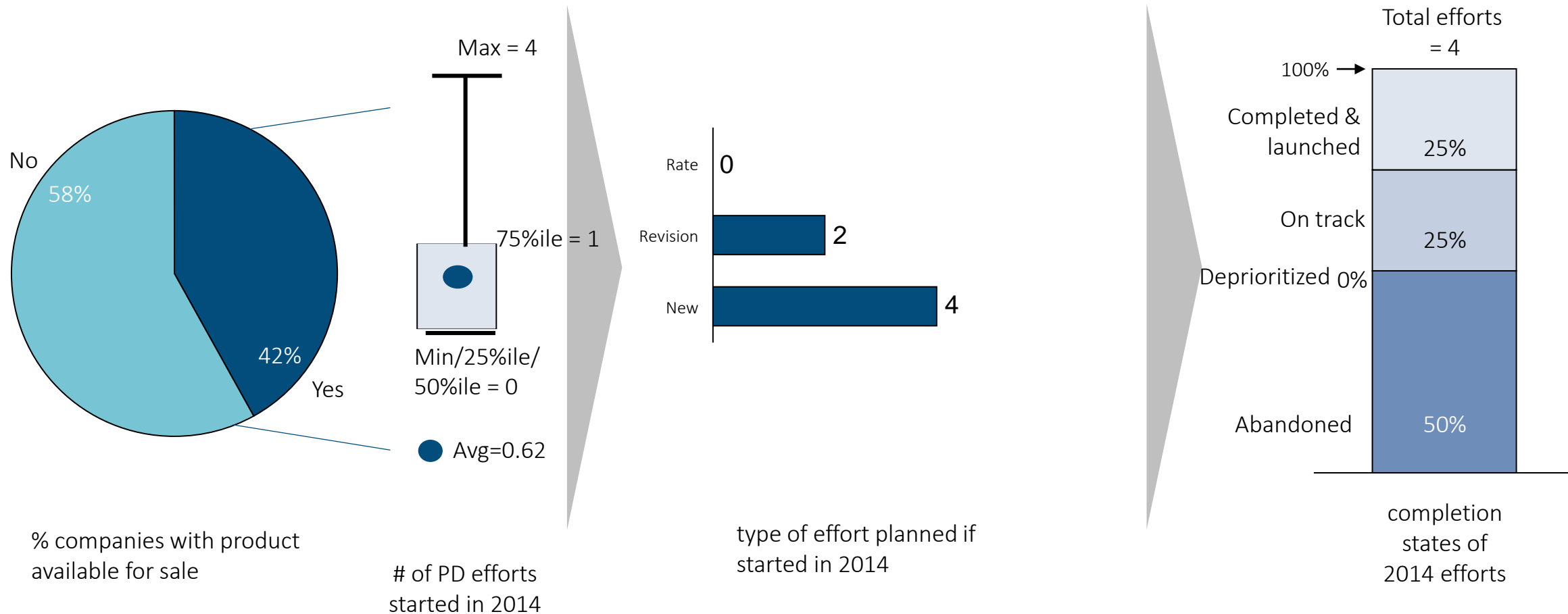


type of effort planned if started in 2014

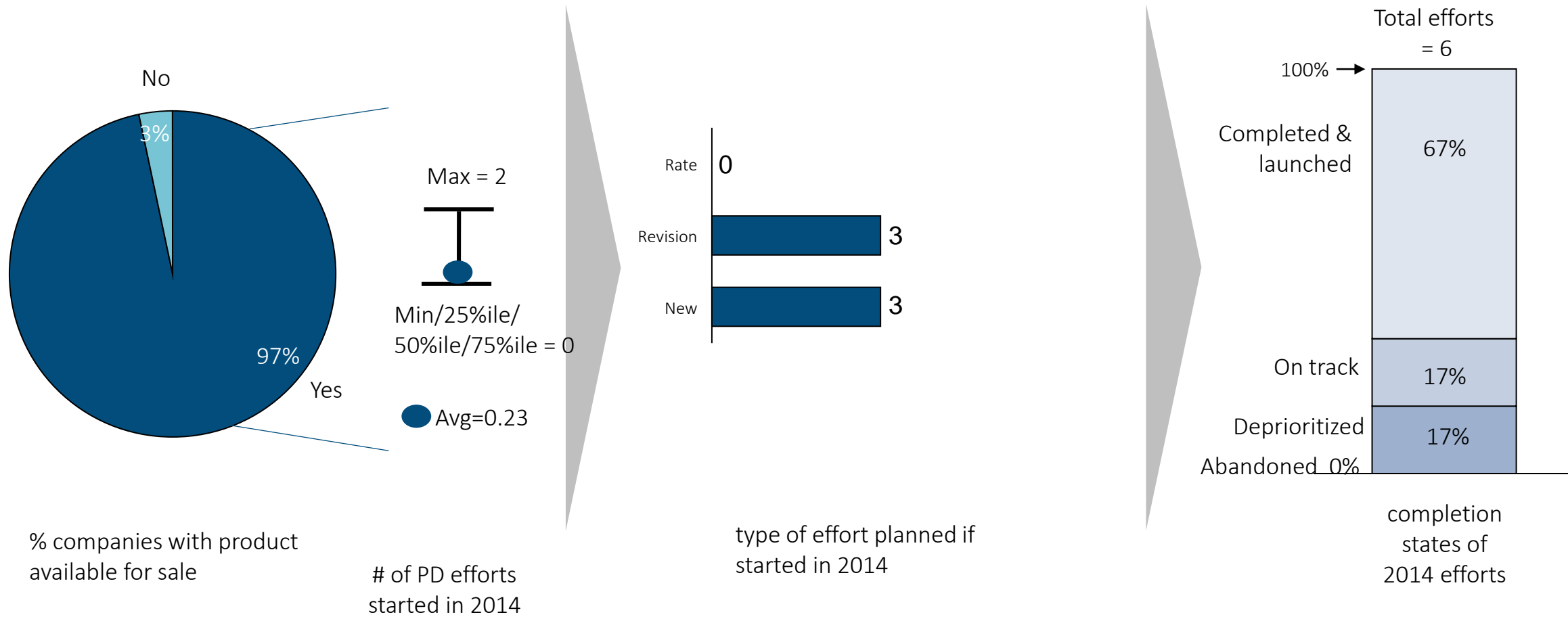


completion states of 2014 efforts

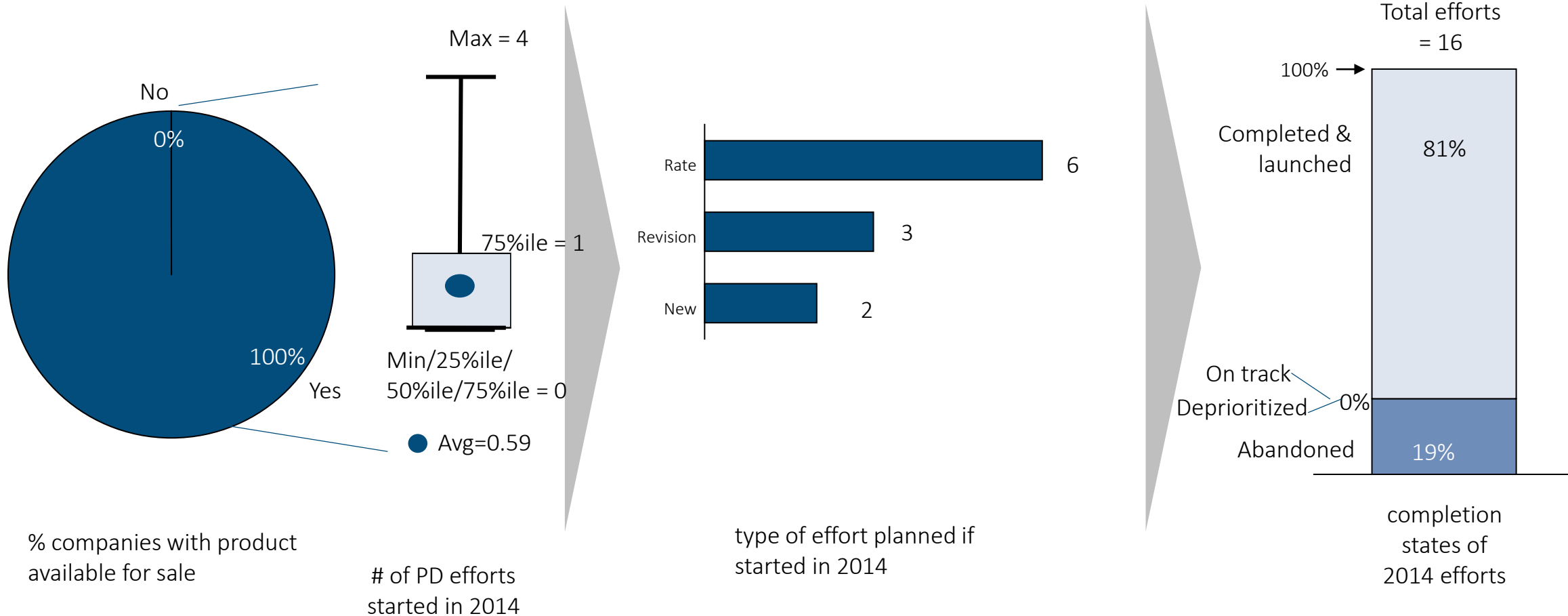
B3. Please provide the following information for U.S. *Long-Term Care Accelerated Death Benefit Riders* offered by your company on an individual or retail market basis in 2014.



B3. Please provide the following information for U.S. *Terminal Illness Accelerated Death Benefit Riders* offered by your company on an individual or retail market basis in 2014.



B3. Please provide the following information for U.S. *Fixed Annuity Products* offered by your company on an individual or retail market basis in 2014.



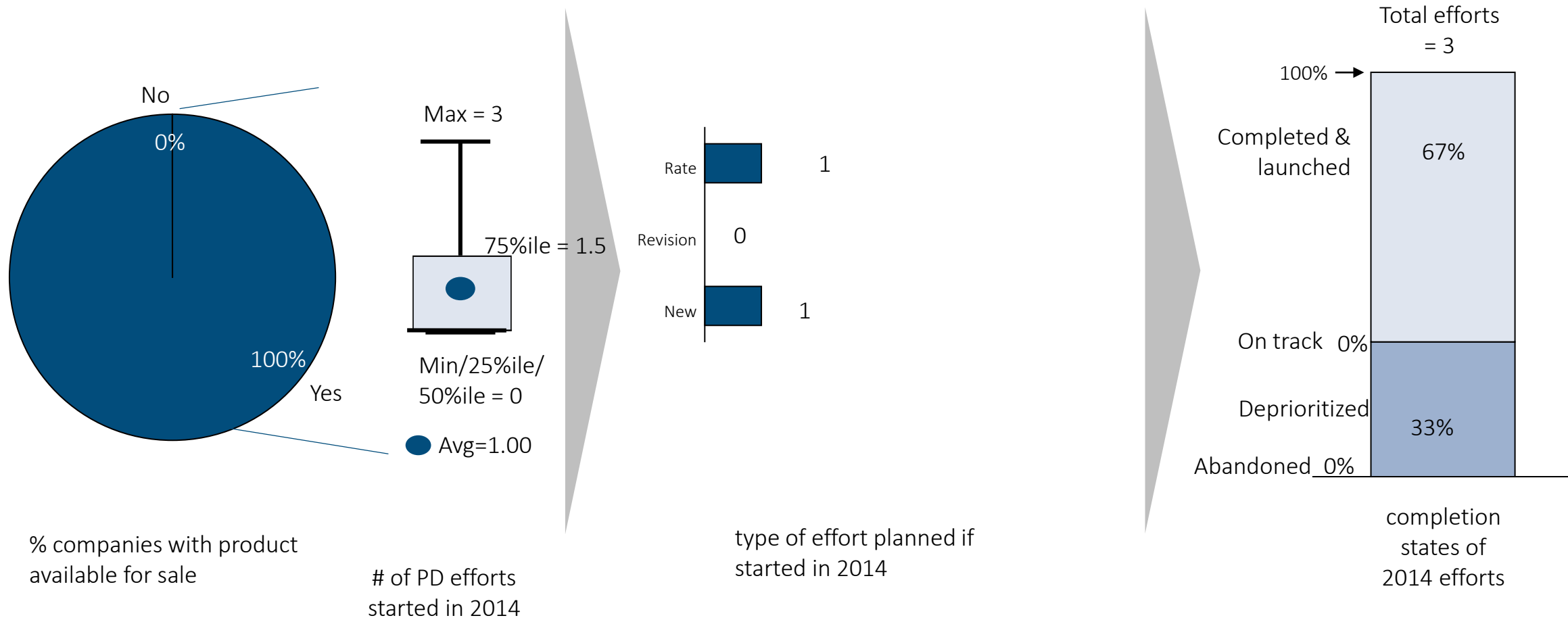
% companies with product available for sale

of PD efforts started in 2014

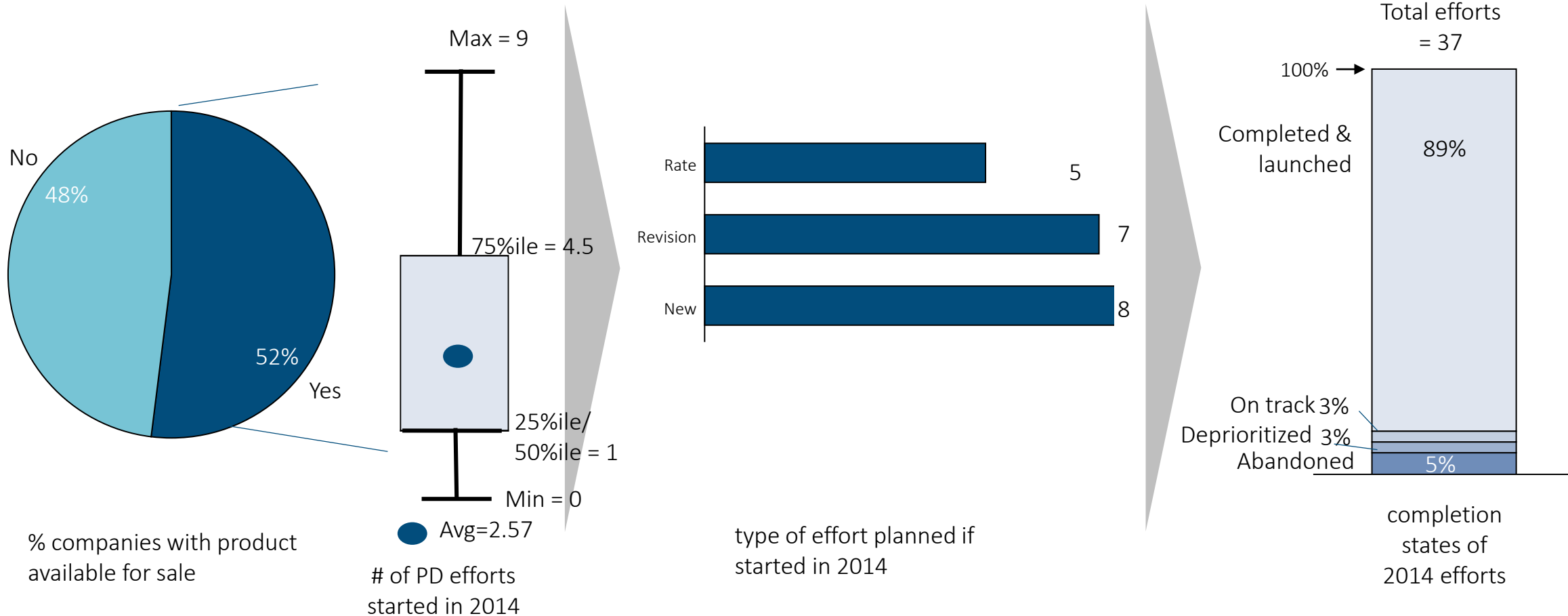
type of effort planned if started in 2014

completion states of 2014 efforts

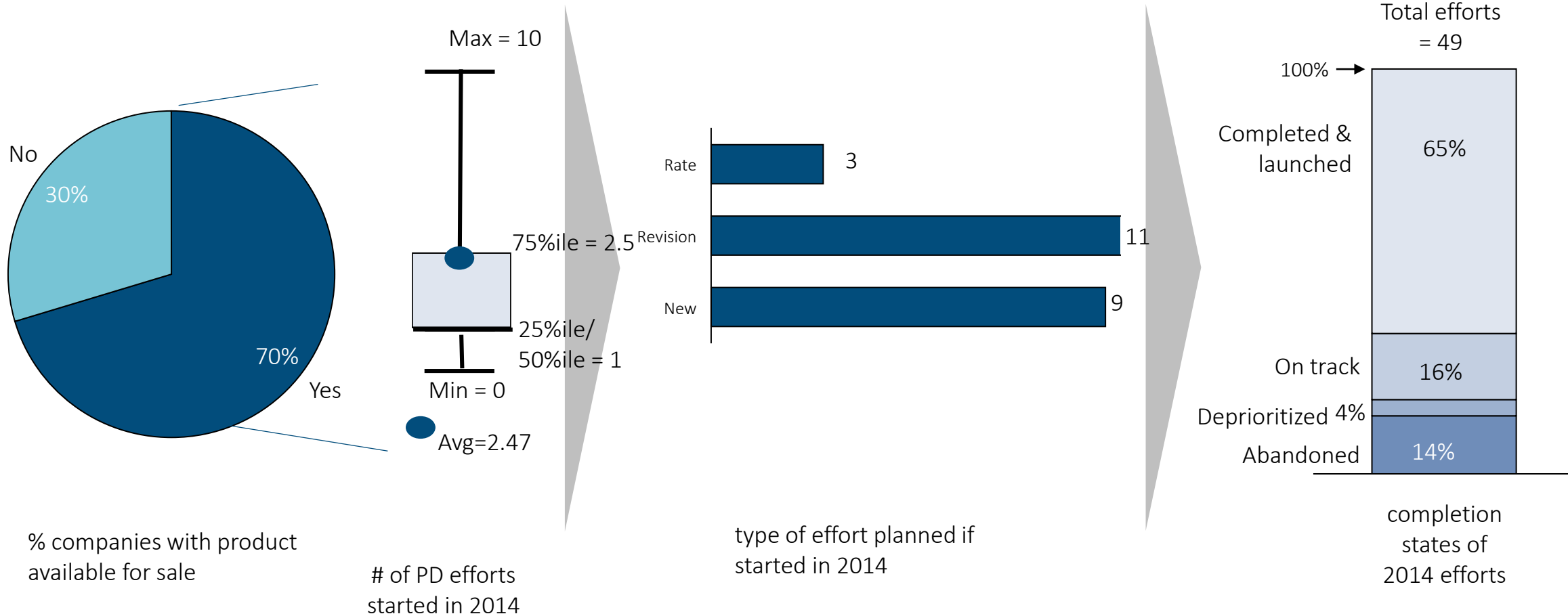
B3. Please provide the following information for Canadian *Fixed Annuity Products* offered by your company on an individual or retail market basis in 2014.



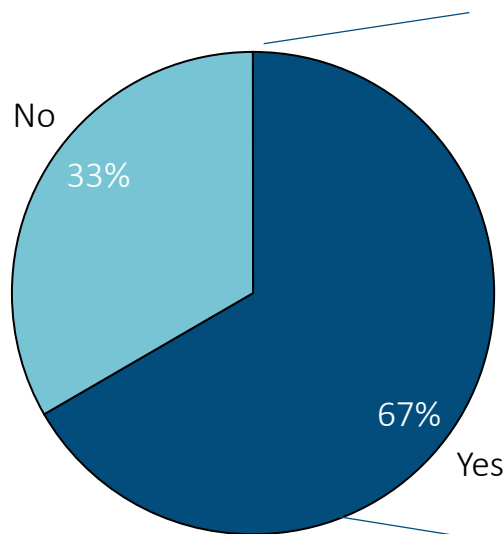
B3. Please provide the following information for U.S. *Indexed Annuity Products* offered by your company on an individual or retail market basis in 2014.



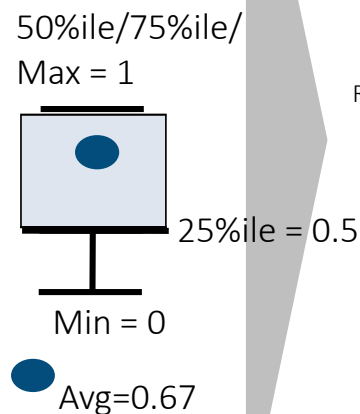
B3. Please provide the following information for U.S. Variable Annuity Products offered by your company on an individual or retail market basis in 2014.



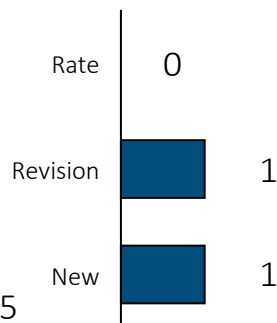
B3. Please provide the following information for Canadian *Segregated Fund-Based Annuity Products* offered by your company on an individual or retail market basis in 2014.



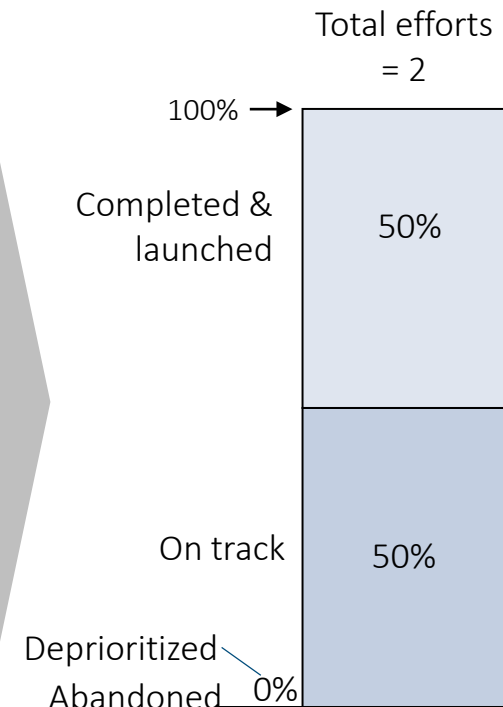
% companies with product available for sale



of PD efforts started in 2014



type of effort planned if started in 2014

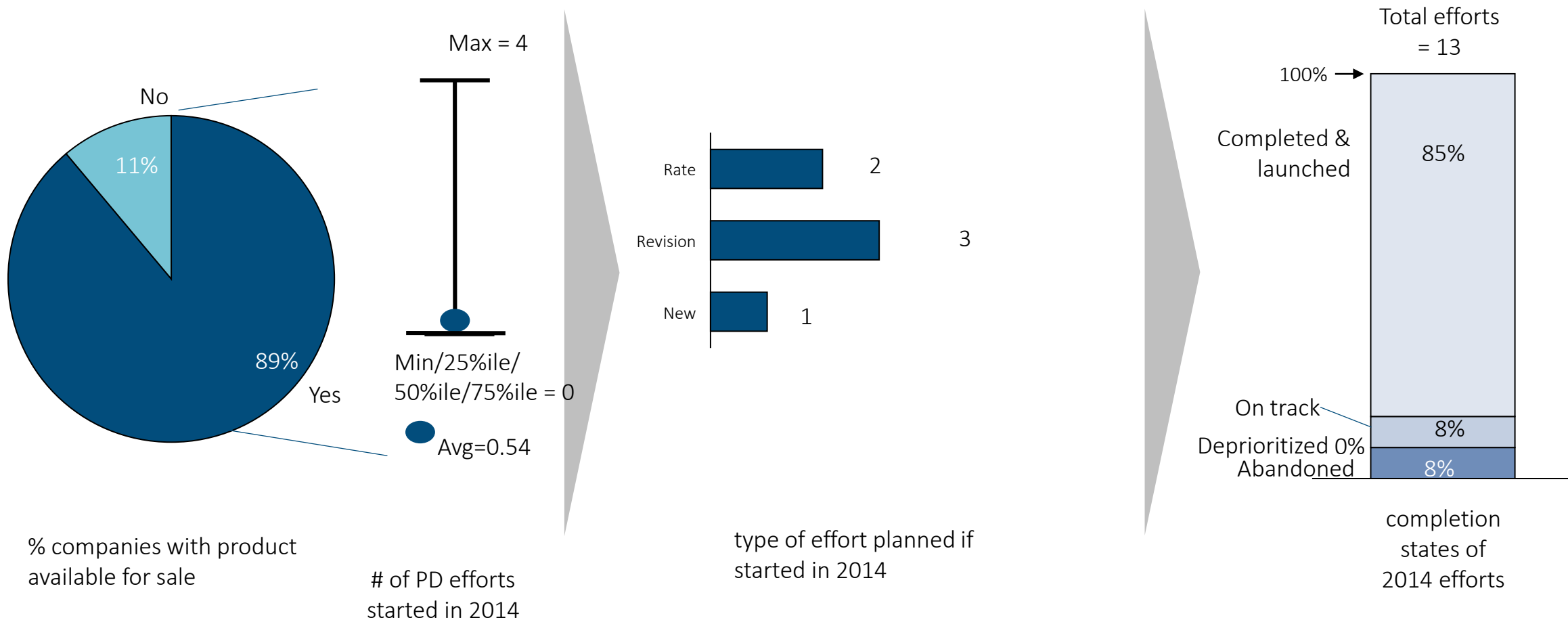


completion states of 2014 efforts

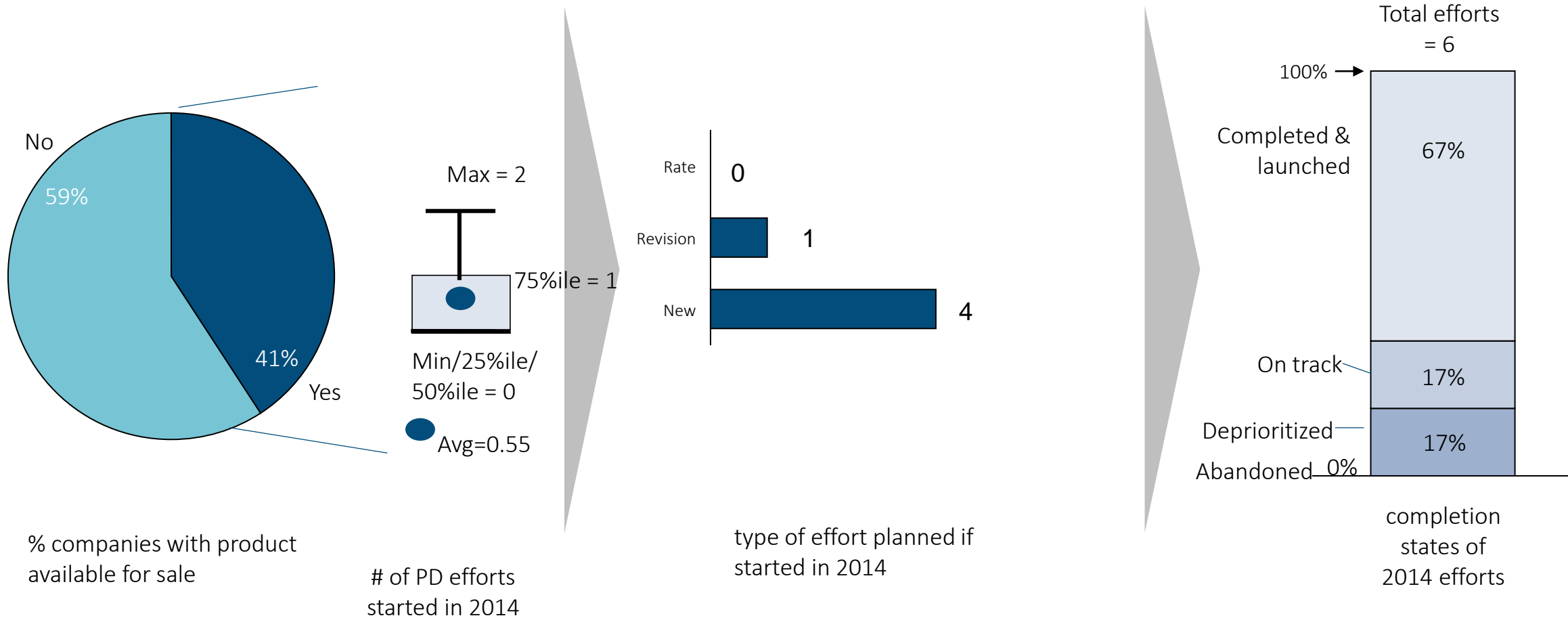
Not all companies answered all parts of B3, therefore type of effort will not always equate to total efforts in 2014.

Italy has pushed out more unit-linked products; there is less favorable reception for the product but companies must de-risk to survive the environment.

B3. Please provide the following information for *Single Premium Immediate Annuity Products* offered by your company on an individual or retail market basis in 2014.

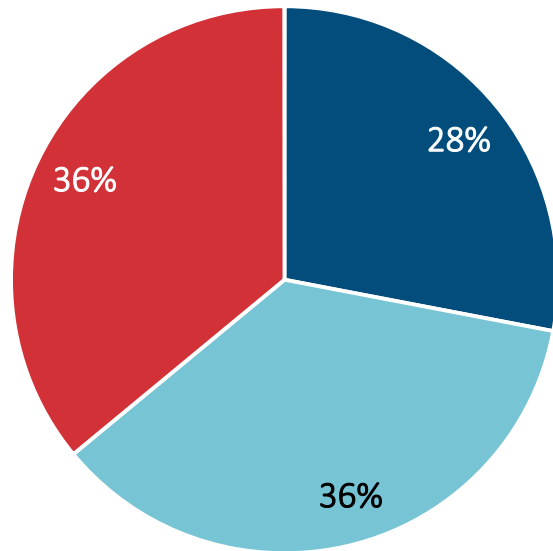


B3. Please provide the following information for *Contingent Deferred Annuity Products* offered by your company on an individual or retail market basis in 2014.



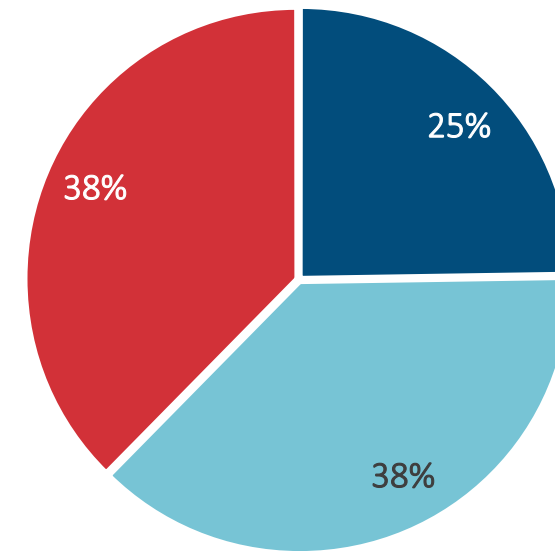
B3: For product development efforts started in 2014, what type of effort was planned?

Life Product Development Efforts



■ Rate change ■ Revision ■ New product

Annuity Product Development Efforts



■ Rate change ■ Revision ■ New product

B4. For any project(s) that was deprioritized or abandoned, what are the top 3 reasons for the initiative not progressing as planned?

Life		
Reason	Deprioritize	Abandon
Agent buy in	❌	✅
Profitability	❌	✅
Changing competitive landscape	❌	✅
Feasibility study	❌	✅
Resources	✅	⚠️
Not key market	❌	⚠️
Admin System constraints	⚠️	⚠️
Regulation	❌	⚠️
Length of time to complete effort	✅	❌
Filing/State Approvals	❌	❌
Expenses	❌	❌
Capital	❌	❌
Customer/consumer buy in	❌	❌
Illustration System constraints	❌	❌
Reinsurance	❌	❌

Annuity		
Reason	Deprioritize	Abandon
Resources	⚠️	✅
Profitability	✅	✅
Admin System constraints	✅	⚠️
Customer/consumer buy in	⚠️	⚠️
Expenses	✅	⚠️
Feasibility study	❌	⚠️
Agent buy in	✅	❌
Changing competitive landscape	⚠️	❌
Not key market	❌	❌
Length of time to complete effort	⚠️	❌
Reinsurance	❌	❌
Capital	❌	❌
Regulation	❌	❌
Filing/State Approvals	❌	❌
Illustration System constraints	❌	❌

❌ 1 Not a major reason ⚠️ 2 Moderate reason ✅ 3 Key reason

Interview Comments on Deprioritize/Abandon

- I wouldn't say it's reprioritized that frequently. We have a once a year process where we submit our product development plans. Then we go into a rack and stack process, where obviously some projects get funded and some projects don't based on the need and the opportunity.
- In all honesty, we don't really seem to run across this too often. I think anytime we might consider reprioritizing is early on in the stage of doing the strategy and competitive analysis.
- Once we start, we're pretty much on board with that decision from that point forward.
- If we see a significant change in the marketplace that happens quickly, that's different, then we'll shift quickly if need be.

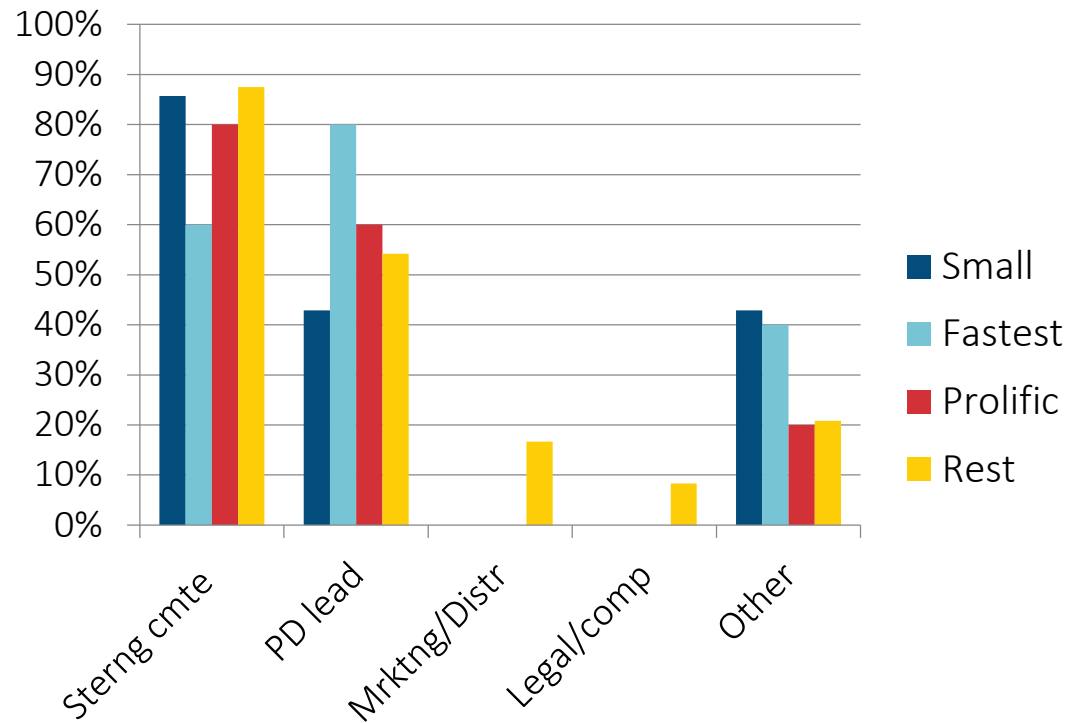
Interview Comments on Deprioritize/Abandon (continued)

- Reprioritizations may depend on PD development scale; for large initiatives it will be business as usual that may pick up some priorities because of changing landscape or regulations or competitive environment where the PD cycle may be pushed out because the change was unplanned
- Key reasons discussed for abandonment or de-prioritization include budget, cost and resource constraints, which is in line with the survey responses of resources and admin systems
- The abandonment question tends to arise at certain points in the PD process including after feasibility studies but sometimes into the pricing process
- Market conditions and changes in market condition is another key reason for de-prioritization or abandonment not in the survey list

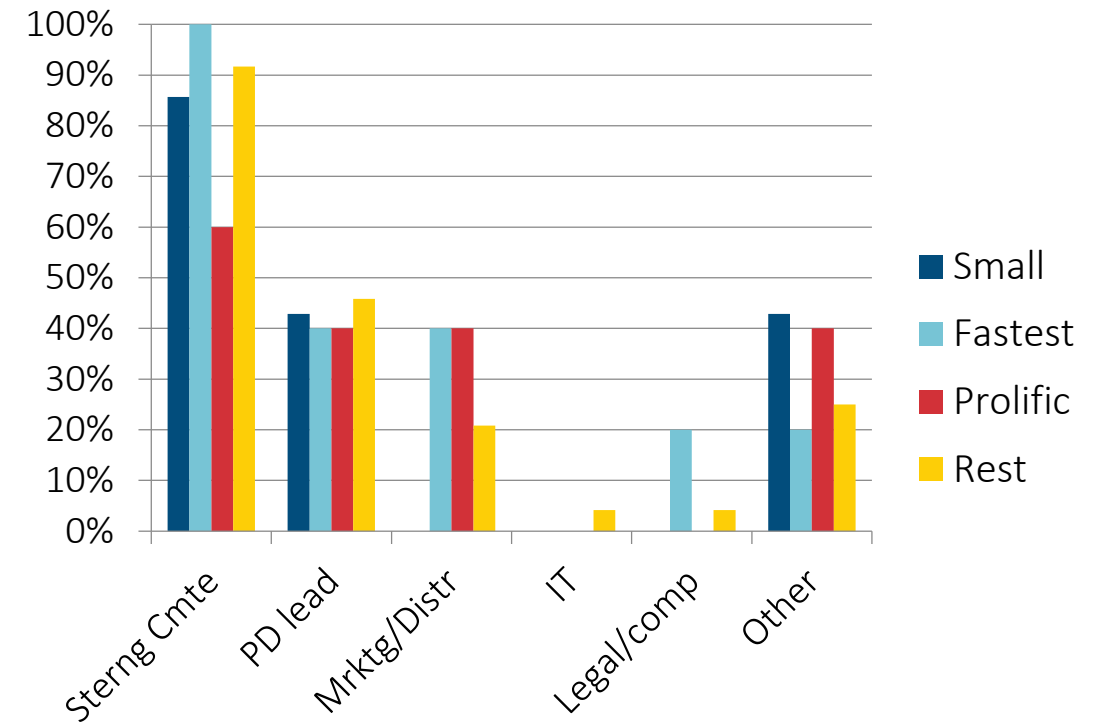
B5. Who has the authority to deprioritize/abandon a project?

Operations, IT and legal/compliance have little/no authority to deprioritize/abandon but do impact reasons for deprioritizing/abandoning per B4

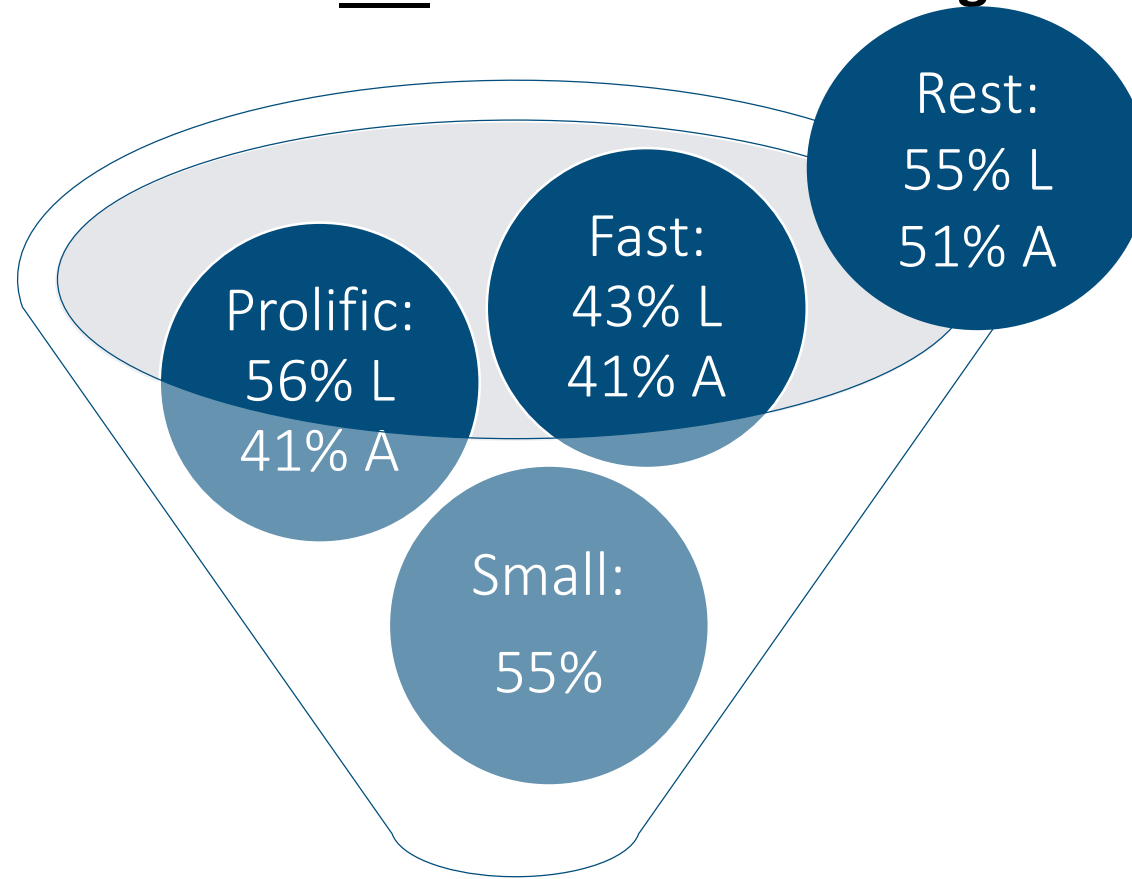
Life



Annuity



B6. What percentages of ideas do not make it out of idea generation phase?



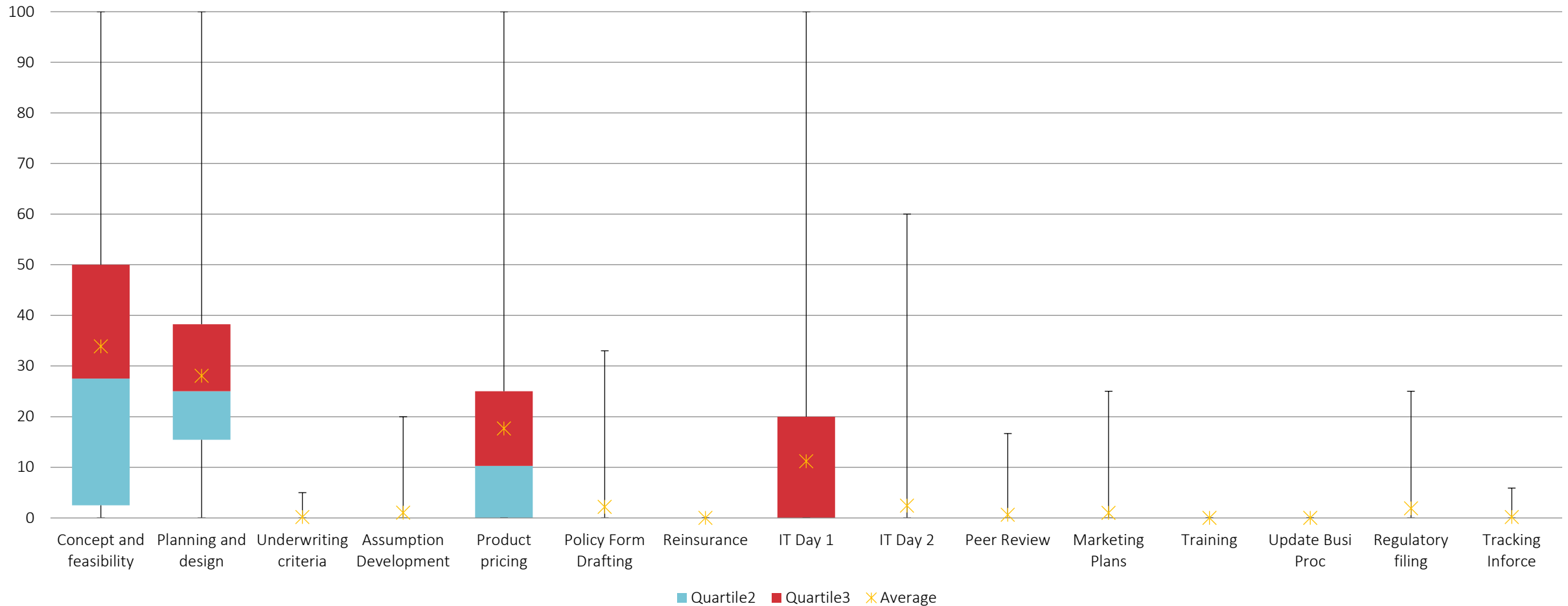
Total: All companies

Life: 55%

Annuity: 53%

B7. Of the products that get past the idea generation stage, what percentage of the time are projects deprioritized/abandoned and in what stage during the product development process?

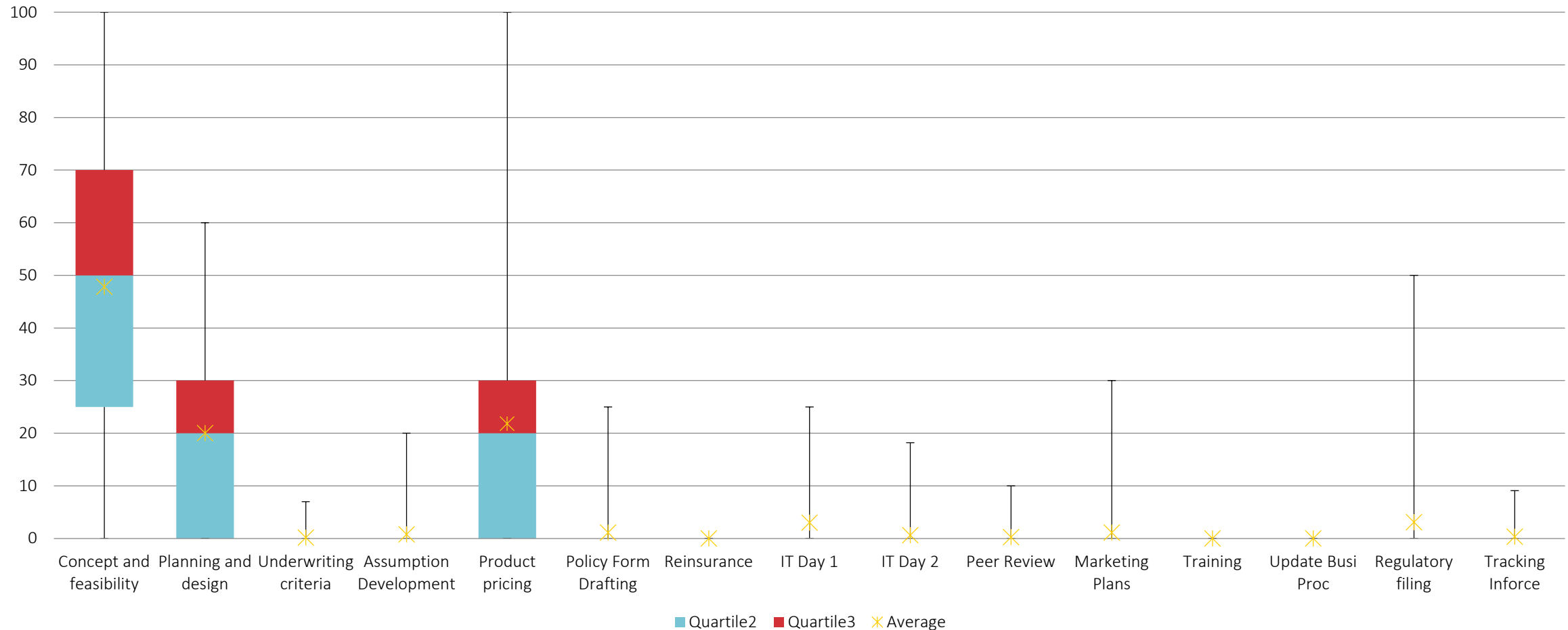
Deprioritized



 Denotes average

B7. Of the products that get past the idea generation stage, what percentage of the time are projects deprioritized/abandoned and in what stage during the product development process?

Abandoned

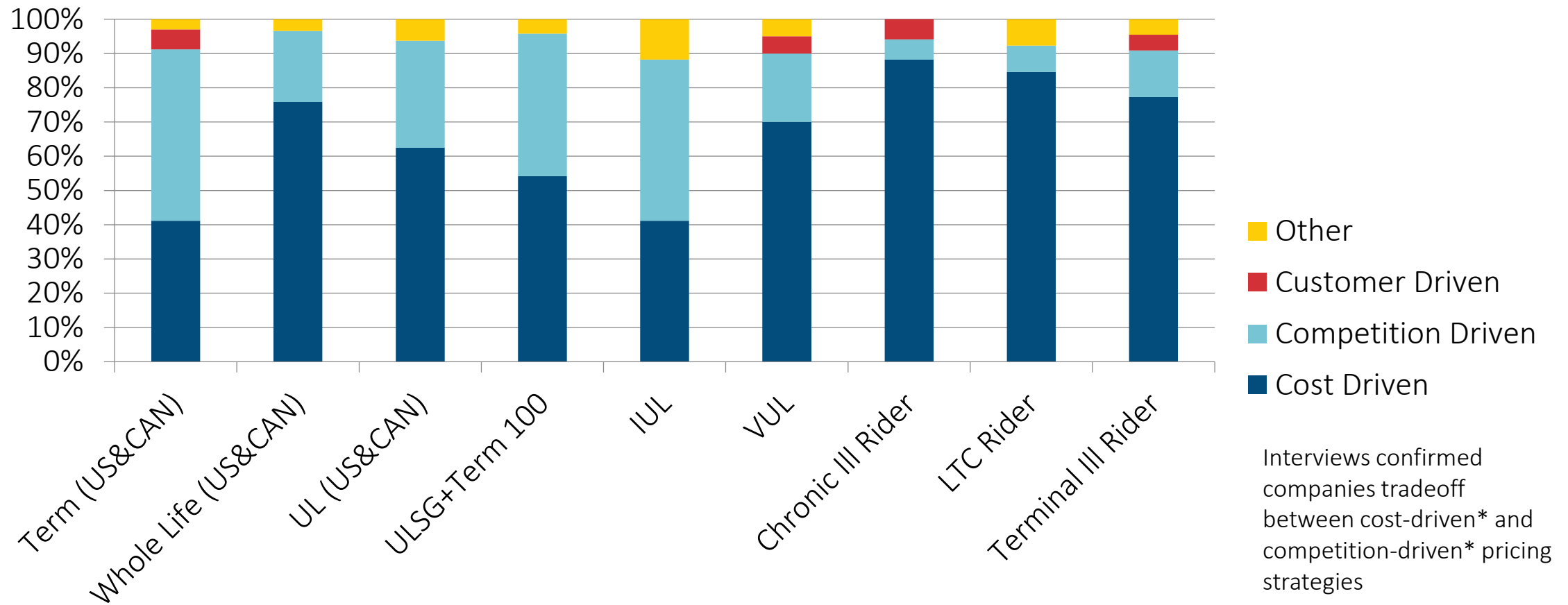


 Denotes average

Feasibility, planning and pricing tend to be where projects are abandoned as well

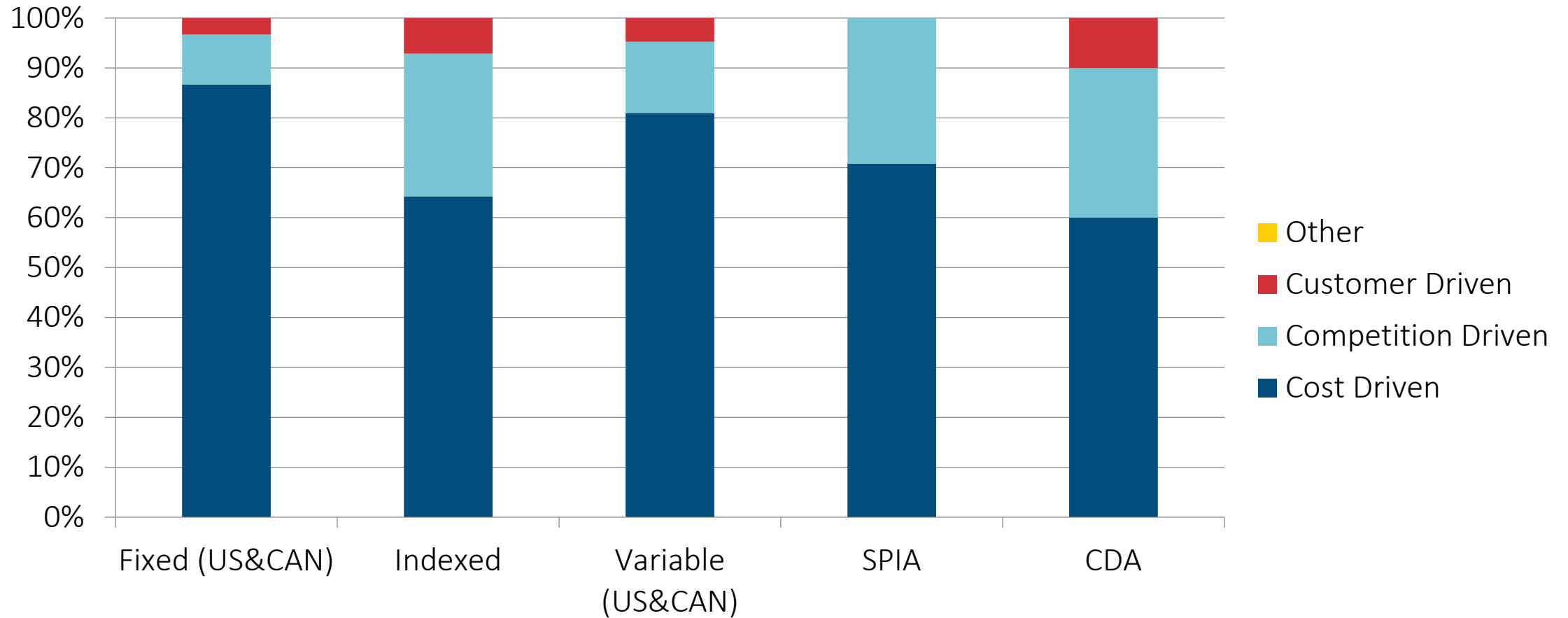
B8. Which of the following has been your company's primary pricing strategy?

Life



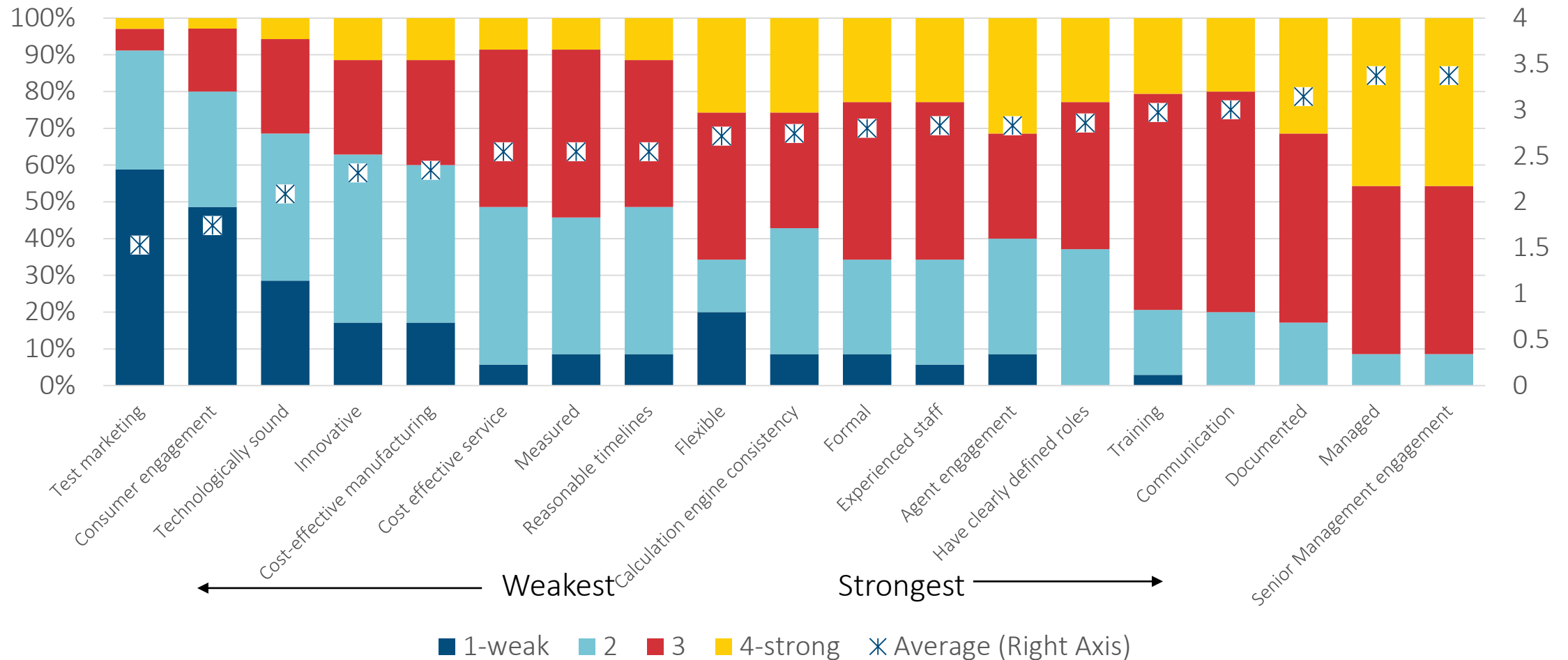
B8. Which of the following has been your company's primary pricing strategy?

Annuity



B9. On a scale from 1 (weak) to 4 (strong), how do you rate your product development process in the following areas?

Life



Most Life companies rate themselves high in management, documentation and Senior Mgt. engagement.

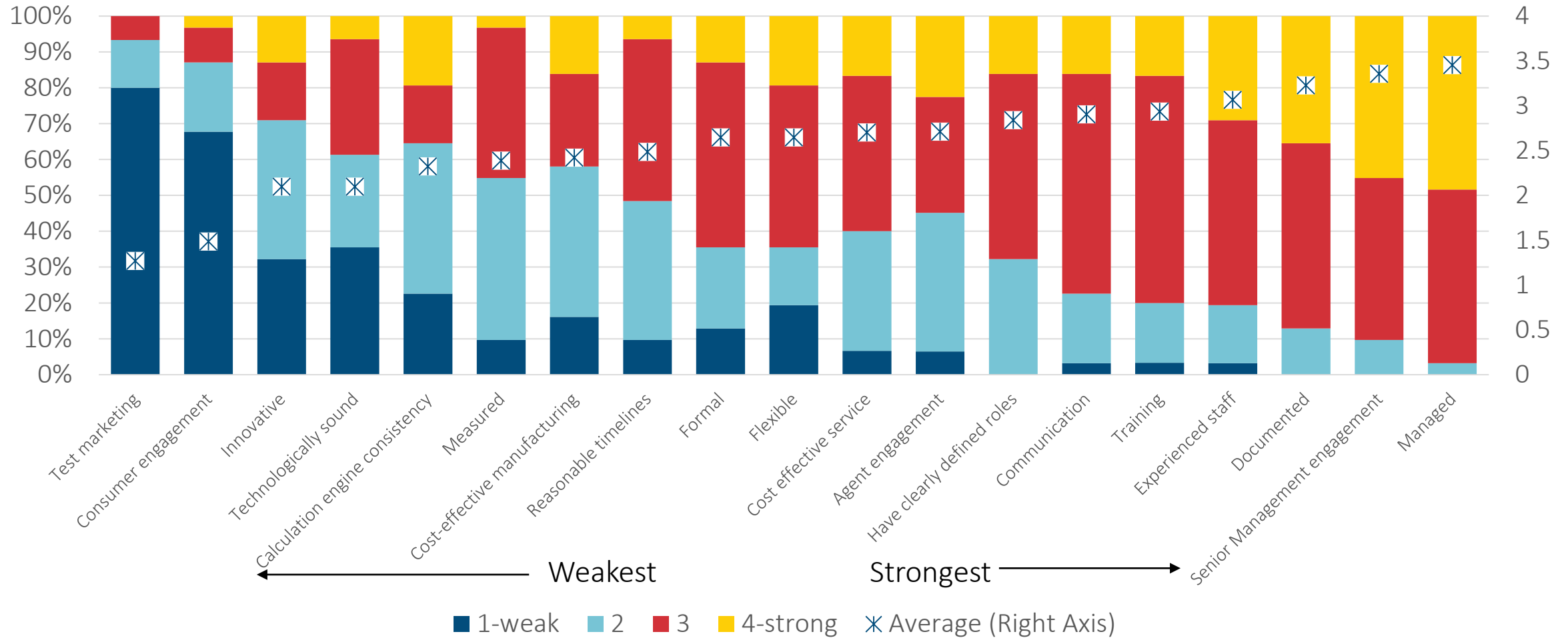
Life companies rate themselves low on consumer engagement or test marketing.

International perspective from interviews

- Hong Kong will use focus groups (usually agents) to develop concepts and change design
- Customer engagement mainly comes from focus groups trying to develop the angle that clients are most responsive to for the sale of the product rather than product features itself. May get some indicative price point, but more often leveraged for developments or better marketing messages.

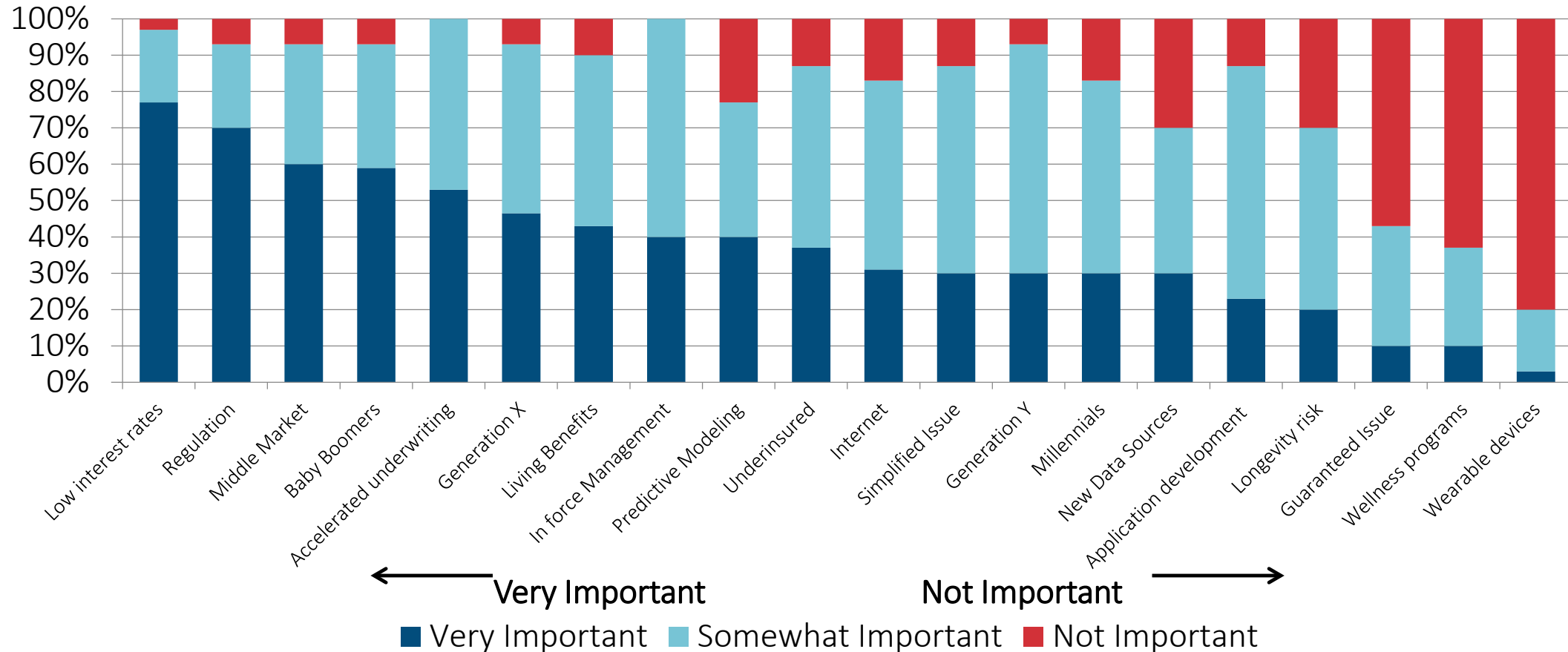
B9. On a scale from 1 (weak) to 4 (strong), how do you rate your product development process in the following areas?

Annuity



B10. How important are the following to your organization's current product development strategy?

Life



Most important is the low interest rate environment; least important is wearable devices.

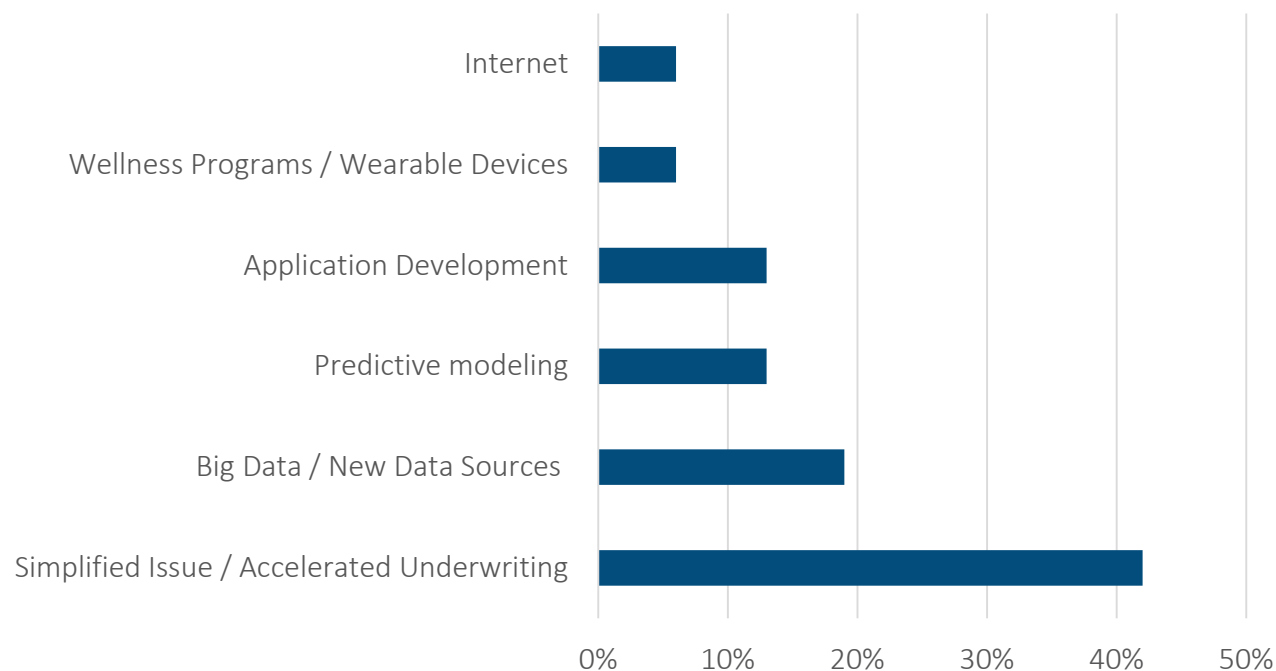
No one listed accelerated underwriting or inforce management as not important.

Interview Comments on Trends Impacting PD Strategy

- 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, the electronic underwriting.
- One of the biggest challenges with innovation has been regulation. We did see that with wellness where there are quite a few states where we don't have the provision.
- Product has always been an area where there's a lot of innovation for a long time. I think that's slowly switching to the underwriting service, new business, that part of it.
- There are more wearables. There are more wellness programs. That's a big shift.

International responses on technology innovations

Which of the following technology enabled factors is the most important in your organization's current PD strategy?*

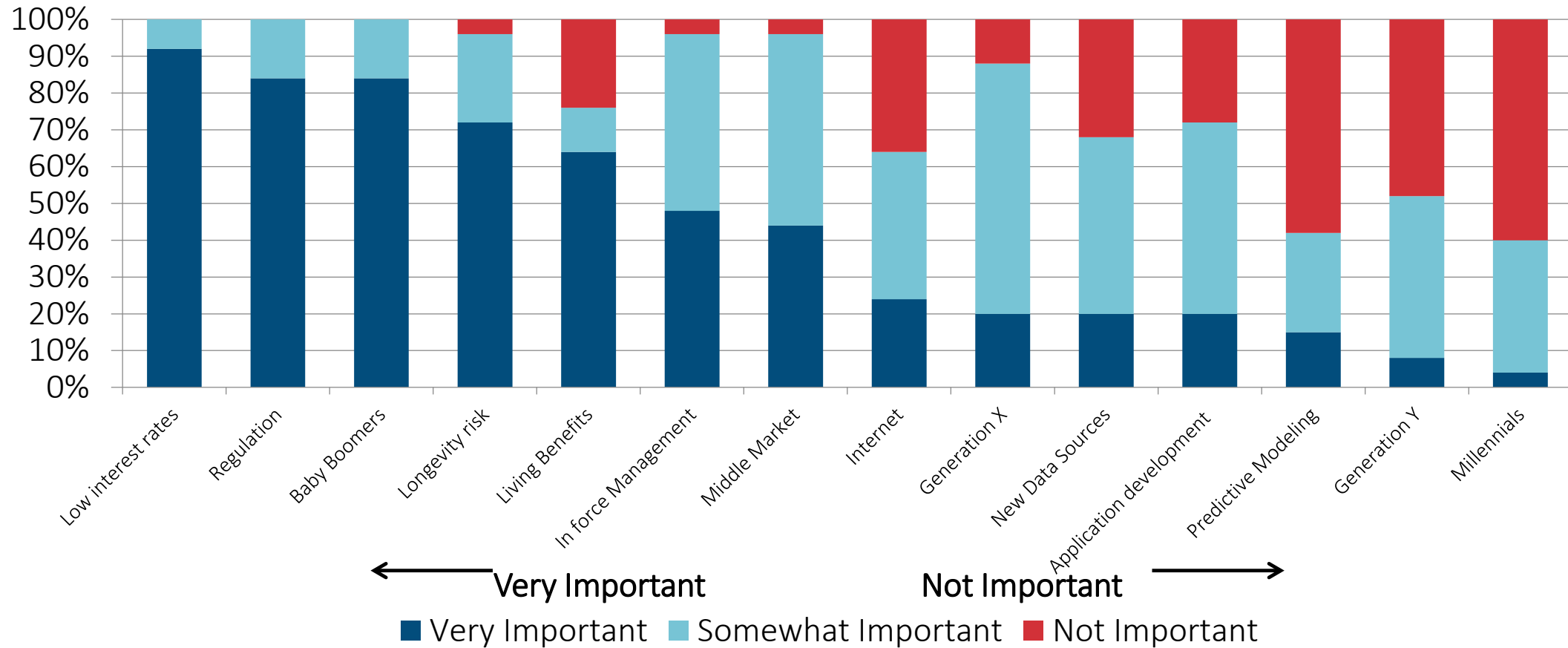


Interview Comments:

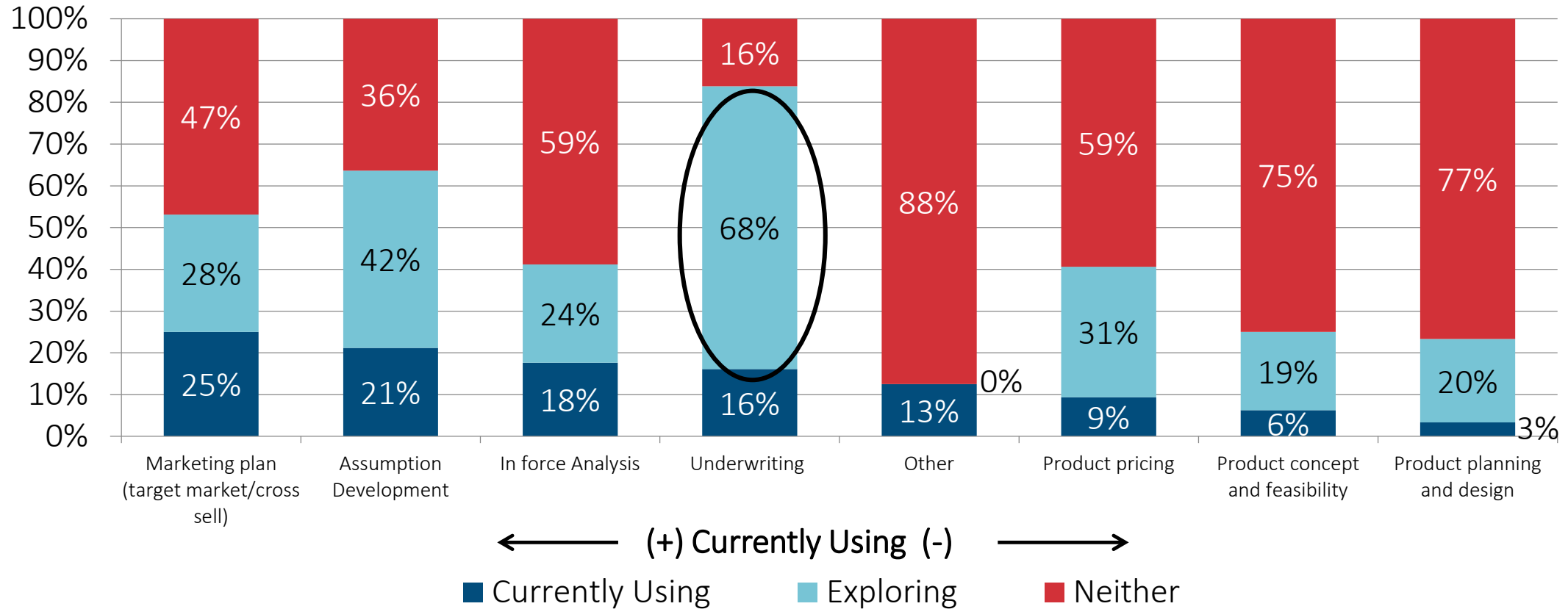
- In Hong Kong, there are a lot of requests to do predictive modeling. But not as much traction or able to implement. Still early stages.
- Most predictive models are for marketing plans for cross-sell and up-sell and underwriting
- Our company is industry leading in the underwriting practice, and we surely want to maintain that status
- I've worked for a few banks and now insurance companies; the banks tend to be way ahead of the insurance companies when it comes to leveraging technology

B10. How important are the following to your organization's current product development strategy?

Annuity



B11. 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?



Interview Comments on Predictive Modeling (PM)

- We have a 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.
- Right now, the predictive modeling idea is that we are trying to use the idea for maybe some of the retention studies.
- I think product development ... We're not that far along.
- Companies see link between PM and increased customer satisfaction based on their needs, propensity to buy and offering compelling products with the right value proposition.

Comments on Predictive Modeling (PM) continued...

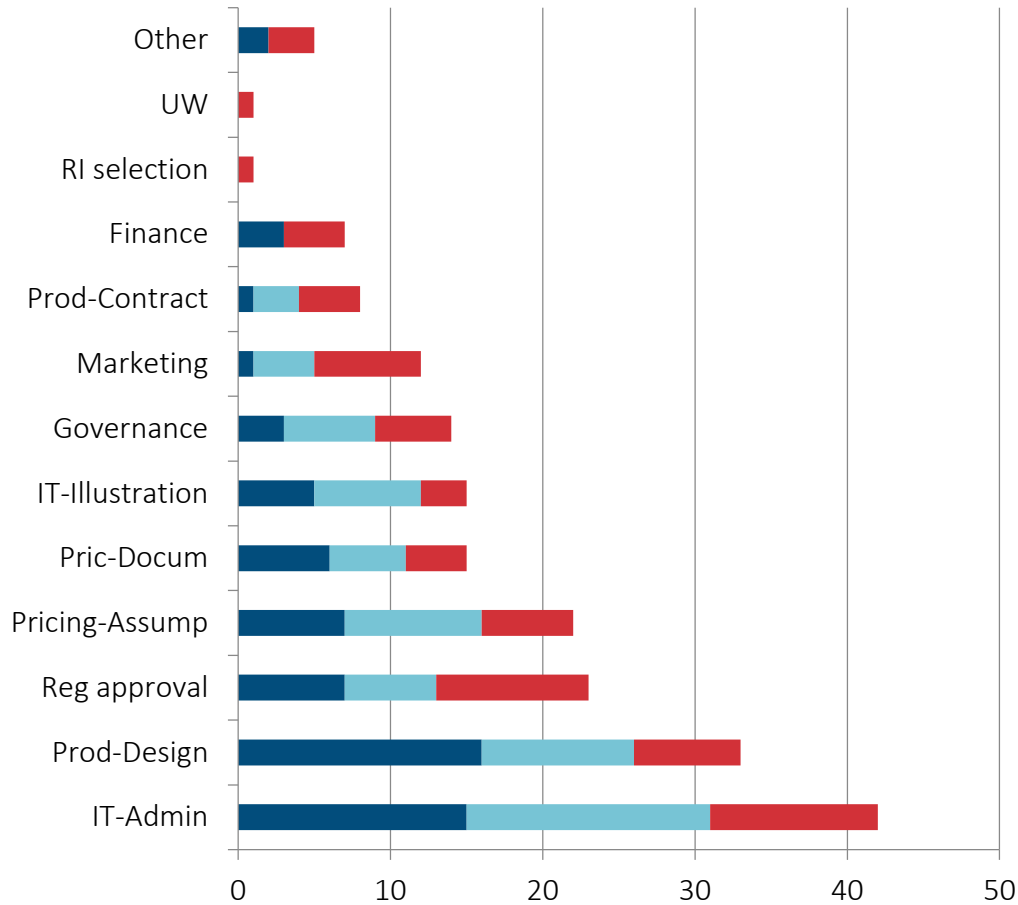
- Underwriting (u/w)—help to reduce the traditional u/w requirements with minimal impact on expected claims; prescreening of applications for cross-sell opportunities and improve u/w efficiencies for particular classes of applications (e.g., preferred, HNW etc.).
- Company PM resources varied greatly—some dedicated, some not; some part of another department outside of pricing
- Companies indicate varying levels of engagement with data analytics or big data initiatives in relation to the product development process. Some indicate they are beginning to bring in some of these approaches in examining policyholder behavior experience and understanding drivers. Others have plans to build their own resources with expertise in these areas.
- The most common mention of a PD-related application is in the area of automated, simplified or accelerated underwriting efforts. Most of the companies indicated using a third party vendor for underwriting-related initiatives.

International perspective from interviews

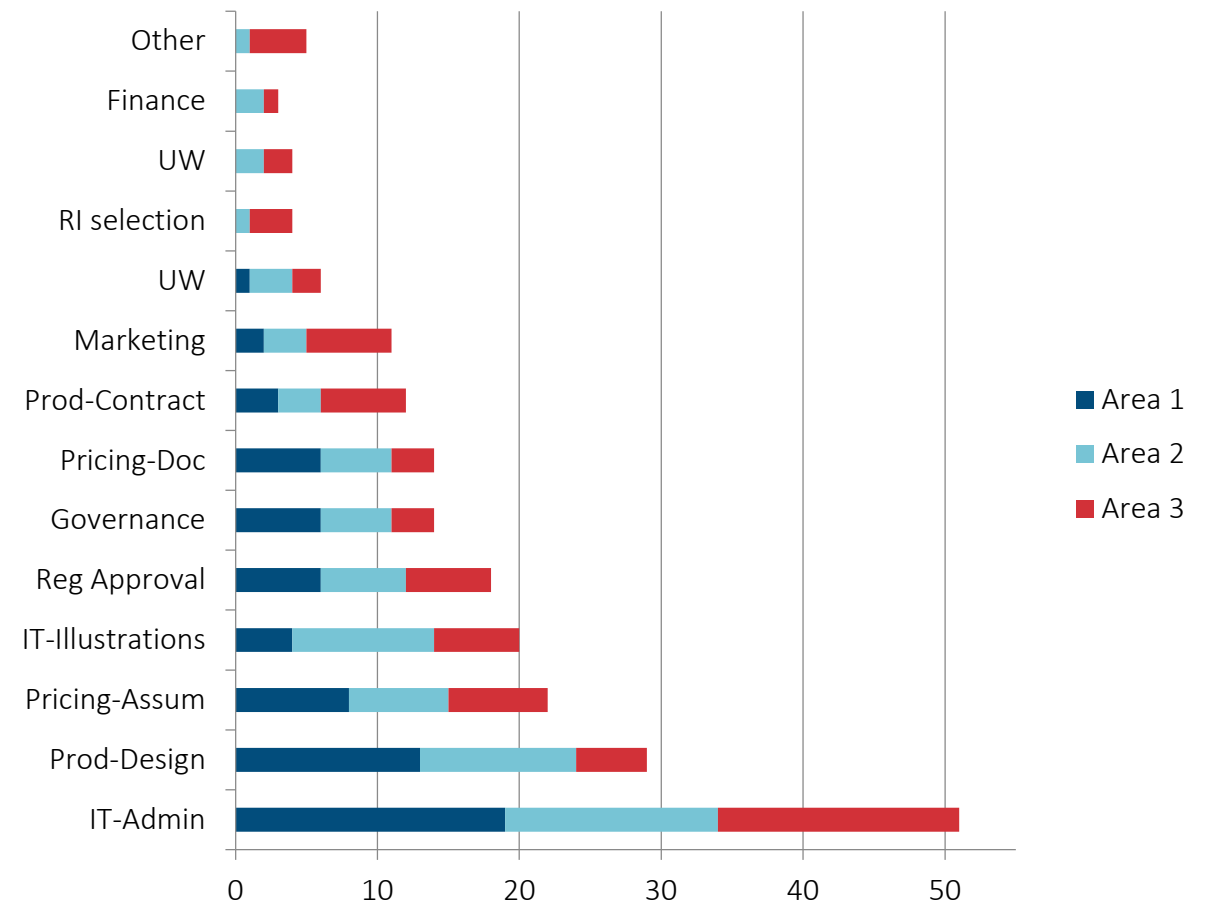
- In France and South Africa, PM is used in underwriting. France also uses it in fraud detection.
- In France, insurers started using PM in marketing plans (targeting customers/cross-sell).

International Survey*: What areas are the largest bottlenecks? (Area 1 = largest bottleneck, Area 2 is second largest etc.)

Savings Products



Risk Products



IT-Admin greatest bottleneck, followed by product design for both savings and risk products

*International survey completed by RGA in 2014; RI selection = reinsurer selection

B12. In what area(s) has your company improved its product development process in the last 2 years?

Product Development Process	Speed/ More efficient process	Added Resources	Added Management/ oversight	Enhance/ updated Technology	Innovation
Idea generation	★ 14%	★ 34%	★ 26%	★ 4%	★ 32%
Product concept and feasibility	★ 22%	★ 32%	★ 26%	★ 4%	★ 16%
Product planning and design	★ 36%	★ 32%	★ 34%	★ 4%	★ 12%
Establish Underwriting criteria (life ins only)*	★ 14%	★ 6%	★ 10%	★ 14%	★ 22%
Project Management	★ 34%	★ 36%	★ 20%	★ 4%	★ 10%
Product pricing	★ 38%	★ 28%	★ 16%	★ 18%	★ 6%
Risk Management	★ 4%	★ 24%	★ 28%	★ 8%	★ 0%
Peer Review	★ 10%	★ 18%	★ 24%	★ 4%	★ 0%
Marketing plan	★ 16%	★ 12%	★ 6%	★ 10%	★ 6%
IT day 1	★ 28%	★ 12%	★ 8%	★ 14%	★ 10%
IT day 2	★ 20%	★ 8%	★ 12%	★ 8%	★ 4%
Business Procedures	★ 22%	★ 12%	★ 12%	★ 10%	★ 6%
Assumption Development/governance	★ 16%	★ 28%	★ 46%	★ 6%	★ 2%
State Filing	★ 42%	★ 10%	★ 10%	★ 8%	★ 2%
Tracking results vs Plan	★ 8%	★ 10%	★ 26%	★ 8%	★ 0%

■ Indicates where most respected companies have improved processes the most in the last 2 years

■ Indicates where small companies have improved processes the most in the last 2 years

★ Stars show most popular answers among all companies. *Full stars represent where the most efforts have been made in 2 years

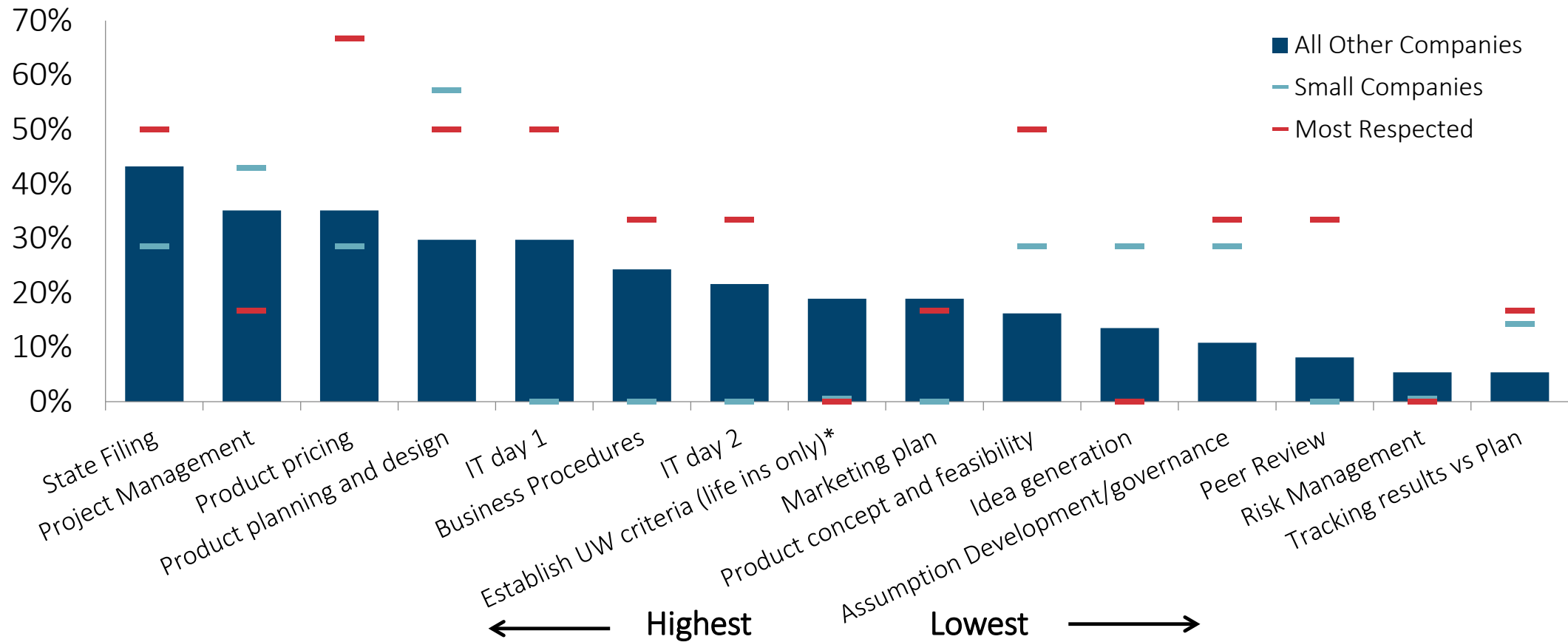
Interview Comments on Product Development Process Improvements

- IT and the implementation teams have moved to Agile development. The product development process has not shifted into Agile.
 - Agile IT—to implement software or a project in increments instead of delivering all at once in the end, which allows more flexibility, collaboration and efficiency.
- We have a very strong implementation process. It is a large effort due to the large number of systems that get involved ... a lot of downstream work ... It's really all in the upfront part that is more within our product development area that we can have more control over.
- It's not just a complete waterfall scenario between product and actuarial. We're located right together. We act daily on anything.

B12. In what area(s) has your company improved its product development process in the last 2 years?

Speed/More Efficient Process

Agile methodology is being investigated/leveraged, but not all feeling a direct benefit (yet)



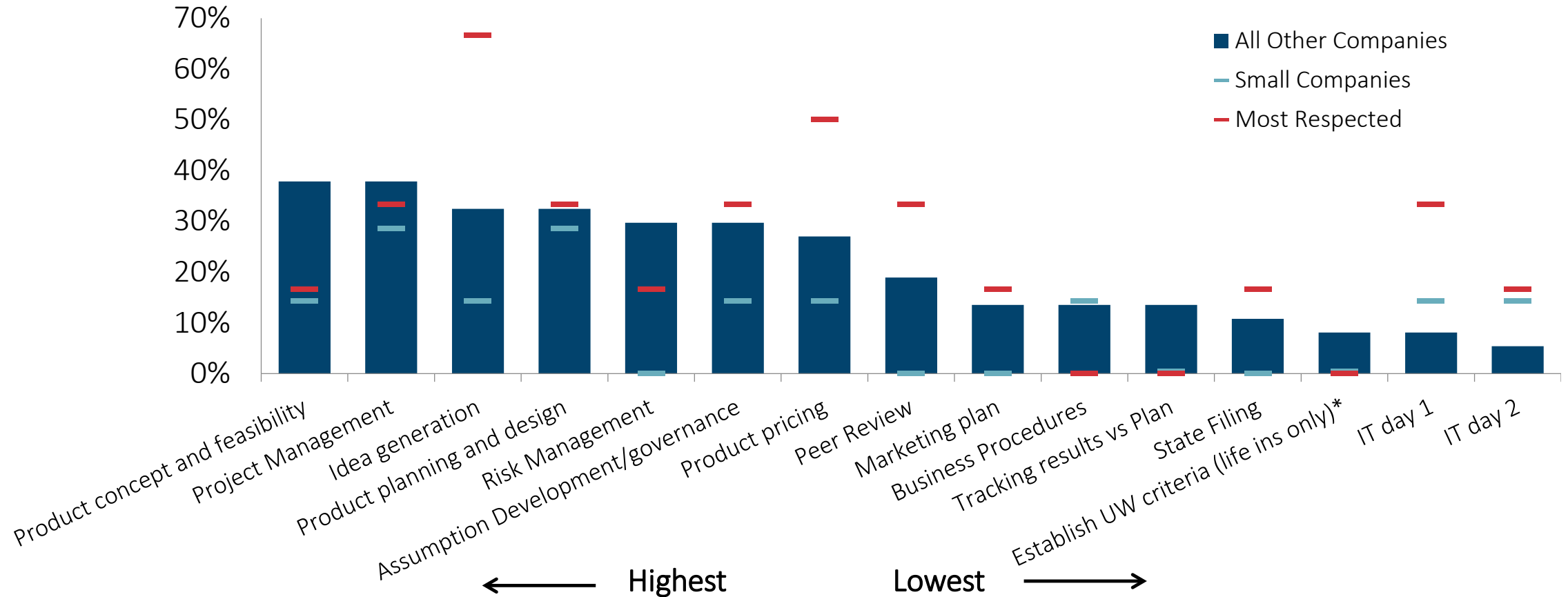
More companies made improvements through state filing, project management and product pricing. Small companies improved design and planning

Most respected companies indicated improvement made in state filing, pricing, design, IT day 1 and feasibility

*No annuity company indicated establishing underwriting criteria

B12. In what area(s) has your company improved its product development process in the last 2 years?

Added Resources

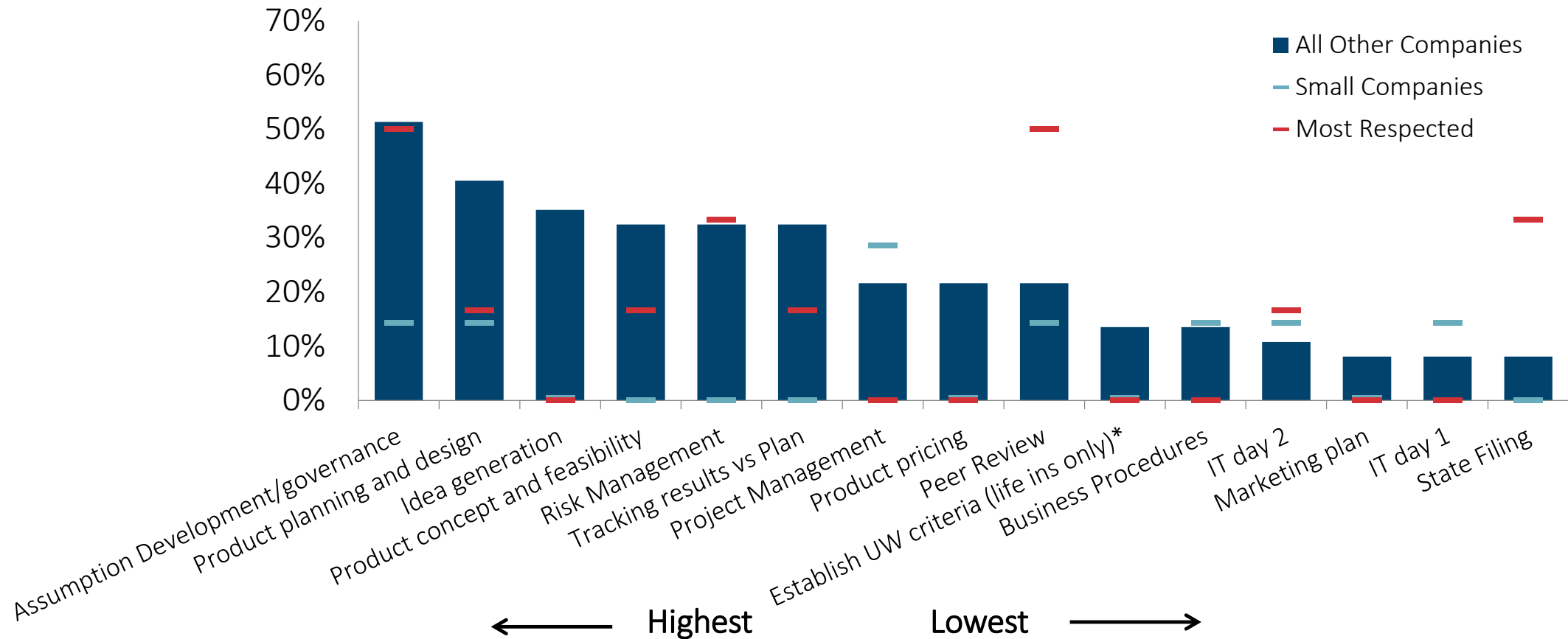


Most respected companies added resources to idea generation and pricing

*No annuity company indicated establishing underwriting criteria

B12. In what area(s) has your company improved its product development process in the last 2 years?

Added Management/Oversight



Half of companies including most respected added management/oversight to assumption development/governance

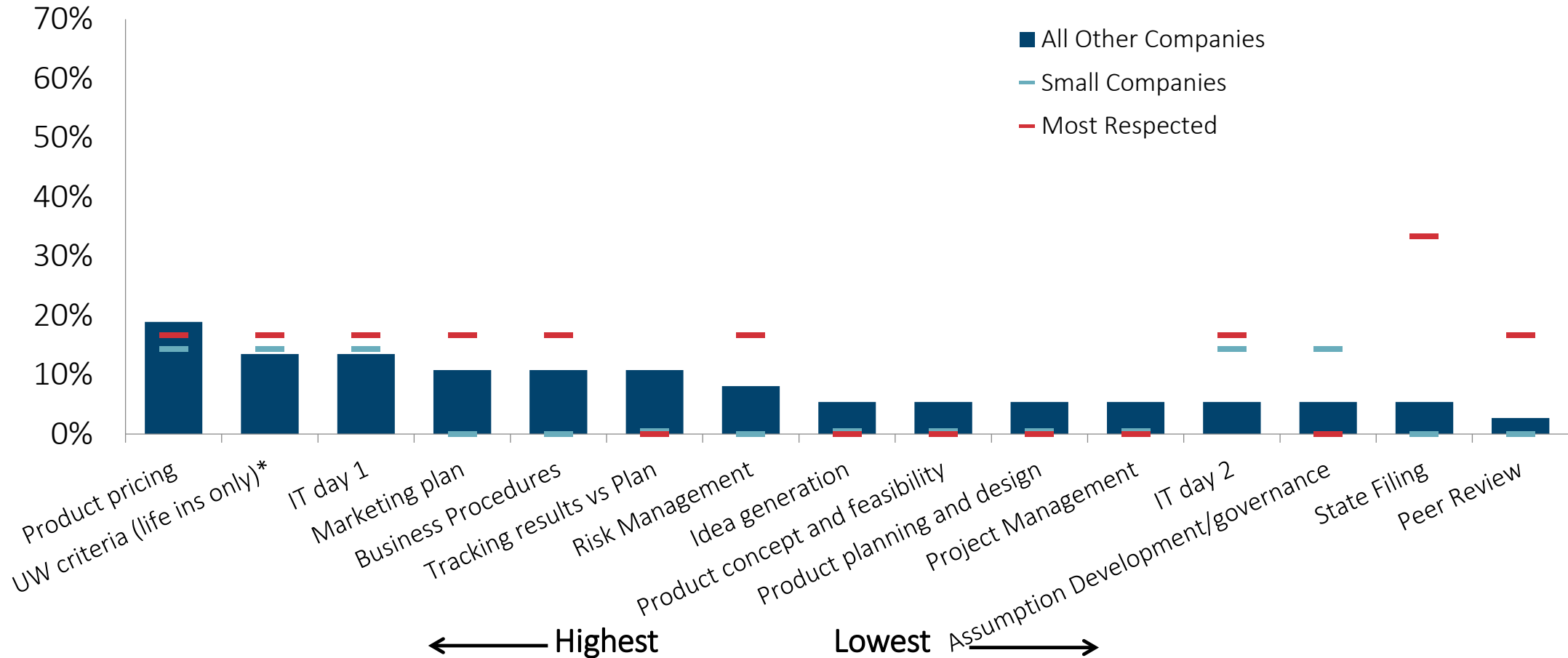
Most respected added to peer review; small companies added to project management

*No annuity company indicated establishing underwriting criteria

B12. In what area(s) has your company improved its product development process in the last 2 years?

Enhance/Update Technology

Companies want to improve coordination between IT and others functions/processes to improve PD



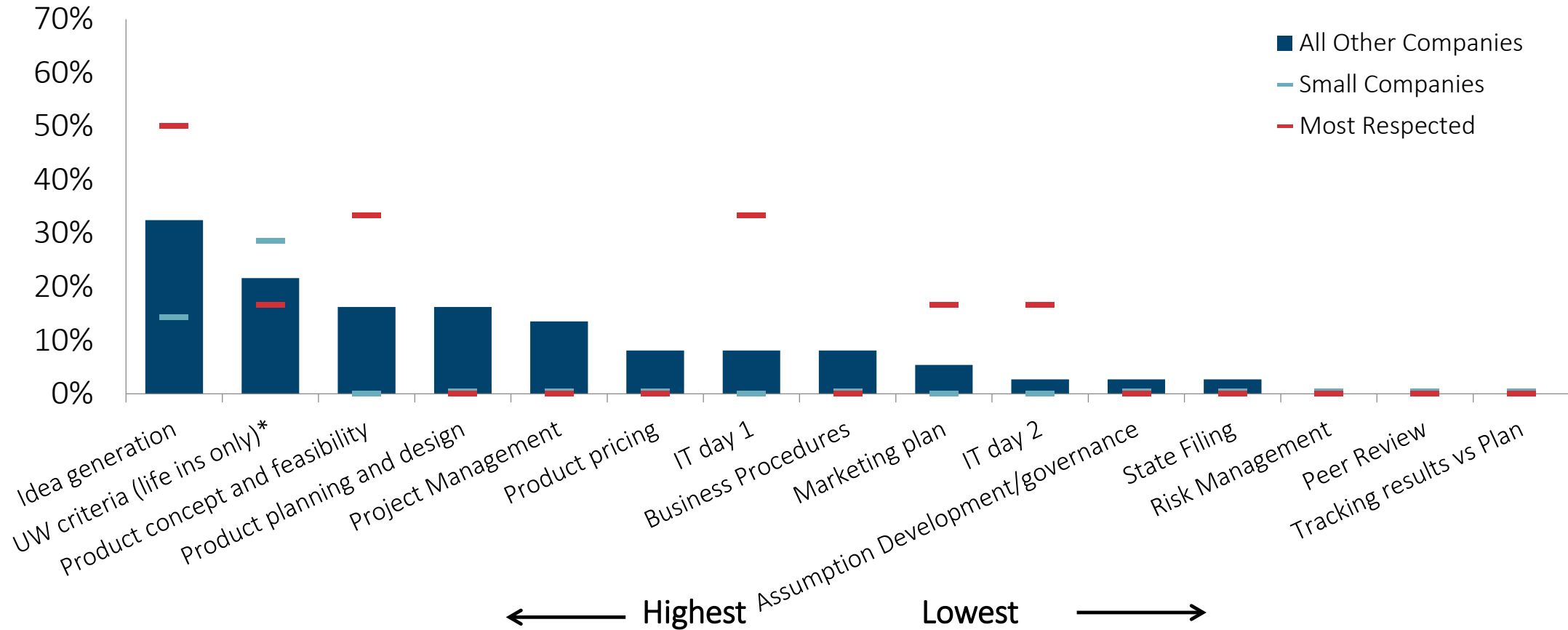
← Highest Lowest →
Most respected enhanced technology for state filing

For as much of a bottleneck as IT is reported to be, not many have enhanced technology for IT in last 2 years

*No annuity company indicated establishing underwriting criteria

B12. In what area(s) has your company improved its product development process in the last 2 years?

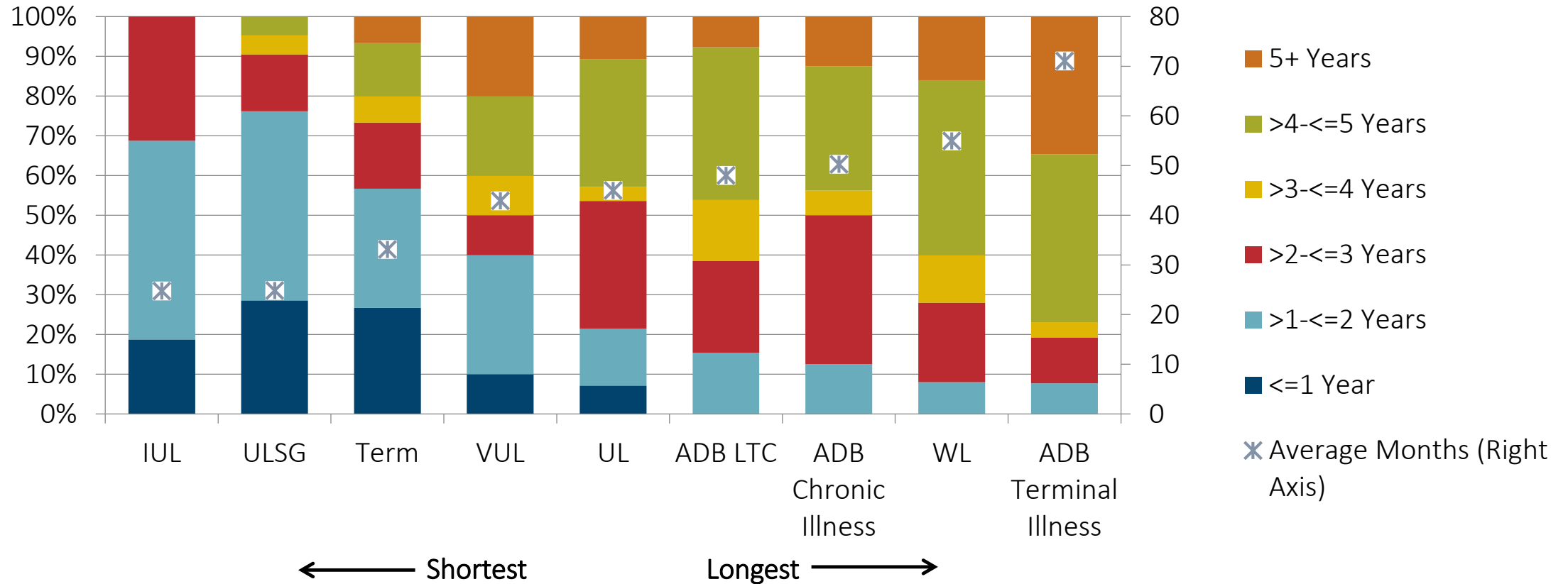
Innovation



Half of most respected companies have improved idea generation in their companies; smaller companies improved underwriting

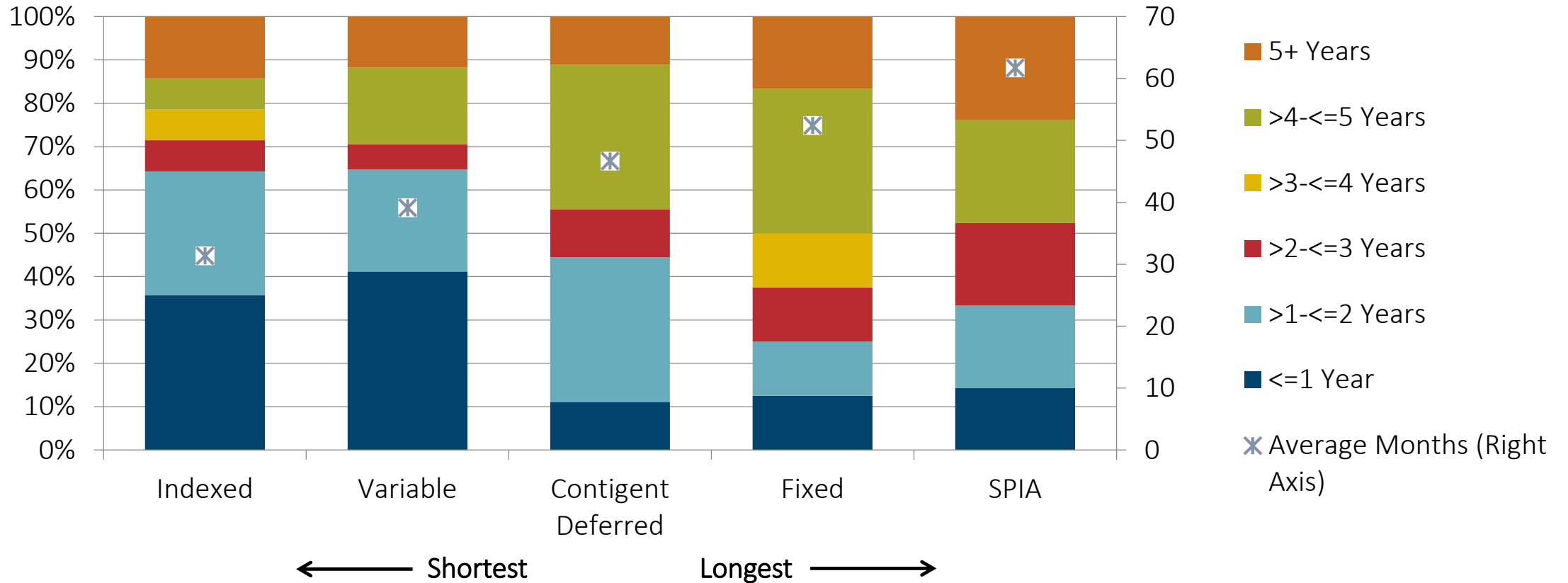
B13. What is the typical “lifetime” or “shelf-life” of a launched product before it is retired, revised or repriced? Please indicate in months.

U.S. Life



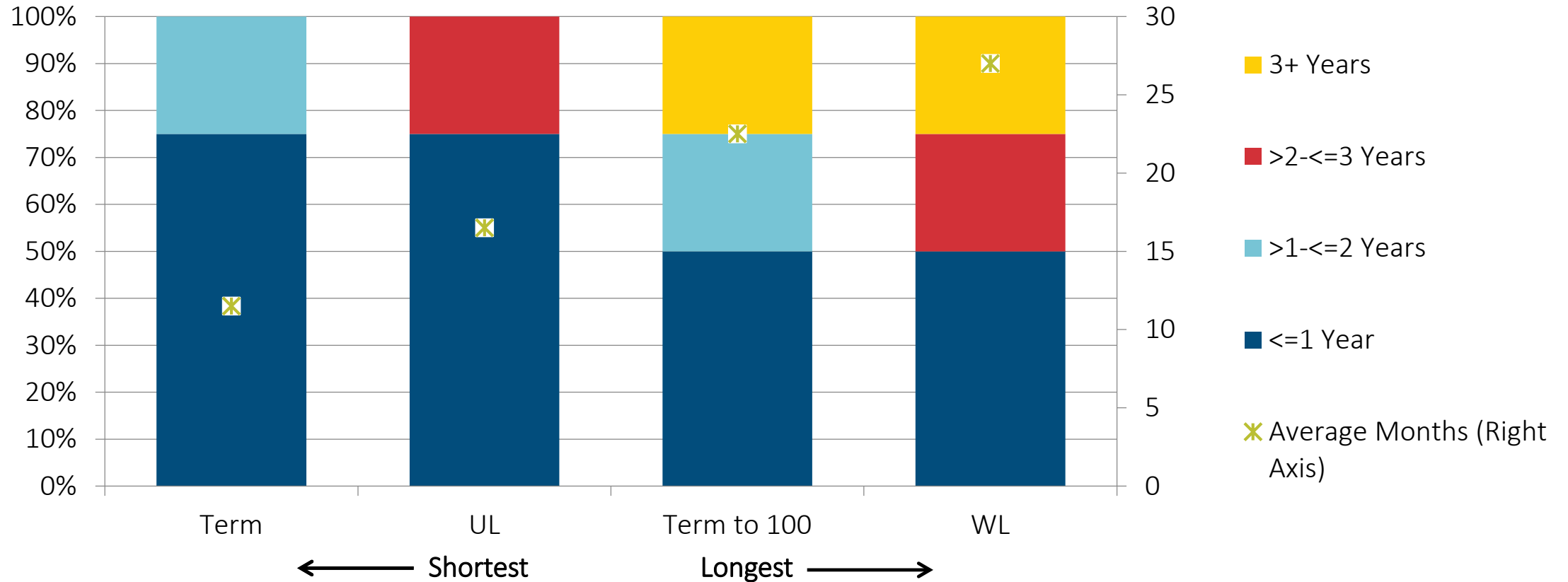
B13. What is the typical “lifetime” or “shelf-life” of a launched product before it is retired, revised or repriced? Please indicate in months.

US Annuity



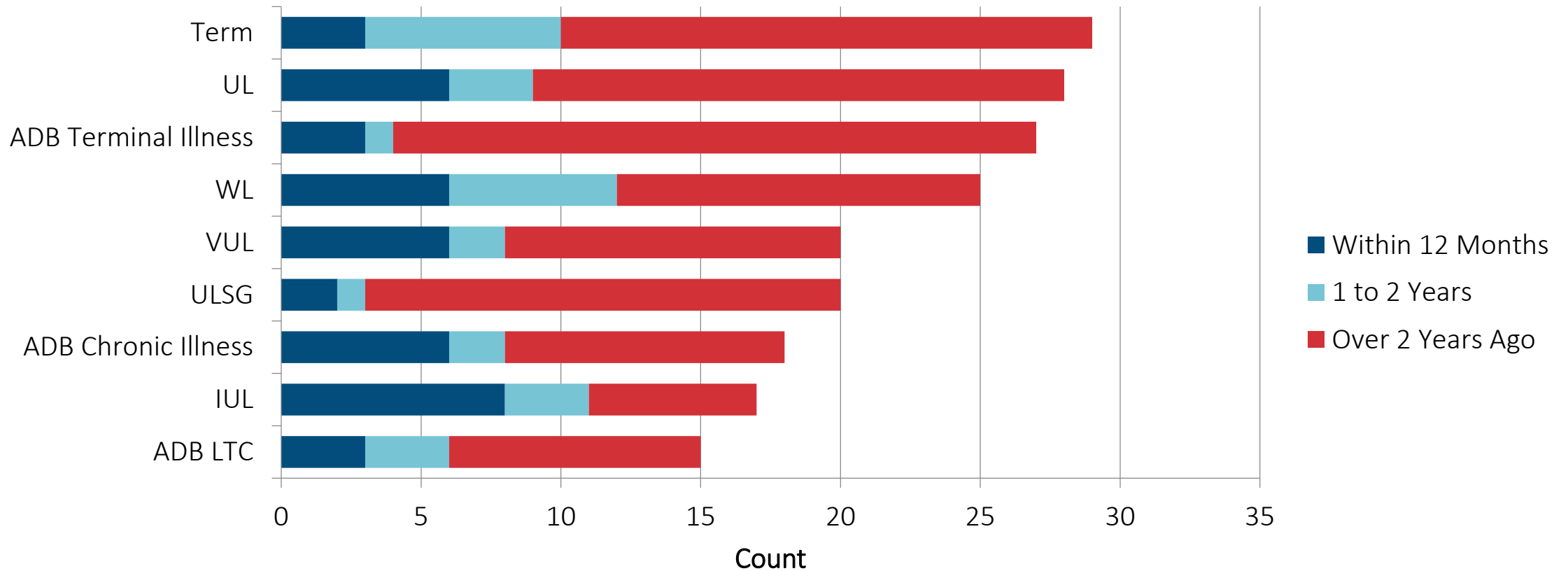
B13. What is the typical “lifetime” or “shelf-life” of a launched product before it is retired, revised or repriced? Please indicate in months.

Canada Life



B14. When did your company last launch a completely new product (rather than revise or reprice an existing product)?

U.S. Life

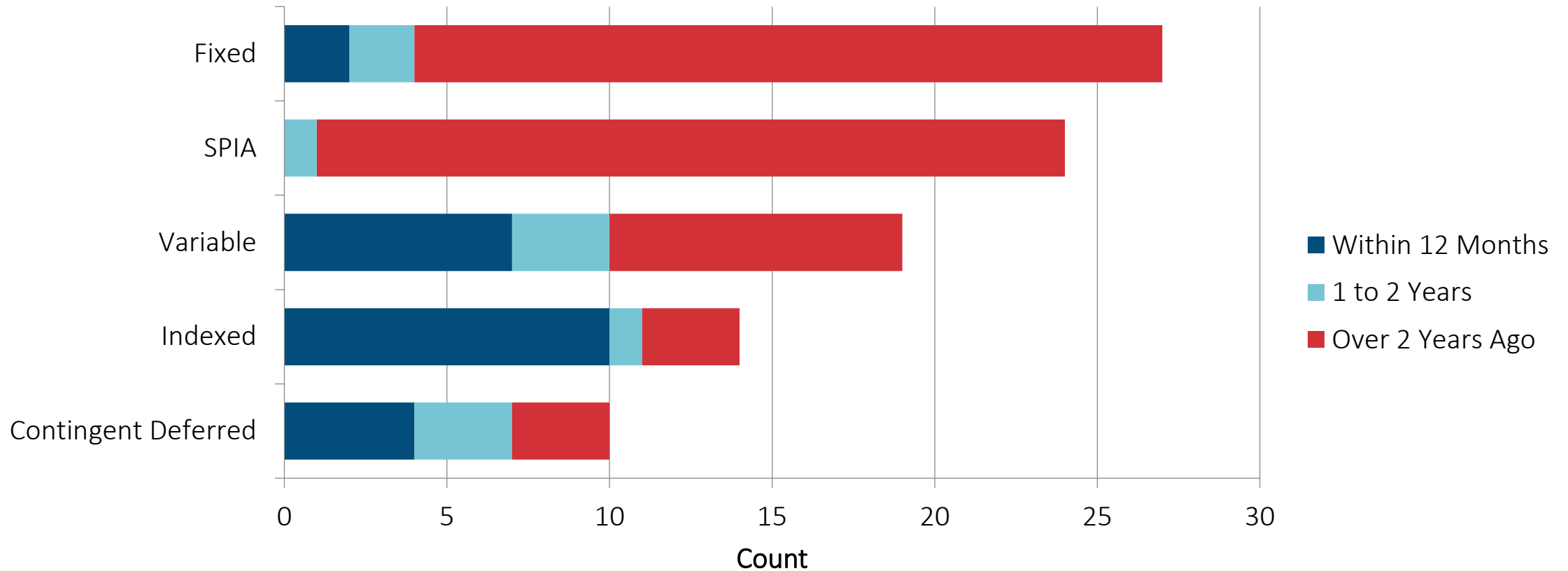


Interview Comments on Reprice Efforts

- There's a lot of reasoning that we have to do a reprice of the product ... I don't think there's a single driver. It's just really complex. There are multiple elements playing a role in terms of when and why we decide to reprice.
- If it's repricing our term products, that's probably not an issue. If we're developing something that's new for us, it becomes much more important. We've got to spend some time on that.

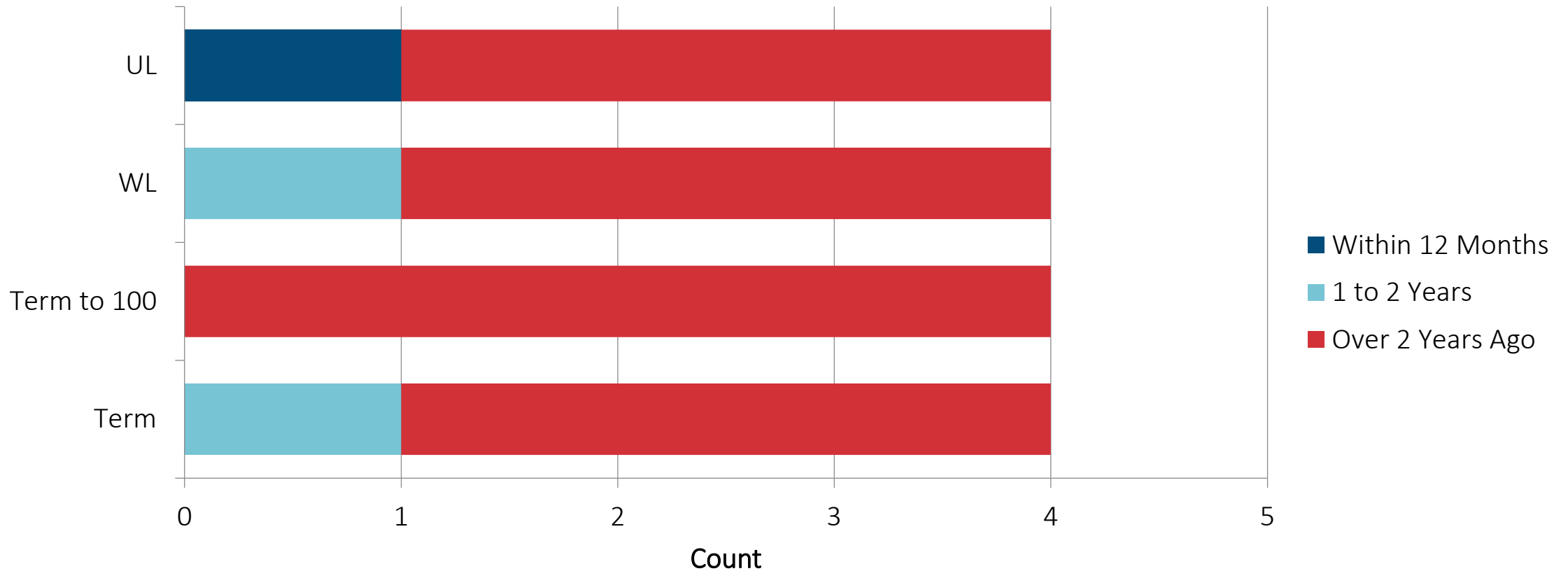
B14. When did your company last launch a completely new product (rather than revise or reprice an existing product)?

U.S. Annuity



B14. When did your company last launch a completely new product (rather than revise or reprice an existing product)?

Canada Life



Only UL was indicated as being new in the last 12 months for one of the three Canadian company responses; Term and Whole Life may not be where companies are changing design or innovating in Canada

B15. Based on your individual past experience, what was your target income level or target age group shaping product development of your current product offering and has it changed in the last 5–10 years? U.S. Life

Product Type US-Life	Target Income Level	Target Age Group	Changed in last 5–10 years	New line of business in last 5–10 years
Term Life	29% High 71% Middle 0% Low	12% <35 88% 35-54 0% 55+	7% Yes 93% No	5% Yes 95% No
Whole Life	30% High 48% Middle 22% Low	14% <35 33% 35-54 53% 55+	13% Yes 87% No	6% Yes 94% No
Universal Life	48% High 52% Middle 0% Low	8% <35 59% 35-54 33% 55+	8% Yes 92% No	0% Yes 100% No
UL Secondary Guarantee	63% High 37% Middle 0% Low	5% <35 25% 35-54 70% 55+	5% Yes 95% No	6% Yes 94% No
Indexed Universal Life	81% High 19% Middle 0% Low	6% <35 94% 35-54 0% 55+	27% Yes 73% No	54% Yes 46% No
Variable Universal Life (VUL)	79% High 21% Middle 0% Low	11% <35 84% 35-54 5% 55+	5% Yes 95% No	7% Yes 93% No

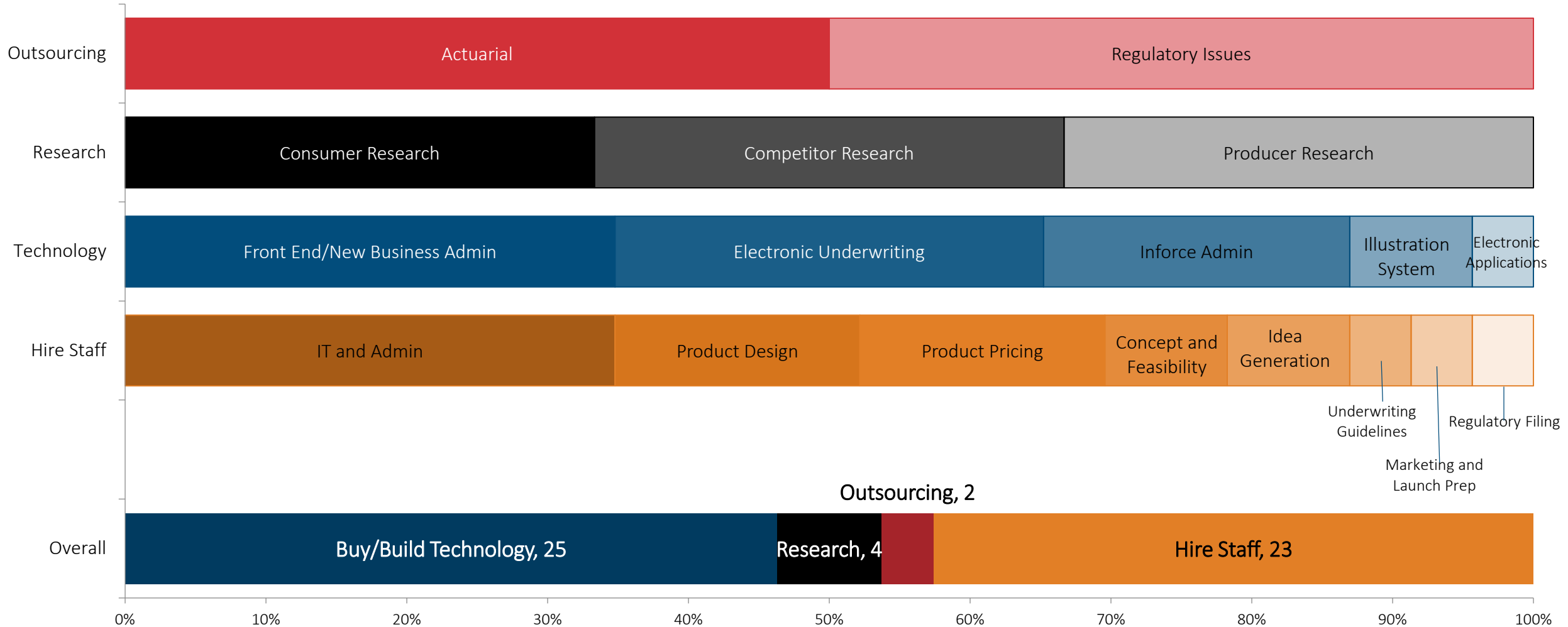
B15. Based on your individual past experience, what was your target income level or target age group shaping product development of your current product offering and has it changed in the last 5–10 years? U.S. Acceleration Rider

Product Type US-Life	Target Income Level	Target Age Group	Changed in last 5–10 years	New line of business in last 5–10 years
Accelerated Death Benefit - Chronic illness	57% High 43% Middle 0% Low	0% <35 64% 35-54 36% 55+	25% Yes 75% No	67% Yes 33% No
Accelerated Death Benefit - Long-term Care	75% High 25% Middle 0% Low	0% <35 54% 35-54 46% 55+	15% Yes 85% No	50% Yes 50% No
Accelerated Death Benefit - Terminal Illness	38% High 62% Middle 0% Low	6% <35 72% 35-54 22% 55+	4% Yes 85% No 11% Unknown	11% Yes 89% No

B15. Based on your individual past experience, what was your target income level or target age group shaping product development of your current product offering and has it changed in the last 5–10 years? U.S. Annuity

Product Type U.S. - Annuities	Target Income Level	Target Age Group	Changed in last 5–10 years	New line of business in last 5–10 years
Traditional Fixed Annuities	19% High 81% Middle 0% Low	0% <35 4% 35-54 96% 55+	4% Yes 96% No	12.5% Yes 87.5% No
Indexed Annuities	29% High 71% Middle 0% Low	0% <35 0% 35-54 100% 55+	7% Yes 93% No	75% Yes 25% No
Variable Annuities	42% High 58% Middle 0% Low	0% <35 16% 35-54 84% 55+	0% Yes 95% No 5% Don't know	18% Yes 82% No
SPIA	17% High 83% Middle 0% Low	0% <35 0% 35-54 100% 55+	4% Yes 96% No	7% Yes 93% No
Contingent Deferred Annuities	30% High 70% Middle 0% Low	0% <35 0% 35-54 100% 55+	0% Yes 100% No	90% Yes 10% No

B16. If your company had enough extra product development budget to allocate to any project of choice, where would you invest it?

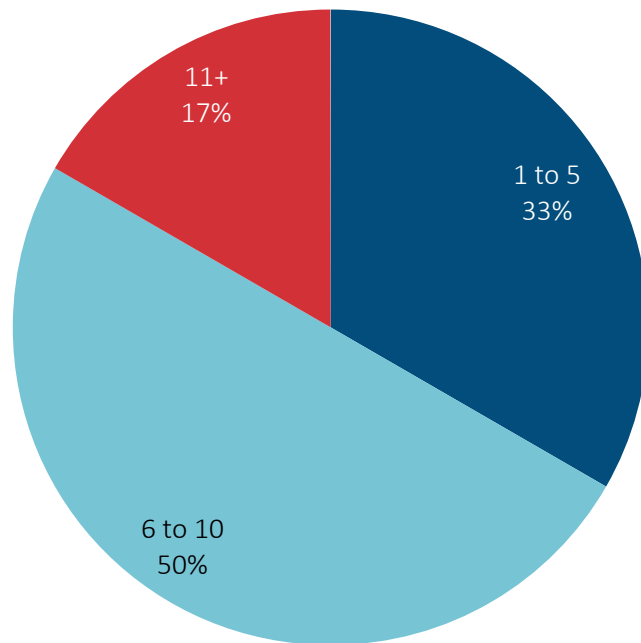


Interview Comments on Spending for Technology

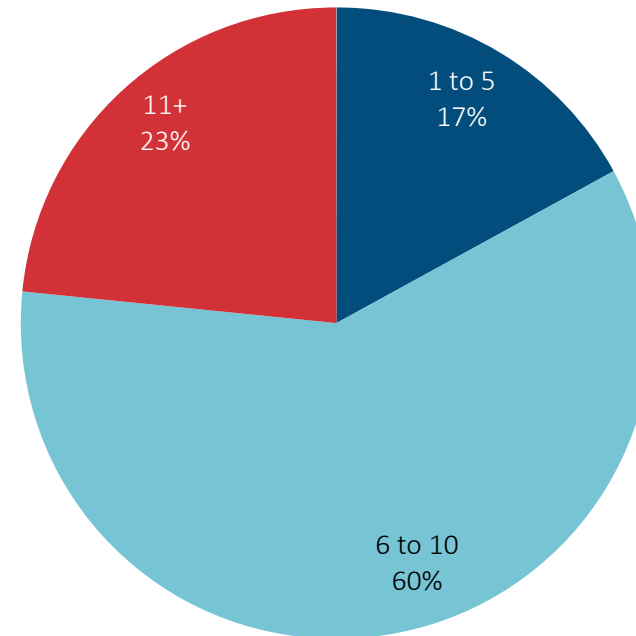
- Several companies interviewed indicated that process improvement was a part of their PD process strategic plan. Agile methodology implementation was more often implemented on the IT side of the process. Some companies felt that the IT processes lend themselves better to success using the Agile methodology than do other parts of the PD process.

B17. How many companies do you consider in your peer competitor group?

Small Companies

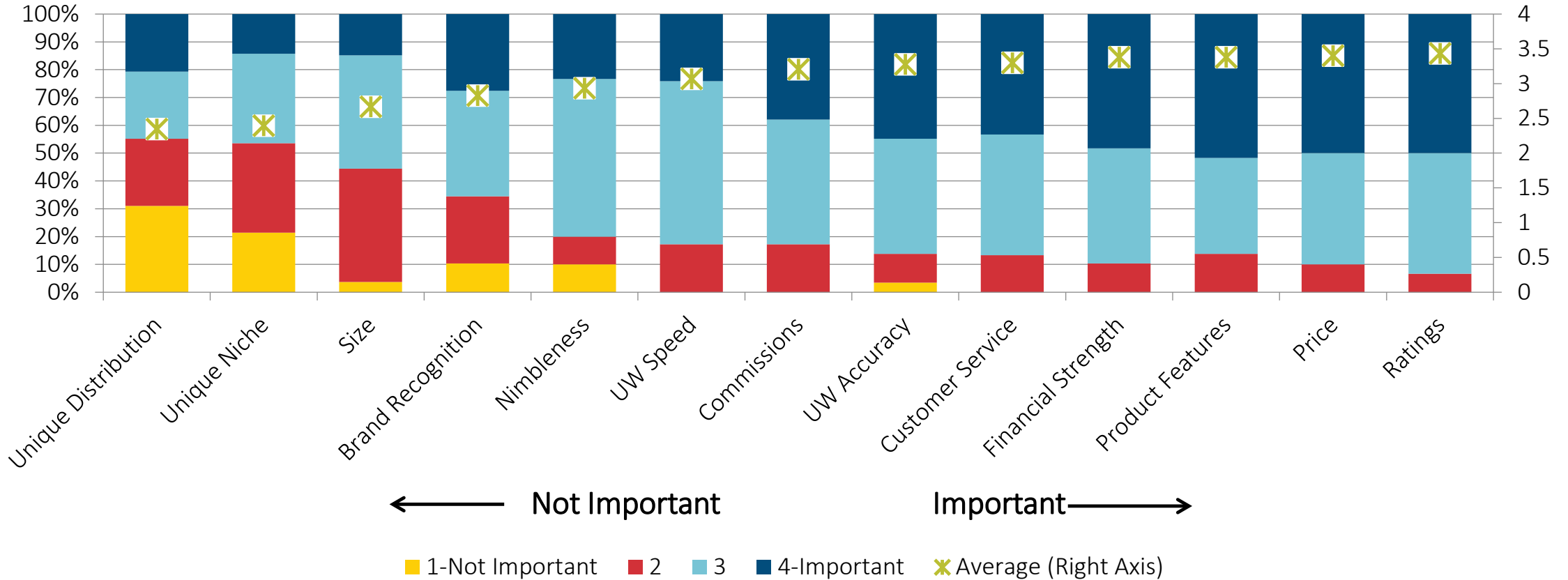


Non-Small Companies

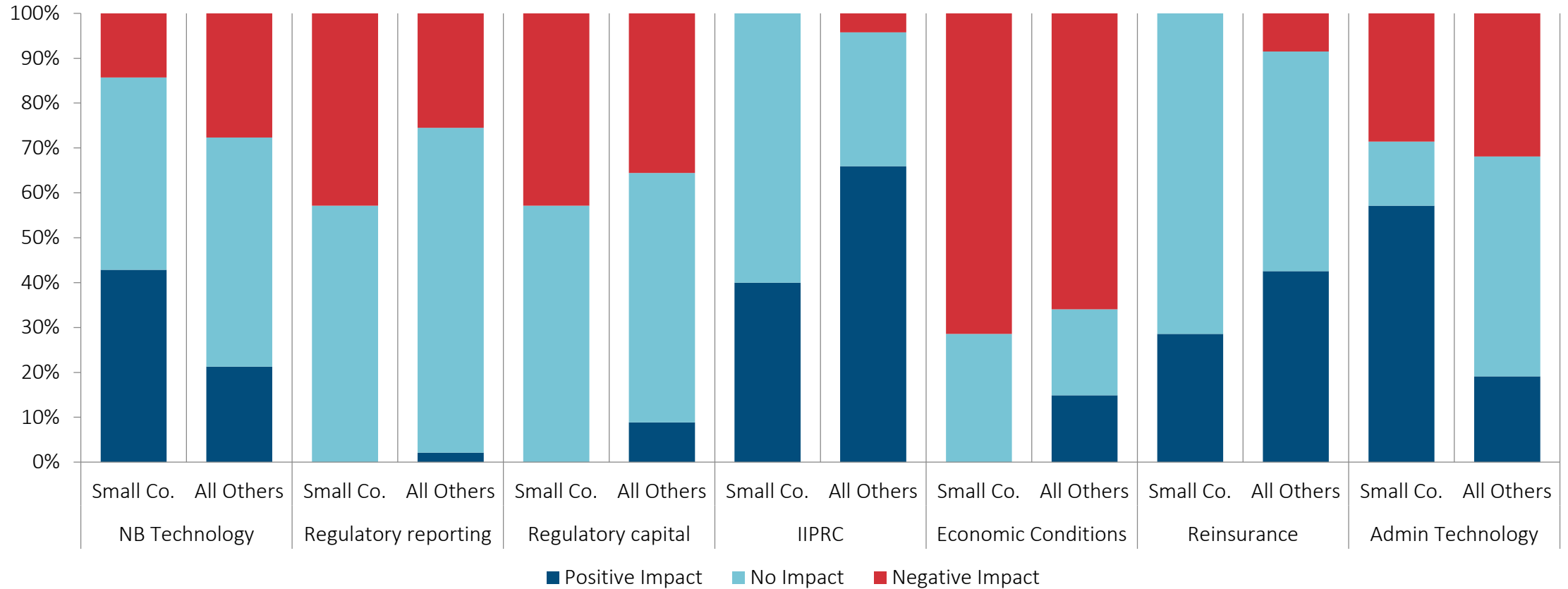


B18. On a scale from 1 (not important) to 4 (important), how important would your organization rate the following competitive factors?

U.S. Life



B19. How have the following factors impacted your company's competitive position?



B20a. Please list between 1 and 3 non-insurance companies that you consider to have “best in class” product development that you would like to emulate.

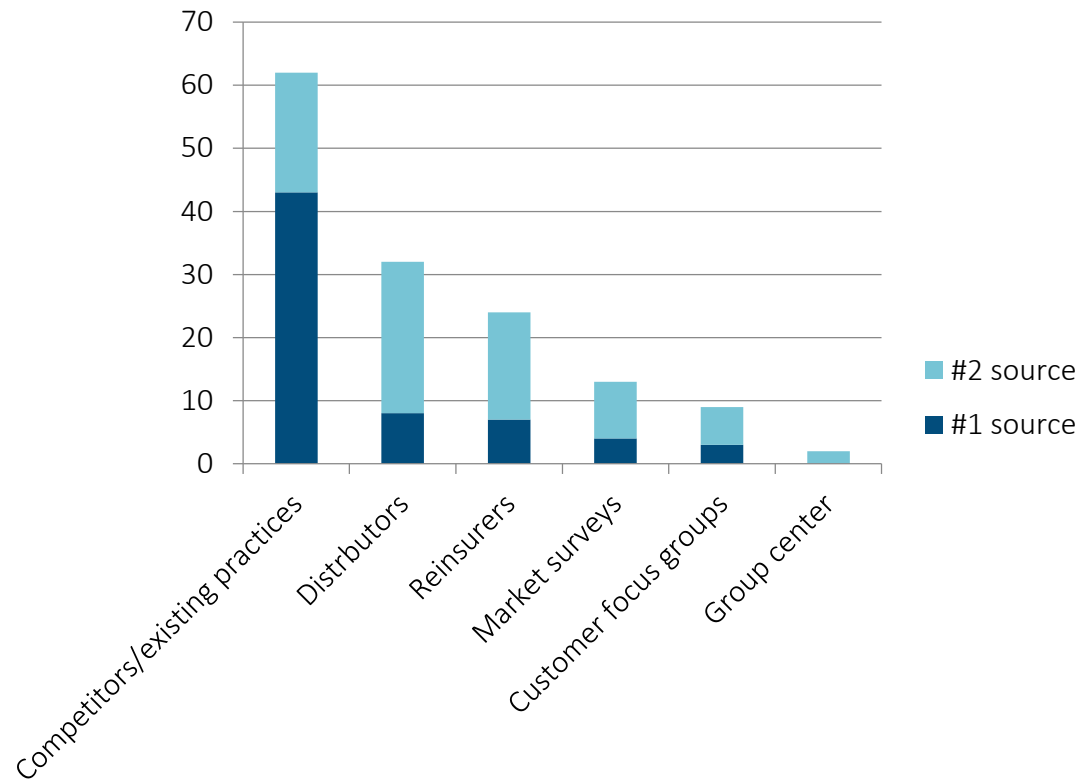
Non-Insurance Company

No endorsement
is made for any
company shown

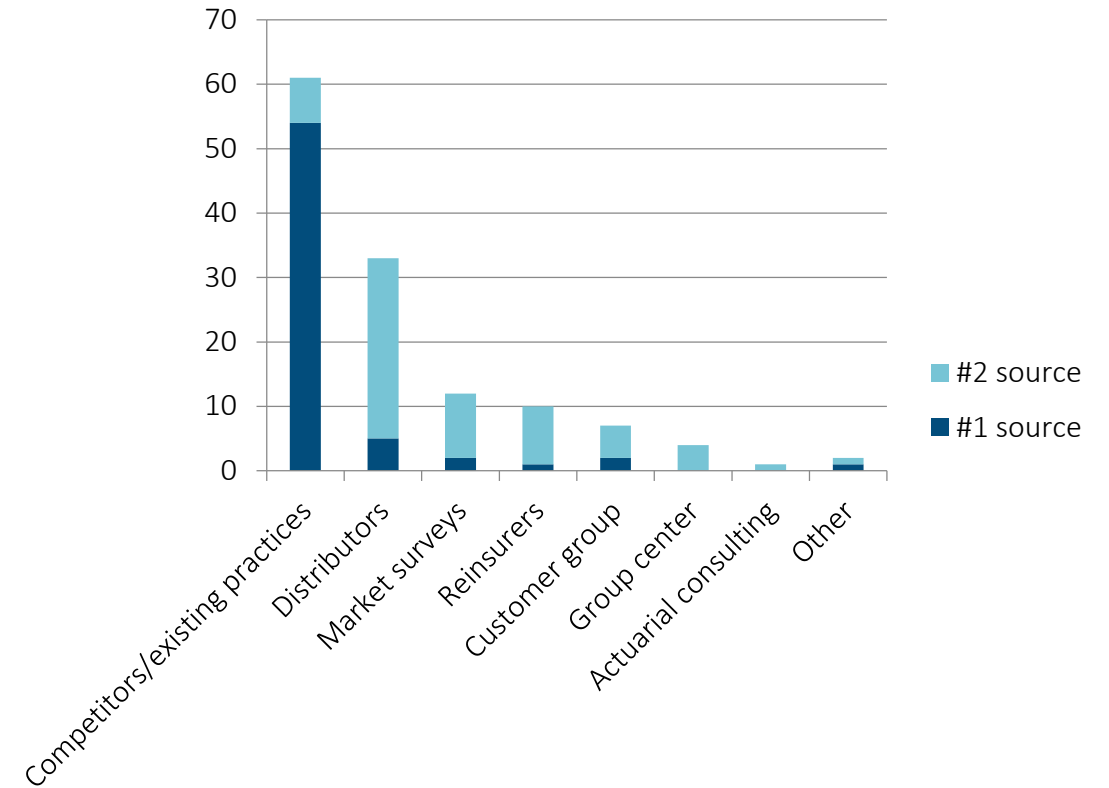


International Survey*: Two most important sources of information when designing a product

Risk Products

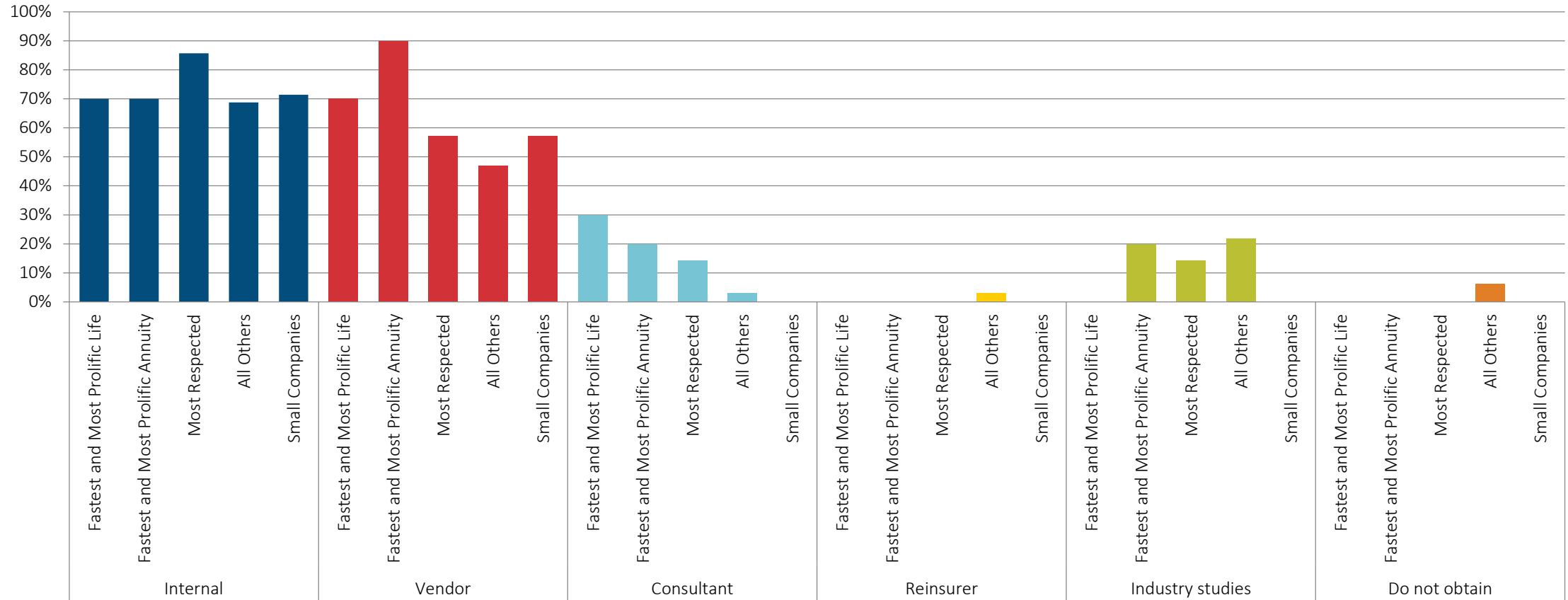


Savings Products



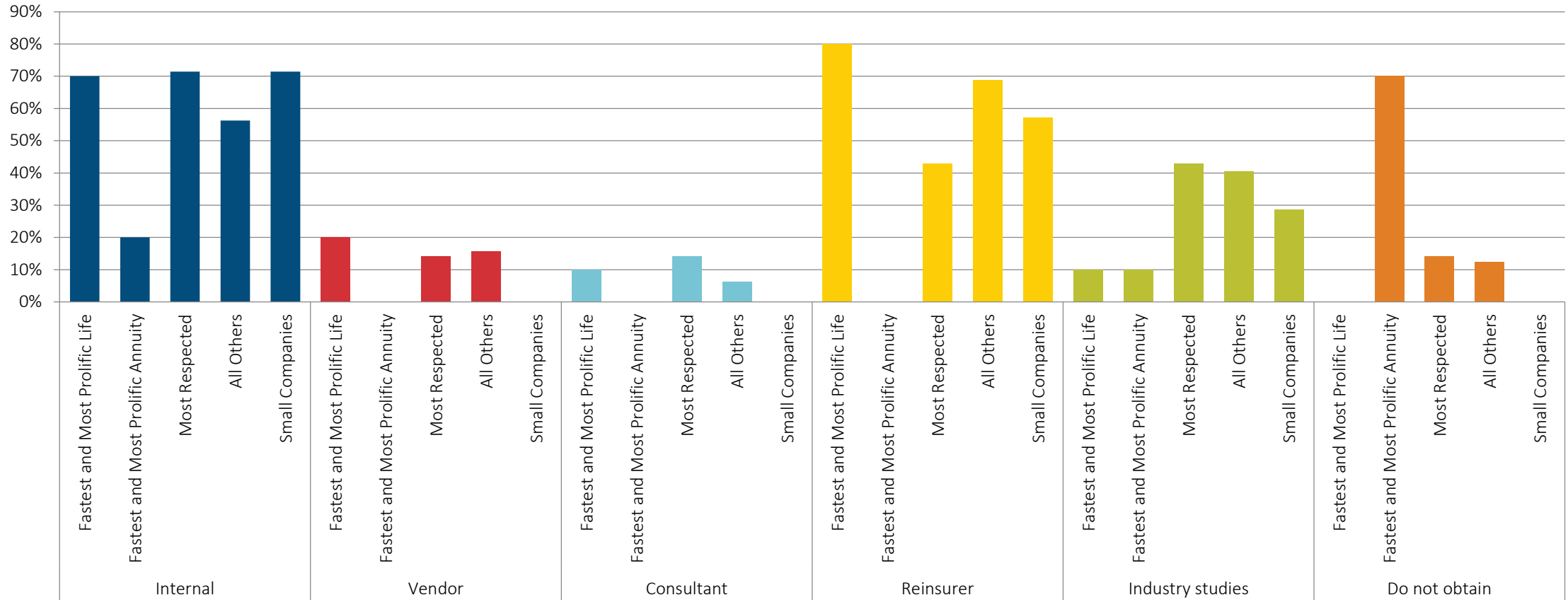
B21. When gathering information to support your product development process, which of the following does your company look to?

Illustrations



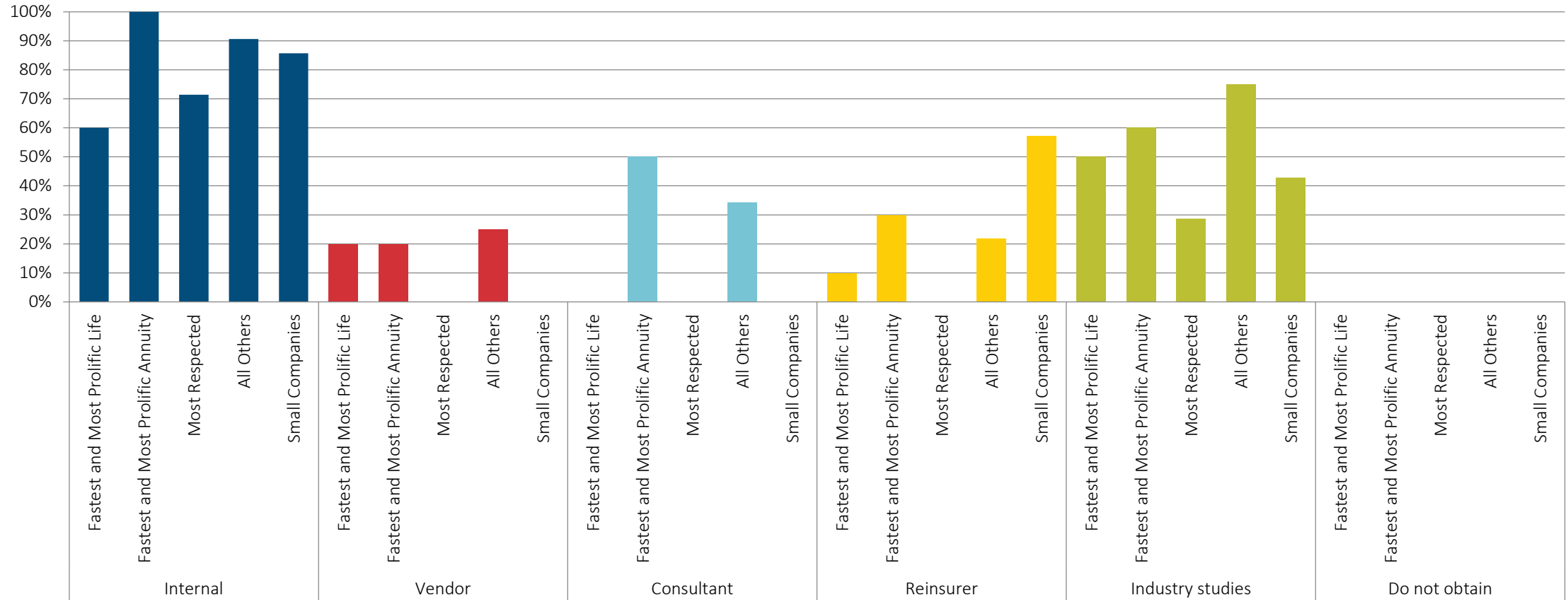
B21. When gathering information to support your product development process, which of the following does your company look to?

Underwriting



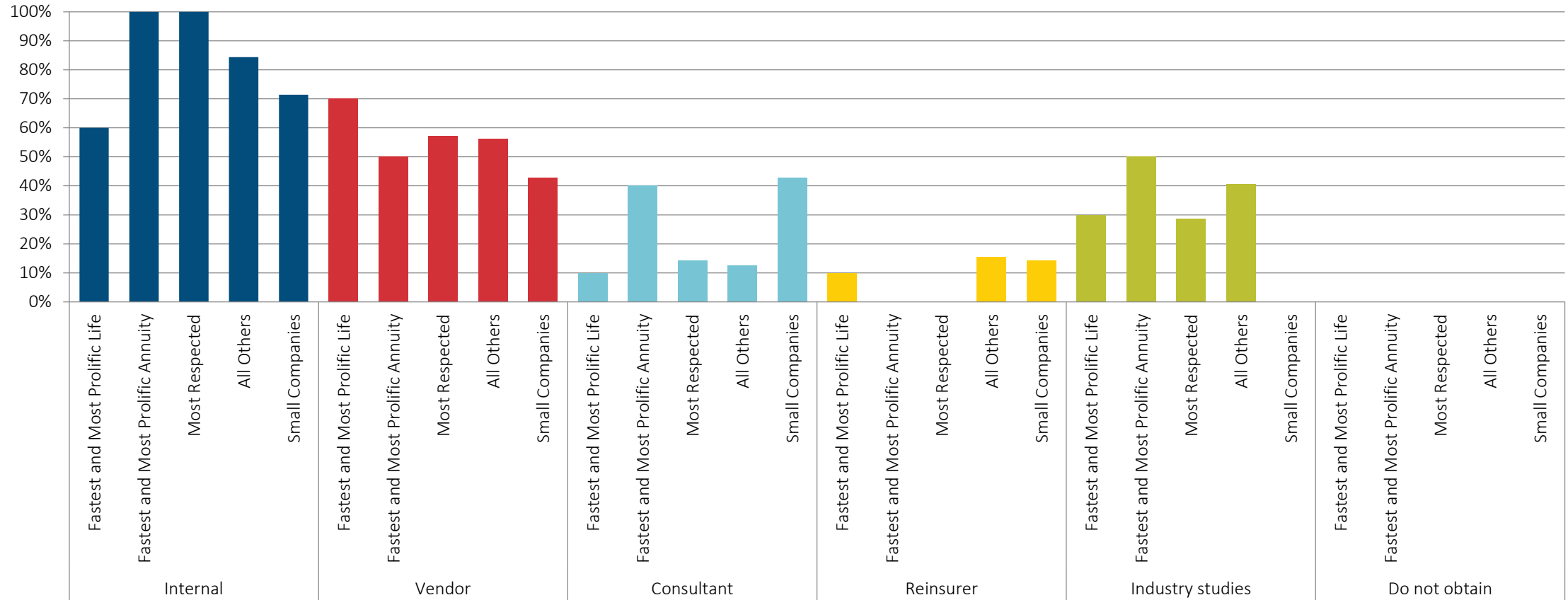
B21. When gathering information to support your product development process, which of the following does your company look to?

Product Features



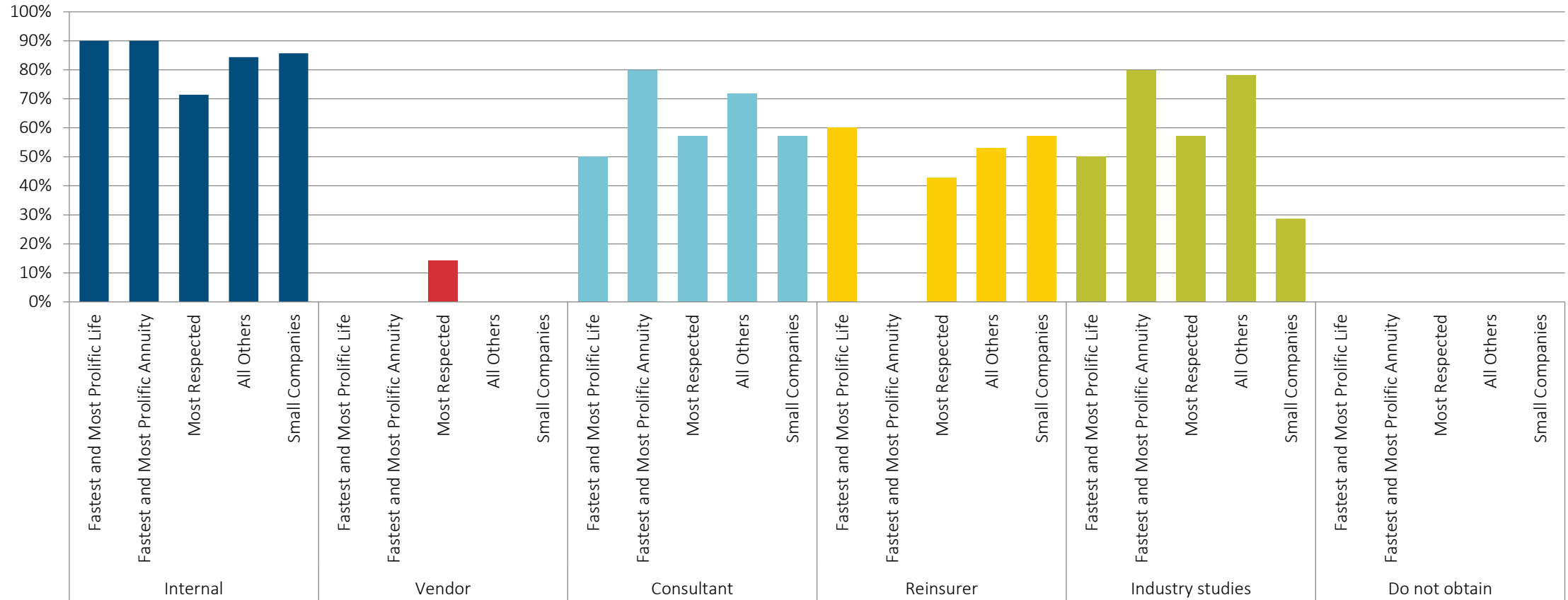
B21. When gathering information to support your product development process, which of the following does your company look to?

Premium Benchmarking



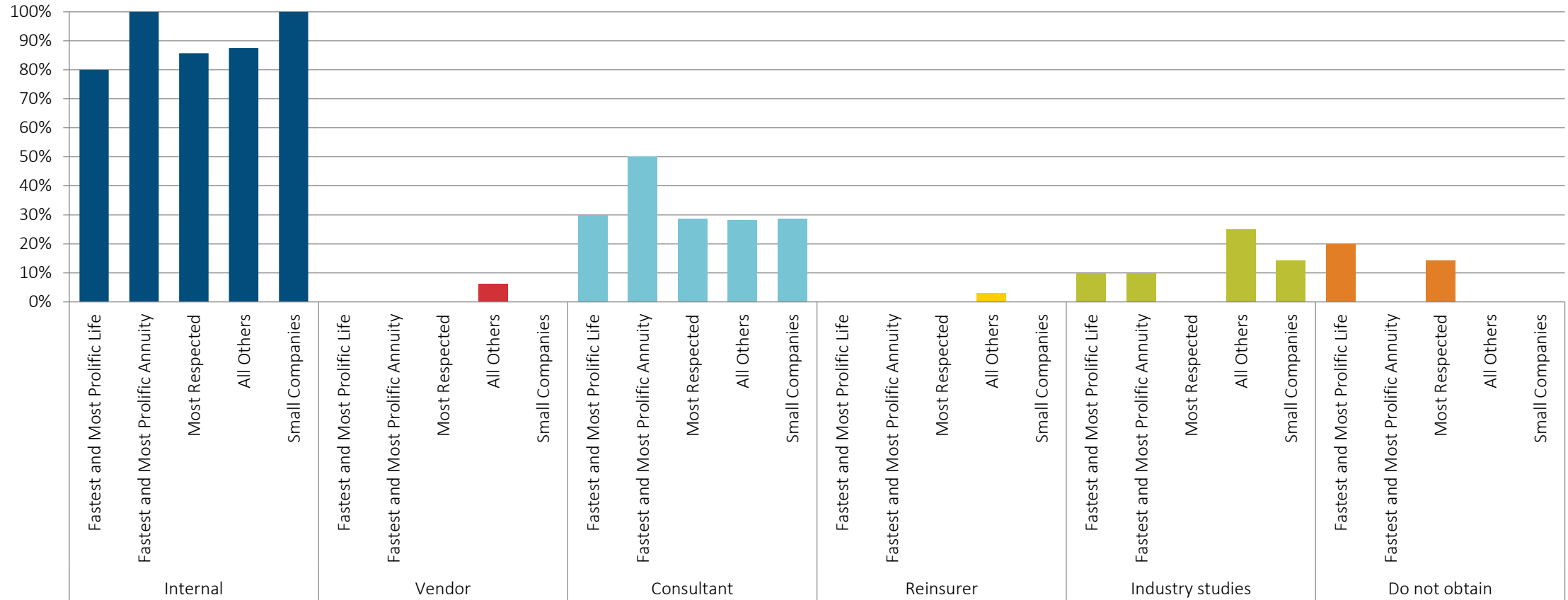
B21. When gathering information to support your product development process, which of the following does your company look to?

Pricing Assumptions



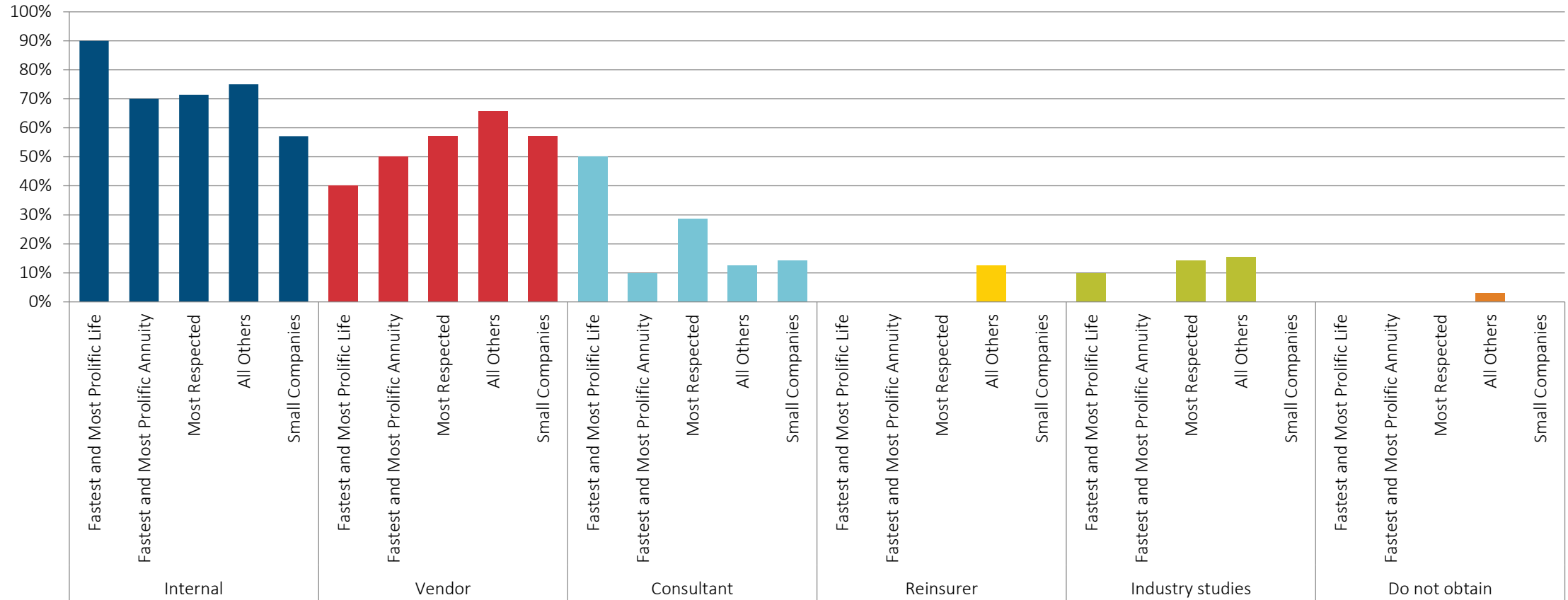
B21. When gathering information to support your product development process, which of the following does your company look to?

Filing/Compliance/Forms



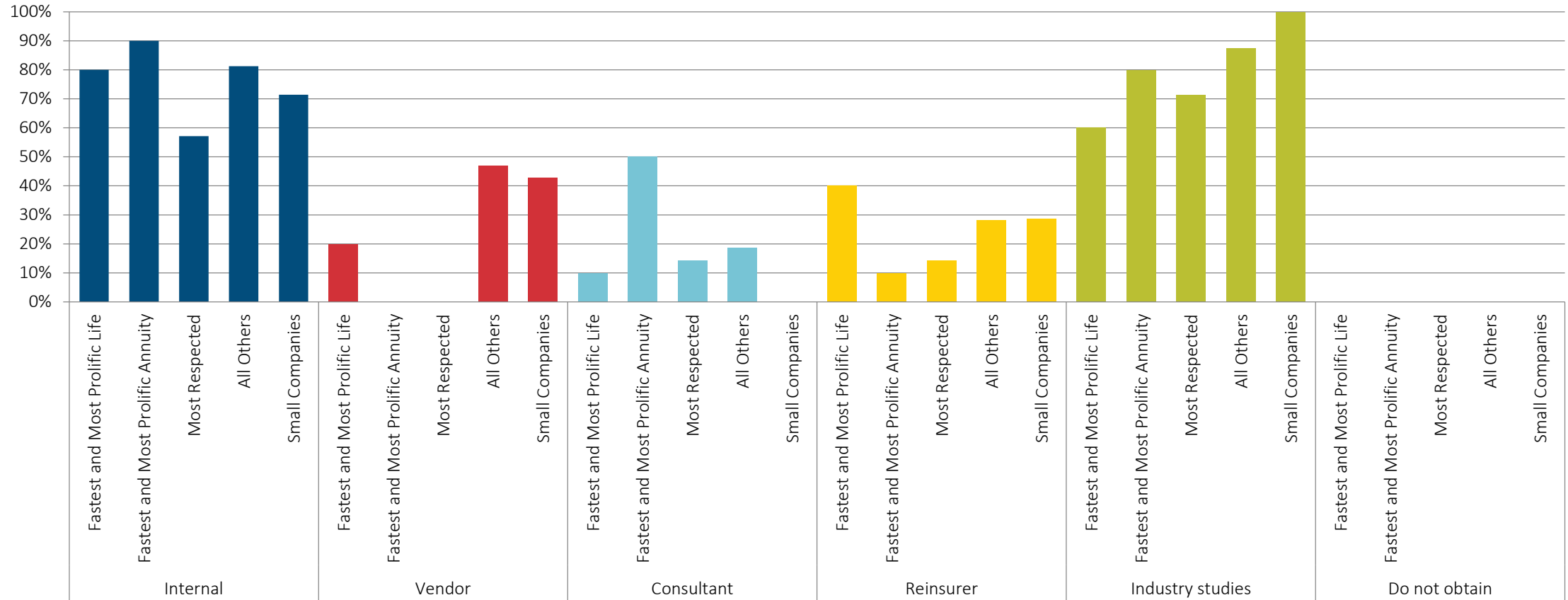
B21. When gathering information to support your product development process, which of the following does your company look to?

Technology



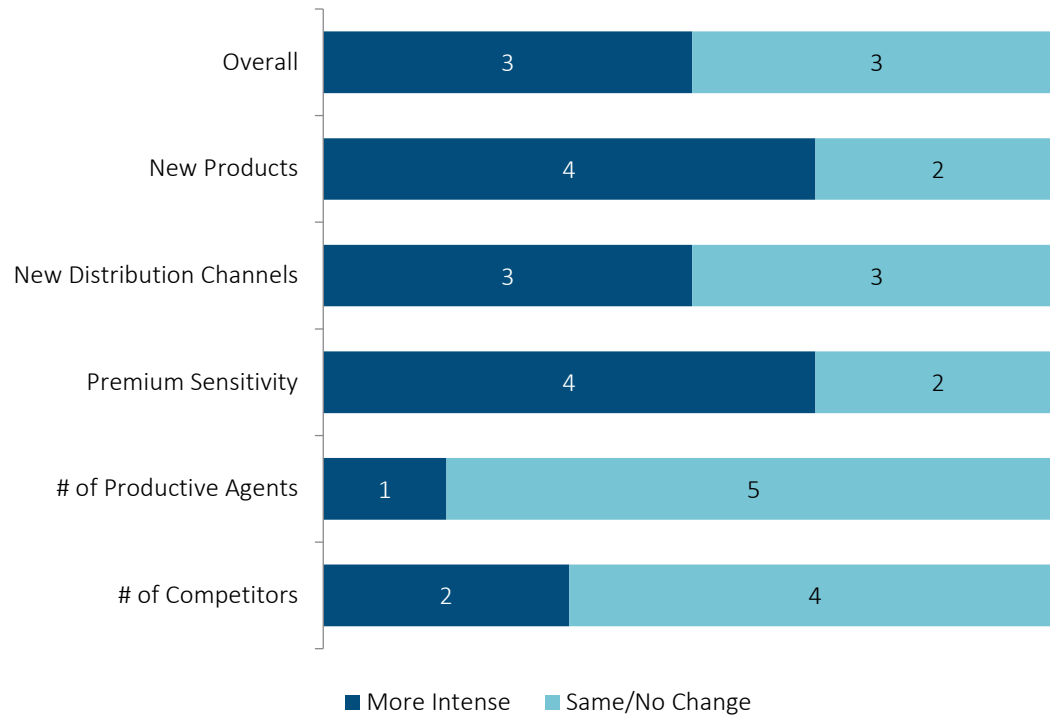
B21. When gathering information to support your product development process, which of the following does your company look to?

General Industry News

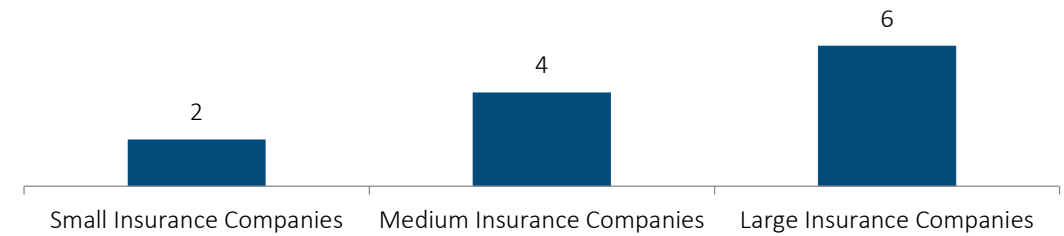


B22–B24. Small Companies Only Questions

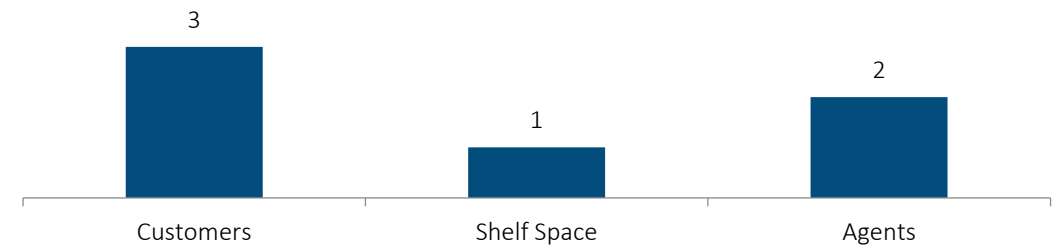
B24. In the last 5 years, has the level of competition become more, the same, or less intense in the following areas?



B22. Whom do you find yourself competing against the most?



B23. What do you compete for most often during the initial sale?



Section C

Organization and Resources



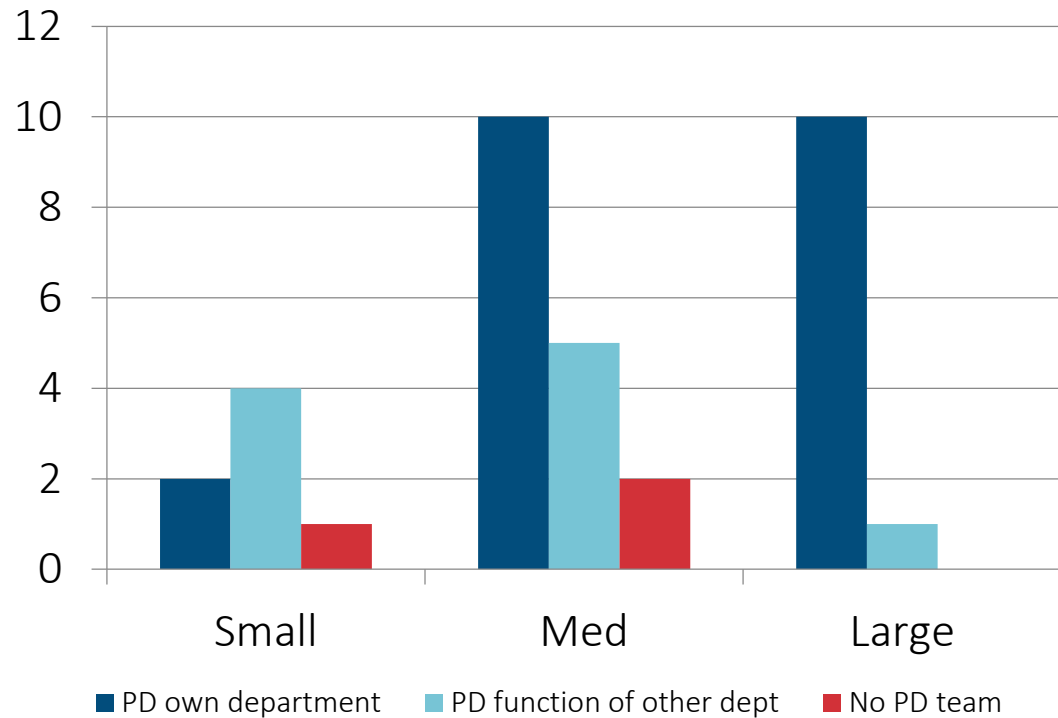
Section C Key Highlights

- Actuarial is involved in most stages of the PD process, least involved in updating business procedures for life and underwriting for annuities
- Most prolific companies have more FTEs in most steps of the PD process
- Fastest annuity companies have more FTEs in IT/Admin and marketing
- No small company indicated having a full time competitive intelligence resource
- Companies tend to have twice as many FSAs as students or ASAs

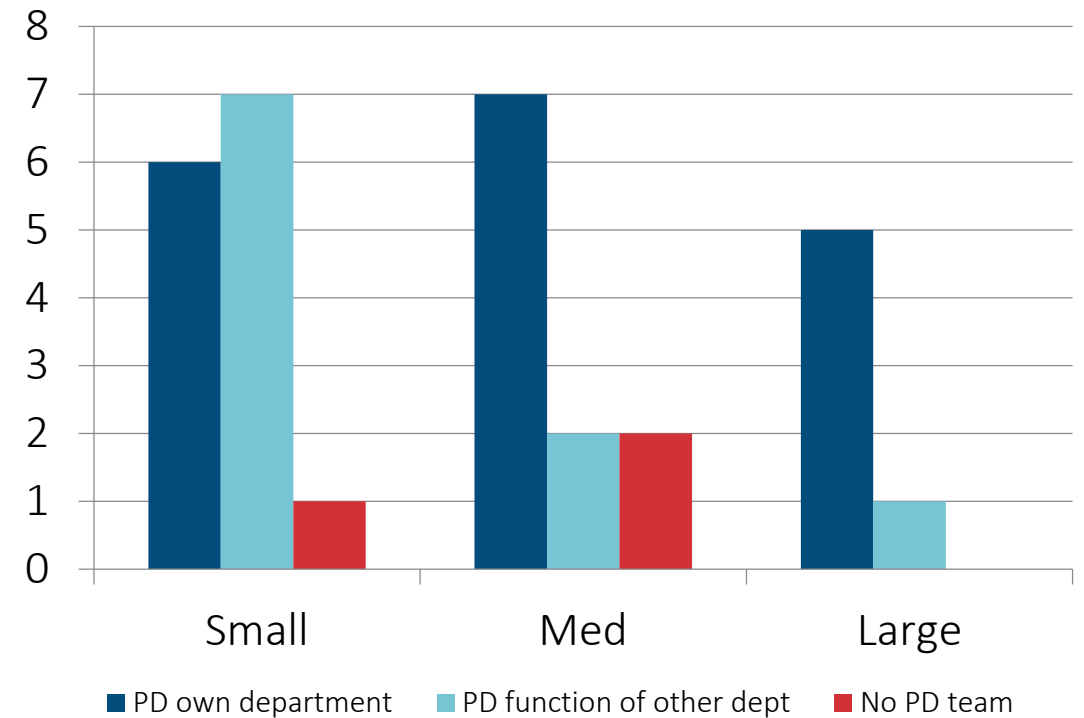
C1. How is your product development team structured?

Large and medium-size companies tend to have PD as its own department

Team Structure by Size: Life

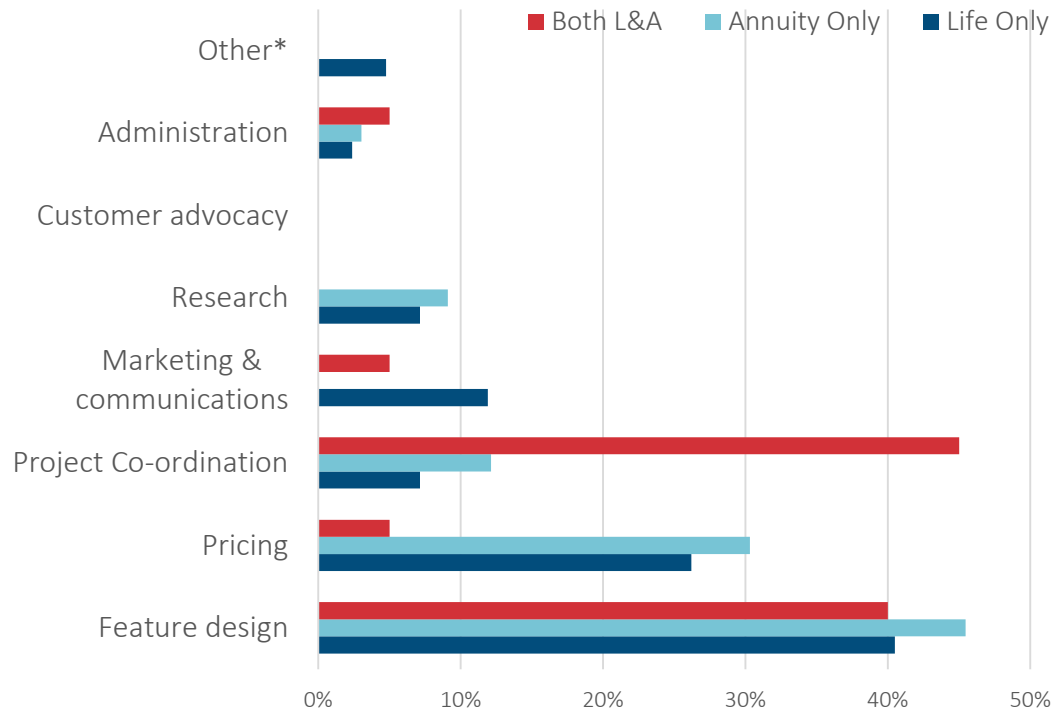


Team Structure by Size: Annuity

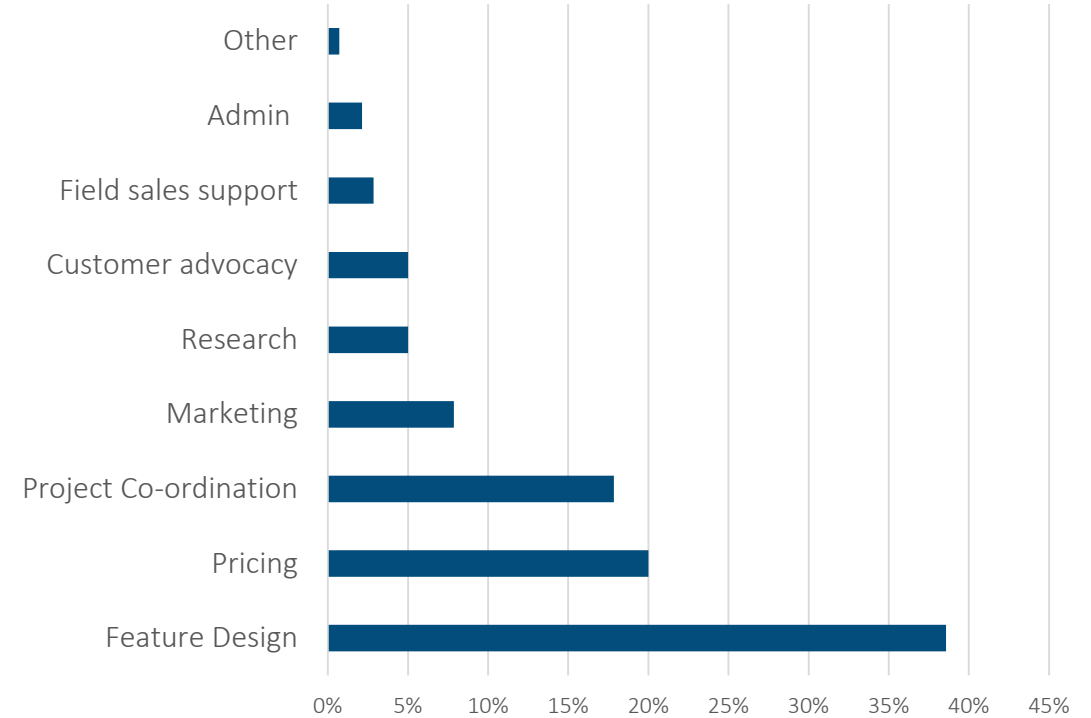


C1a. What are the highest level PD Manager's top two tasks?

Top two priorities – SOA responses

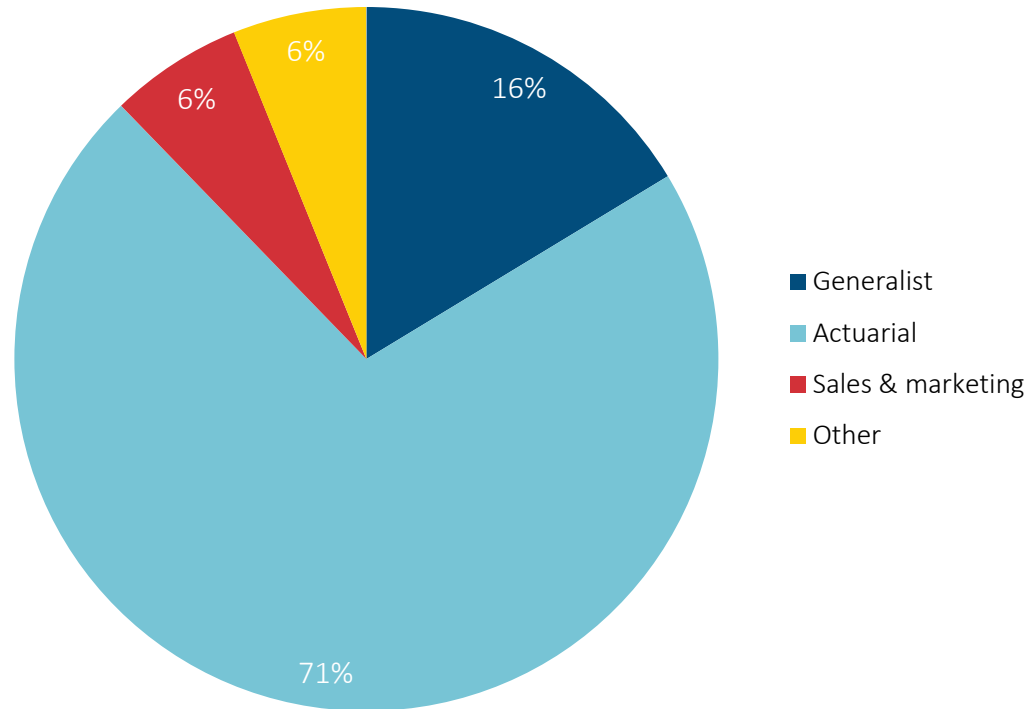


Top two responses – International Survey+

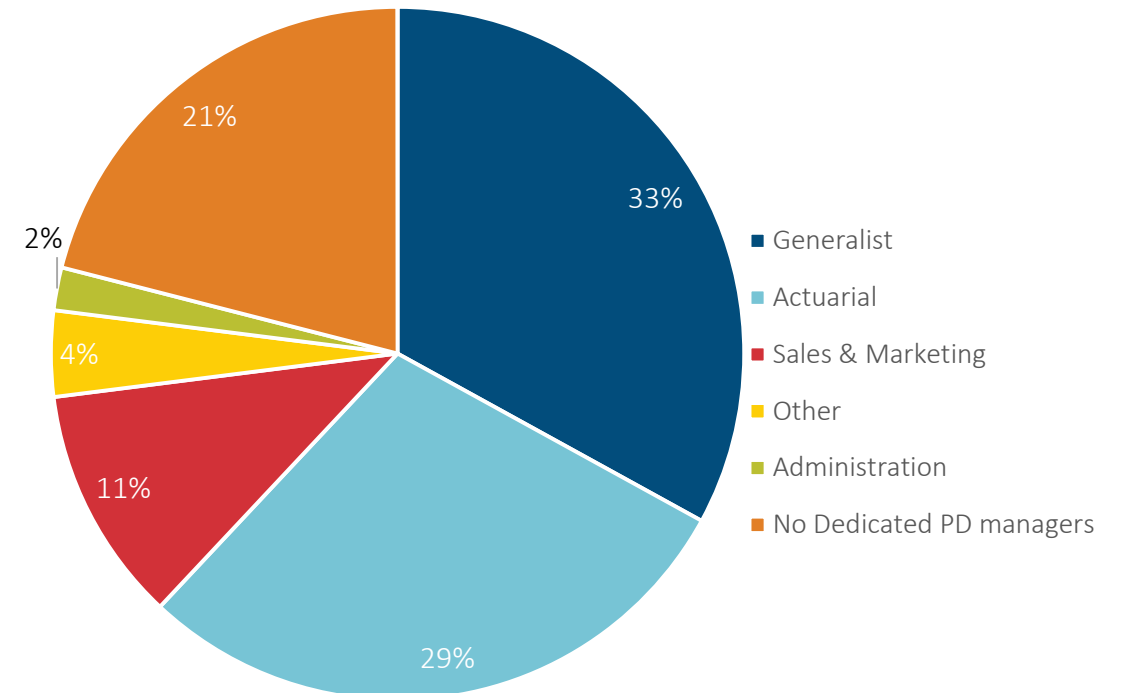


C1b. Describe the highest level PD manager's primary area of expertise.

All Companies in SOA Survey



International Survey+



C2: What areas are engaged in each of the following steps in the PD process?

All companies

PD Process Step	Distribution	Actuarial (PD)	Underwriting	IT	Compliance /Legal	Project Mgmt	Valuation	Operations	Risk Mgmt	Marketing	Research
Idea generation	54	52	15	6	8	12	2	9	6	35	36
Product concept and feasibility	38	54	17	32	39	27	13	20	26	32	33
Product planning and design	30	54	18	36	34	40	16	27	17	36	22
Underwriting criteria	7	37	41	2	6	8	2	5	9	9	5
Assumption development	4	53	12	3	3	9	23	3	24	4	7
Product pricing	7	54	3	2	2	13	20	0	26	11	9
Policy form drafting	4	48	6	16	50	30	2	25	7	15	5
Set compensation levels	46	52	0	4	5	12	4	5	8	18	12
Reinsurance	2	43	24	7	7	7	12	8	16	1	0
IT Day 1	6	37	10	53	7	47	9	35	5	9	1
IT Day 2	5	34	7	53	8	46	14	35	3	7	1
Peer review	5	43	3	9	12	9	17	6	16	3	1
Marketing plans	31	26	2	2	18	29	1	8	3	53	10
Training	37	26	12	6	22	23	2	36	1	43	5
Update business procedures	7	20	18	15	15	32	5	47	3	9	0
Regulatory filing	0	43	2	6	46	18	5	4	2	6	0
Tracking inforce	12	47	8	12	2	8	25	18	13	7	6

C2: What areas are engaged in each of the following steps in the PD process?

Most Prolific: Life

PD Process Step	Distribution	Actuarial (PD)	Underwriting	IT	Compliance /Legal	Project Mgmt	Valuation	Operations	Risk Mgmt	Marketing	Research
Idea generation	5	5	0	0	0	0	0	0	0	4	4
Product concept and feasibility	2	5	2	3	3	3	2	1	4	4	3
Product planning and design	3	5	2	3	2	4	2	1	2	5	2
Underwriting criteria	0	5	5	0	1	0	0	0	2	2	0
Assumption development	0	5	0	0	0	1	2	0	3	0	2
Product pricing	1	5	1	1	1	1	2	0	3	3	0
Policy form drafting	0	5	0	2	5	2	0	1	0	0	0
Set compensation levels	4	5	0	0	0	0	0	0	2	3	0
Reinsurance	0	5	2	0	1	1	2	0	1	0	0
IT Day 1	0	5	0	5	0	4	1	3	0	1	0
IT Day 2	0	4	1	5	0	3	2	3	0	0	0
Peer review	0	5	1	2	1	1	4	2	2	0	0
Marketing plans	2	3	0	0	2	3	0	0	1	5	1
Training	3	3	0	1	1	2	0	4	0	5	0
Update business procedures	0	1	2	2	0	4	0	4	0	0	0
Regulatory filing	0	5	0	0	5	2	1	0	0	0	0
Tracking inforce	1	5	2	1	1	0	4	1	1	1	0

C2: What areas are engaged in each of the following steps in the PD process?

Most Prolific: Annuity

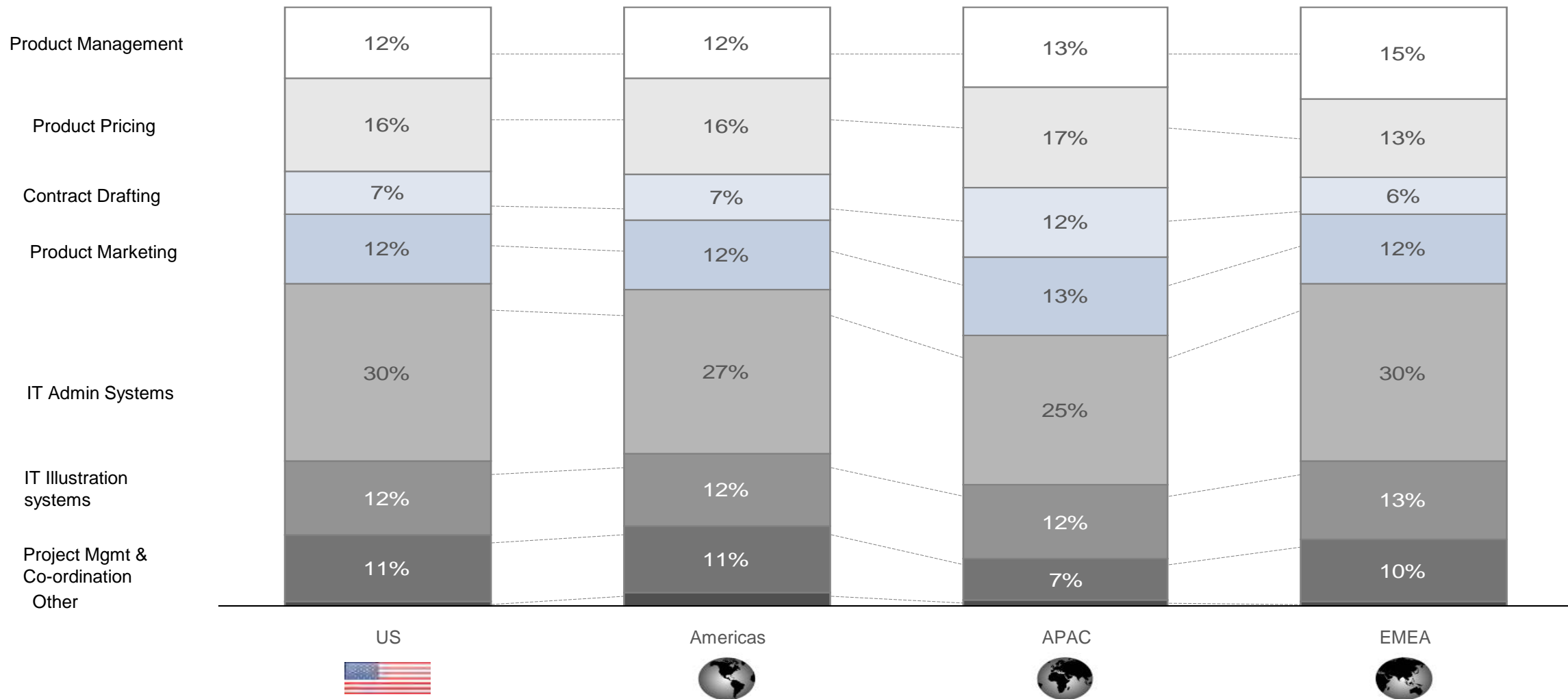
PD Process Step	Distribution	Actuarial (PD)	Underwriting	IT	Compliance /Legal	Project Mgmt	Valuation	Operations	Risk Mgmt	Marketing	Research
Idea generation	5	4	0	0	0	0	0	1	0	2	2
Product concept and feasibility	3	5	1	2	3	1	2	1	4	2	3
Product planning and design	2	5	0	3	3	2	0	3	1	3	2
Underwriting criteria	2	2	1	0	0	1	0	1	2	0	0
Assumption development	2	5	1	1	0	1	2	1	3	1	0
Product pricing	2	5	1	0	0	1	4	0	5	0	0
Policy form drafting	1	5	1	2	5	3	1	3	2	2	1
Set compensation levels	5	5	0	0	1	1	1	1	0	3	2
Reinsurance	0	4	1	1	0	0	2	1	3	0	0
IT Day 1	0	3	1	5	2	5	0	3	1	1	0
IT Day 2	0	3	0	5	2	5	2	3	1	1	0
Peer review	1	4	0	1	0	1	4	0	4	0	0
Marketing plans	5	2	0	0	2	1	0	0	0	5	2
Training	4	3	1	0	4	2	0	3	0	3	1
Update business procedures	1	4	1	2	1	1	0	5	0	1	0
Regulatory filing	0	5	0	0	5	1	0	1	0	2	0
Tracking inforce	1	5	1	1	0	0	1	2	3	1	0

International perspective from interviews

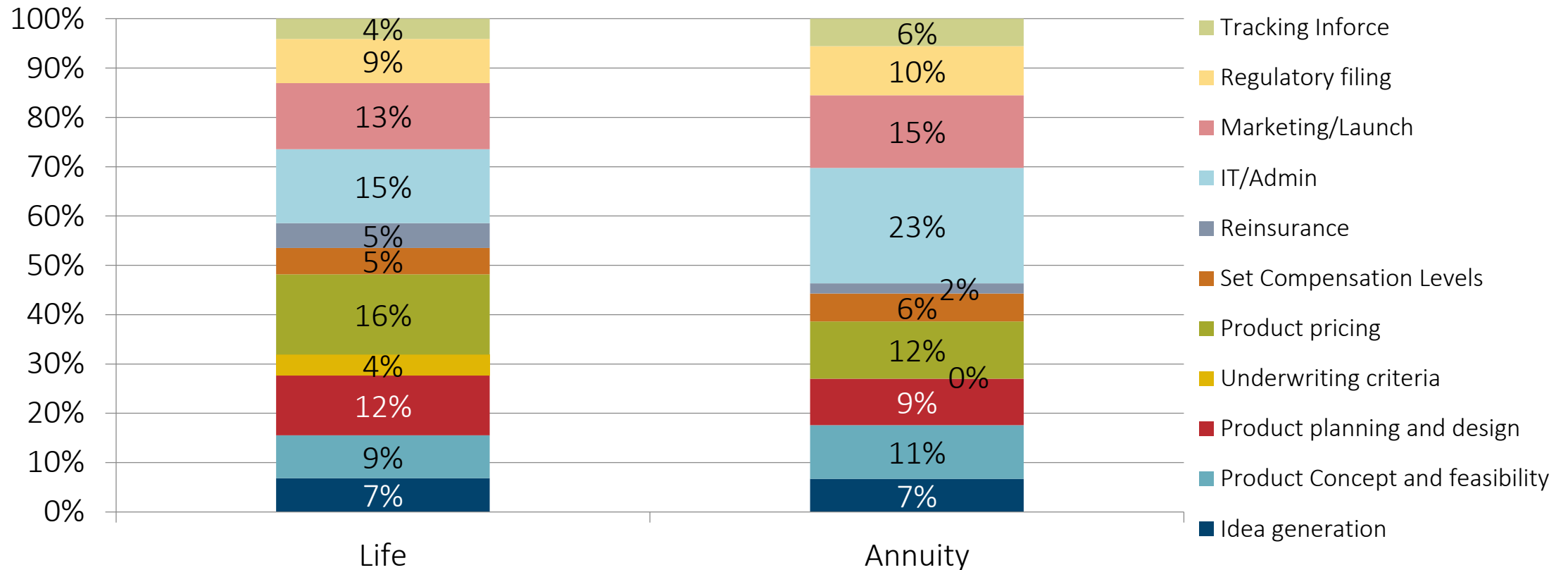
- In Italy, person in charge of PD is an actuary, whereas in France, Marketing department is usually responsible.
- In Italy, one area not well represented is claims and underwriting. Reinsurers are more involved, and outside of term, companies leverage reinsurers for critical illness, LTC, personal accident.
- In France, reinsurers help small companies in developing their products.
- Companies are highly influenced by the agent network, and bancassurance is the main outlet for products. These agent committees are highly engaged in the process and can cause changes or even kill products developed.

International Survey*: What is your estimated headcount dedicated to new product development delivery in your local market for each of the following:

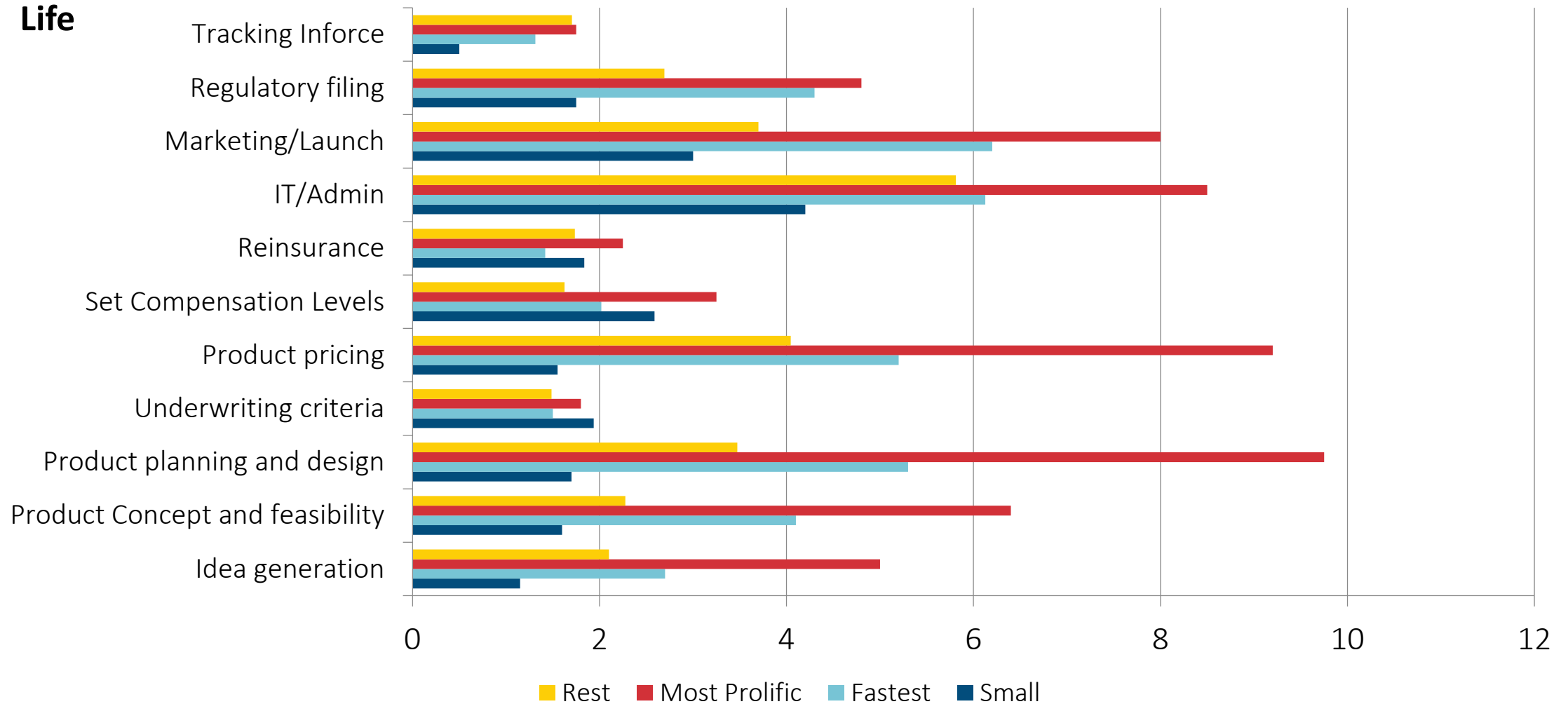
Full Time Equivalent by function—regionally (%)



C3: What is the estimated headcount (full time equivalent) dedicated to product development for each of the following steps in the PD process for each of the indicated product groups?

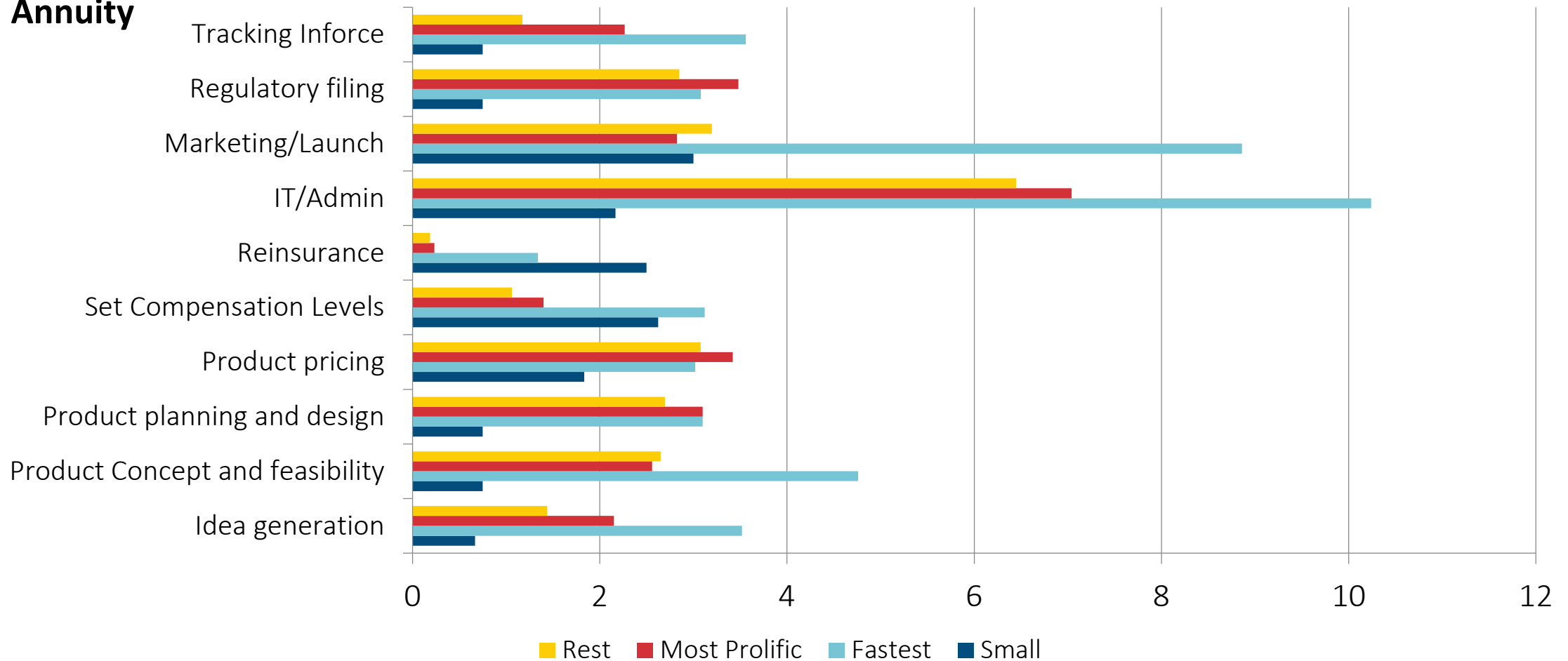


C3: What is the estimated headcount (full time equivalent) dedicated to product development for each of the following steps in the PD process for each of the indicated product groups?



C3: What is the estimated headcount (full time equivalent) dedicated to product development for each of the following steps in the PD process for each of the indicated product groups?

Annuity

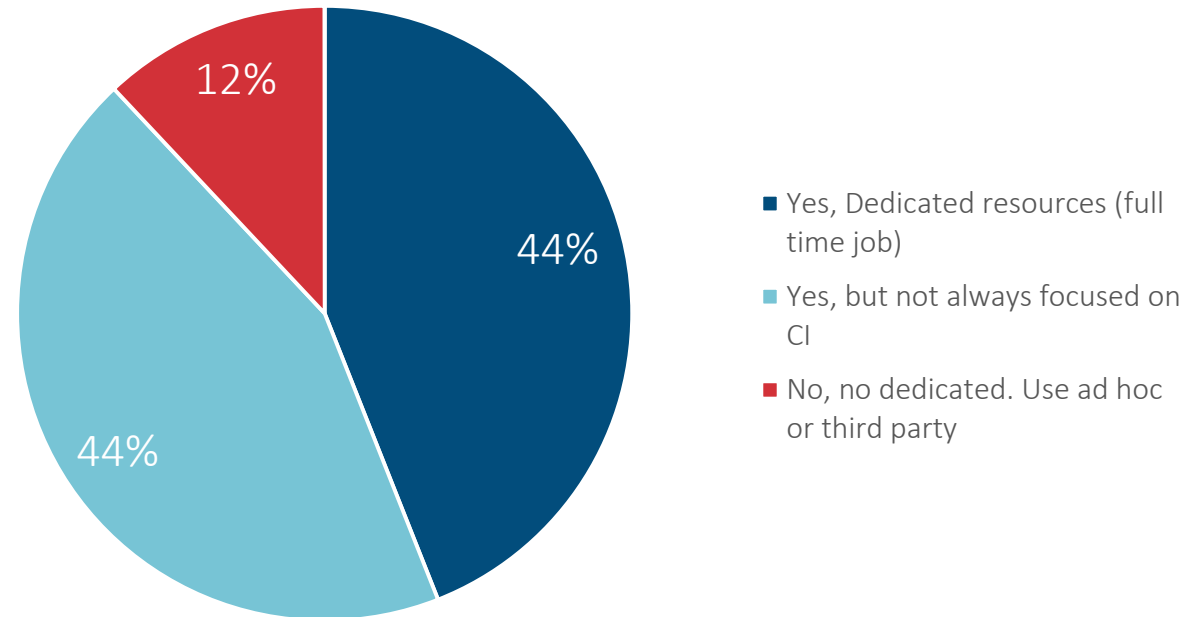


C4: Do you have dedicated resources for competitive intelligence?

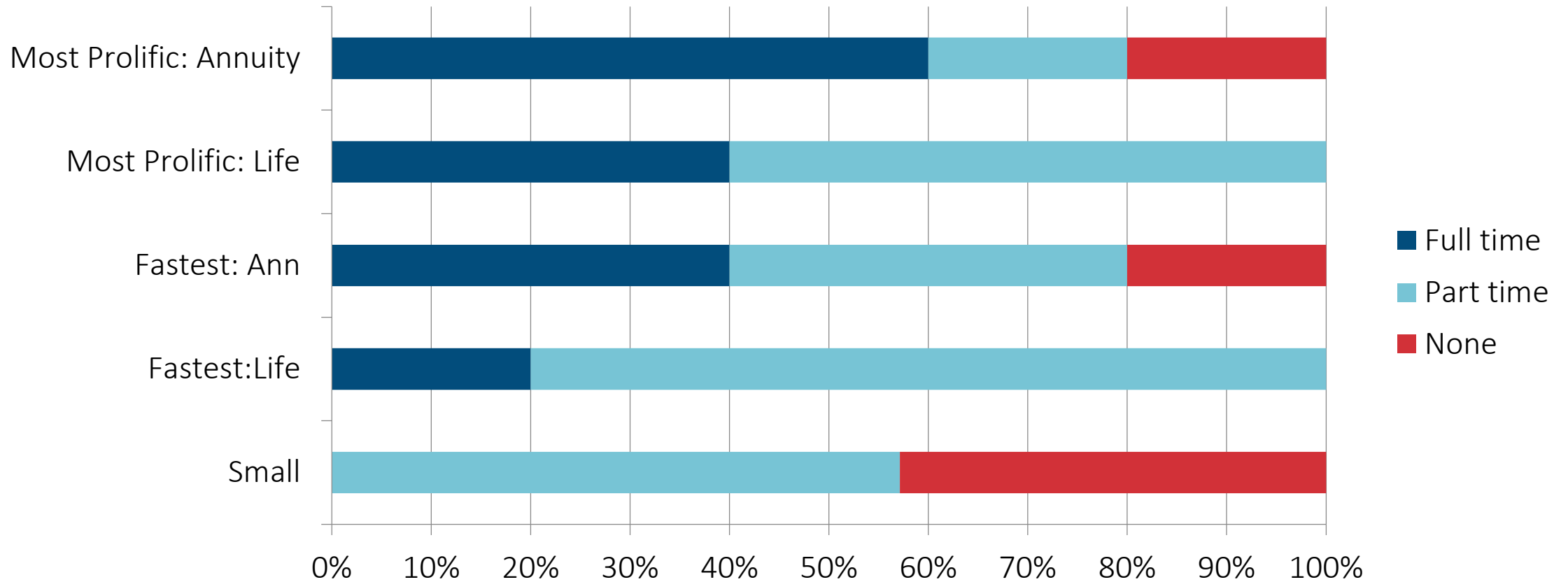
Commentary from insurer

I do have a person on my staff who's in charge of competitive intelligence and market research. Yes, we're obviously always coming to the table with how does our product stack up in terms of the competitiveness, in terms of the low-cost premiums or cash accumulation potential of those types of things.

Percentage dedicated competitive intelligence (CI)

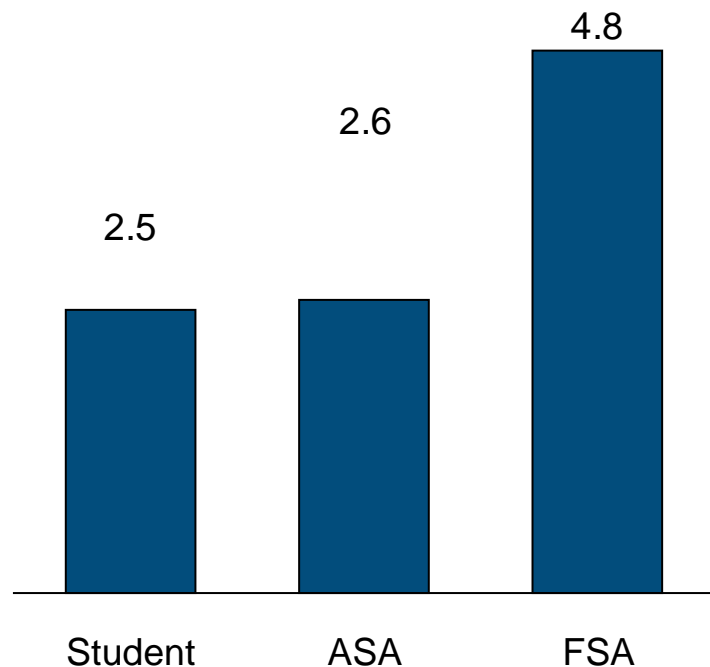


C4. Do you have dedicated resources for competitive intelligence?

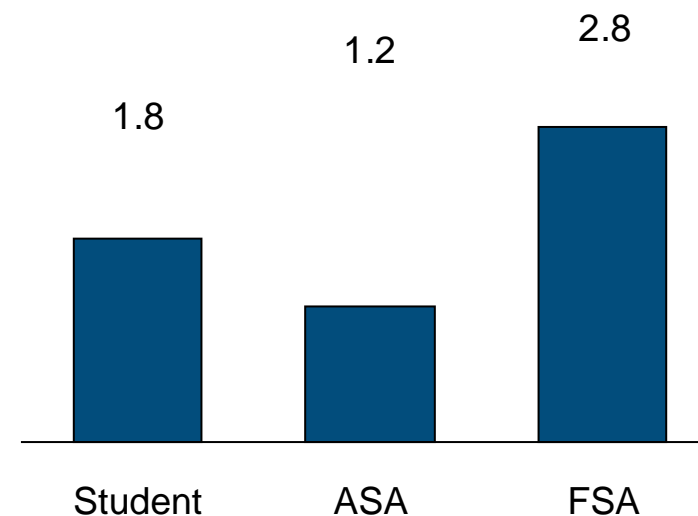


C5. Of the total number of actuarial staff supporting product development, how many fall into each of the following categories?

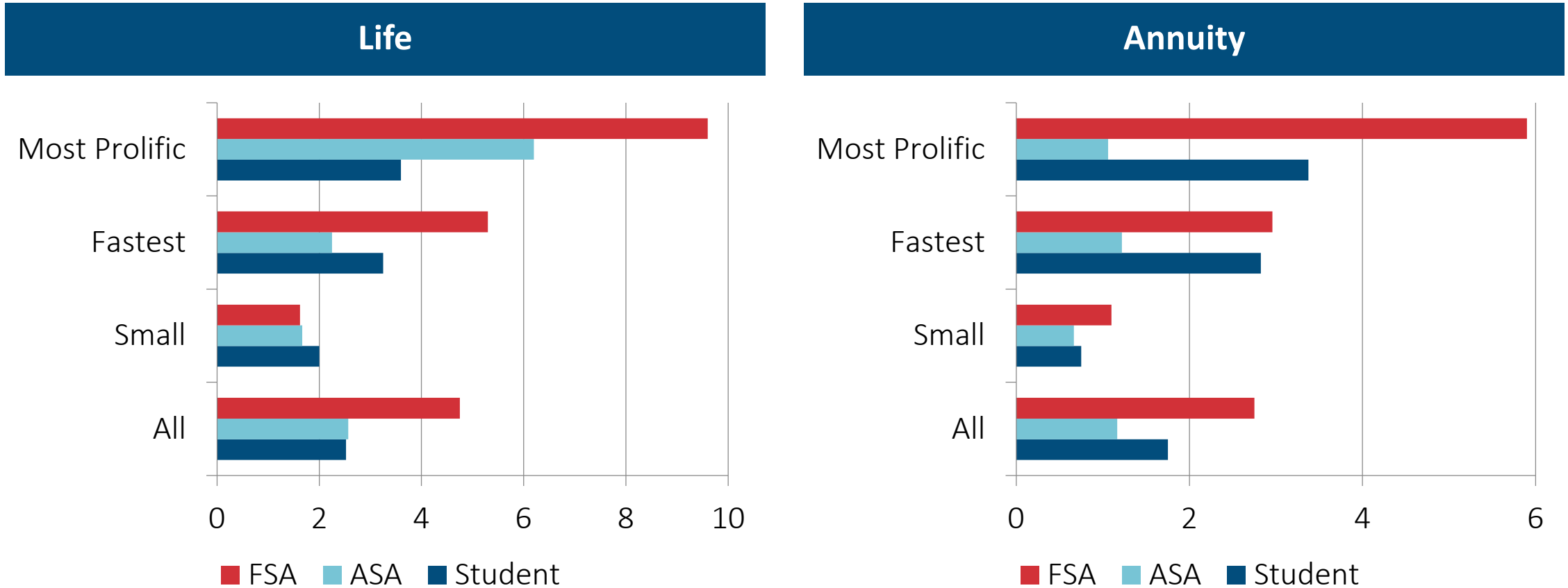
Average no. actuarial staff - Life



Average no. actuarial staff - Annuities

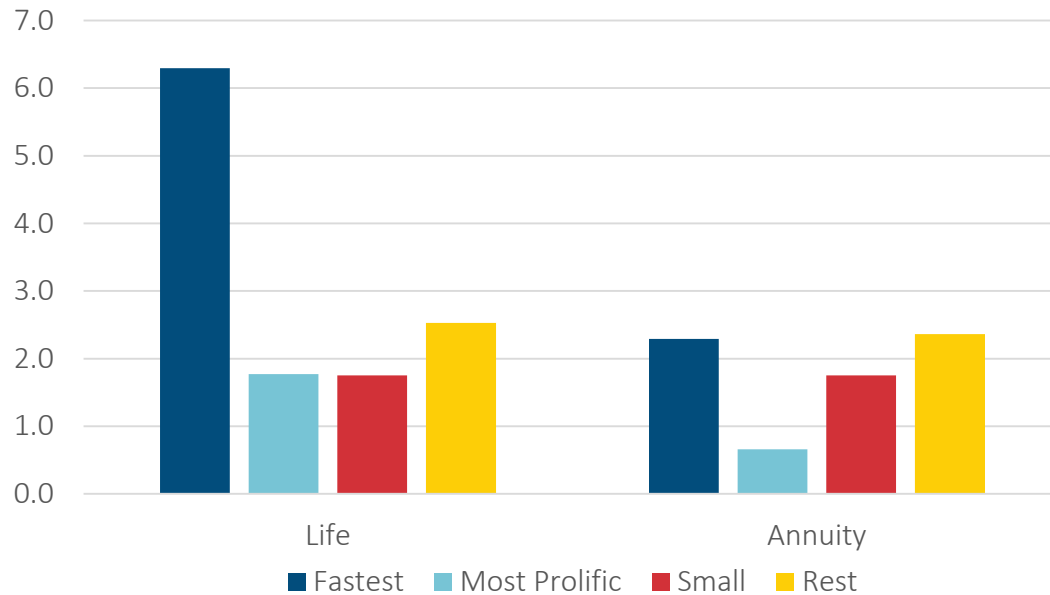


C5. Of the total number of actuarial staff supporting product development, how many fall into each of the following categories?



Actuarial Staffing for PD efforts in 2014

Average no. actuaries per PD effort (C5/B3)



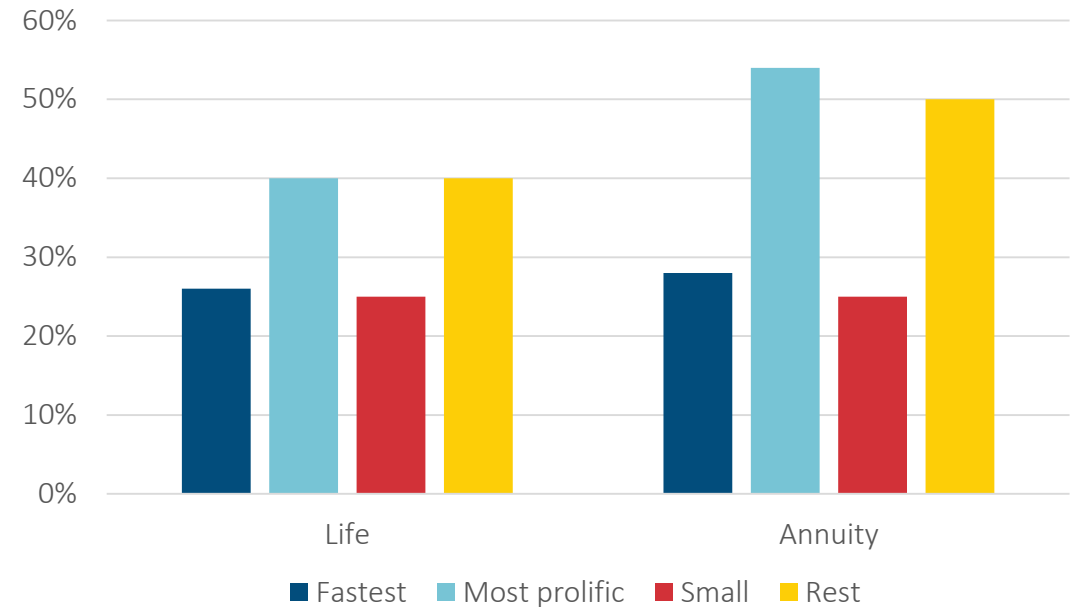
Life - Total PD Efforts

Fastest	Prolific	Small	Rest
44	61	17	102

Annuity - Total PD Efforts

Fastest	Prolific	Small	Rest
39	71	17	46

Actuaries as % of total FTEs reported (C5/C3)



Life - Total FTE

Fastest	Prolific	Small	Rest
193	265	137	176

Annuity - Total FTE

Fastest	Prolific	Small	Rest
223	131	137	83

Section D

Product Development Steps and Timelines

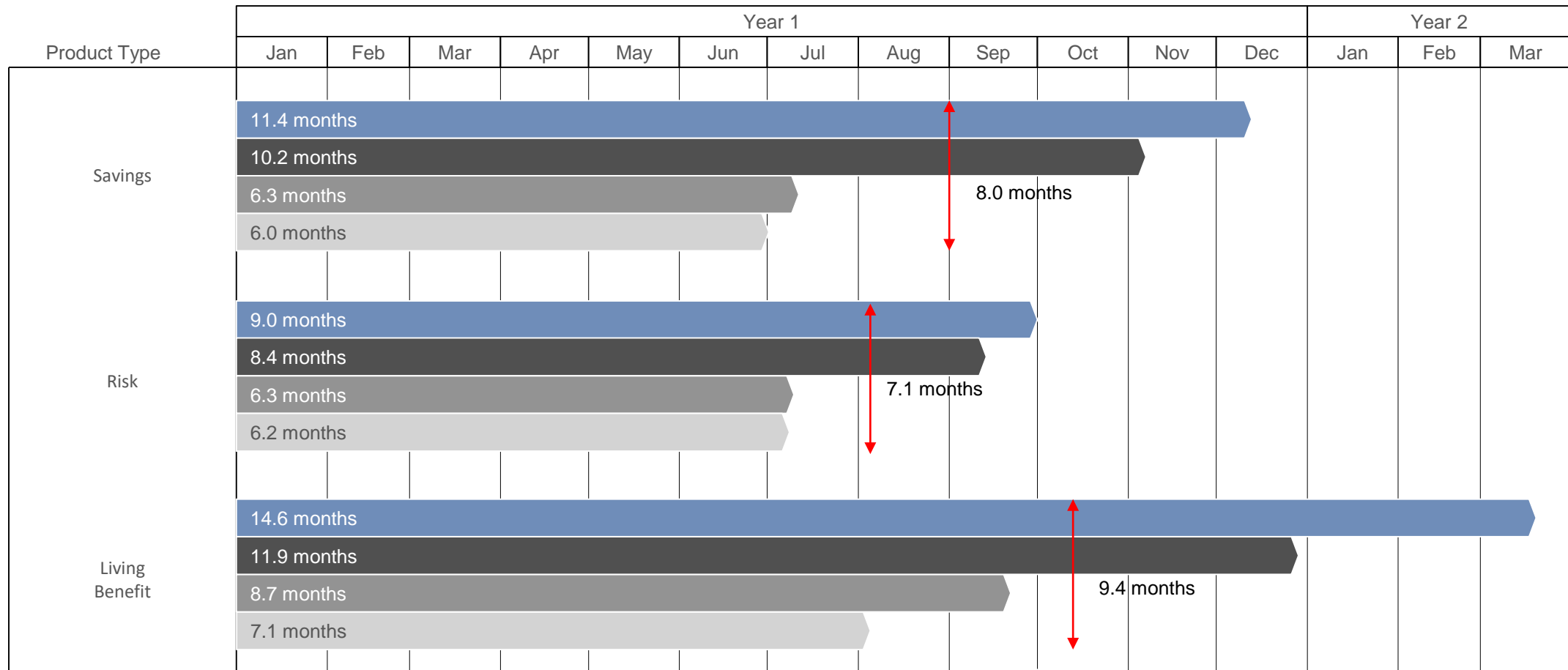


Section D Highlights

- Not only do the fastest companies move through the various stages of the PD process more quickly, but they overlap phases more. Some items like rider development and reinsurance seem to start earlier in the overall process than in other companies.
- The PD process most in need of improvement is IT administration. Most companies do not outsource this effort but do outsource illustrations. Other areas viewed as needing improvement include tracking results vs. plan, distribution/channel management and competitive intelligence.
- Although not highest for overall vote, marketing was the second highest #1 area in need of improvement.
- Companies are more likely to outsource PD functions for life insurance than they are for annuities.
- Some companies have moved to an Agile IT structure, which has improved overall IT speed.

International Survey*: Please indicate in general how many MONTHS does it take to develop new products (from idea to launch).

Average Time from Idea to Launch



D1. How long does each phase of the product development process take for life insurance products? (From idea to launch)

New Product – Median Time in Weeks



D1. How long does each phase of the product development process take for life insurance products? (From idea to launch)

New Product – Median Time in Weeks

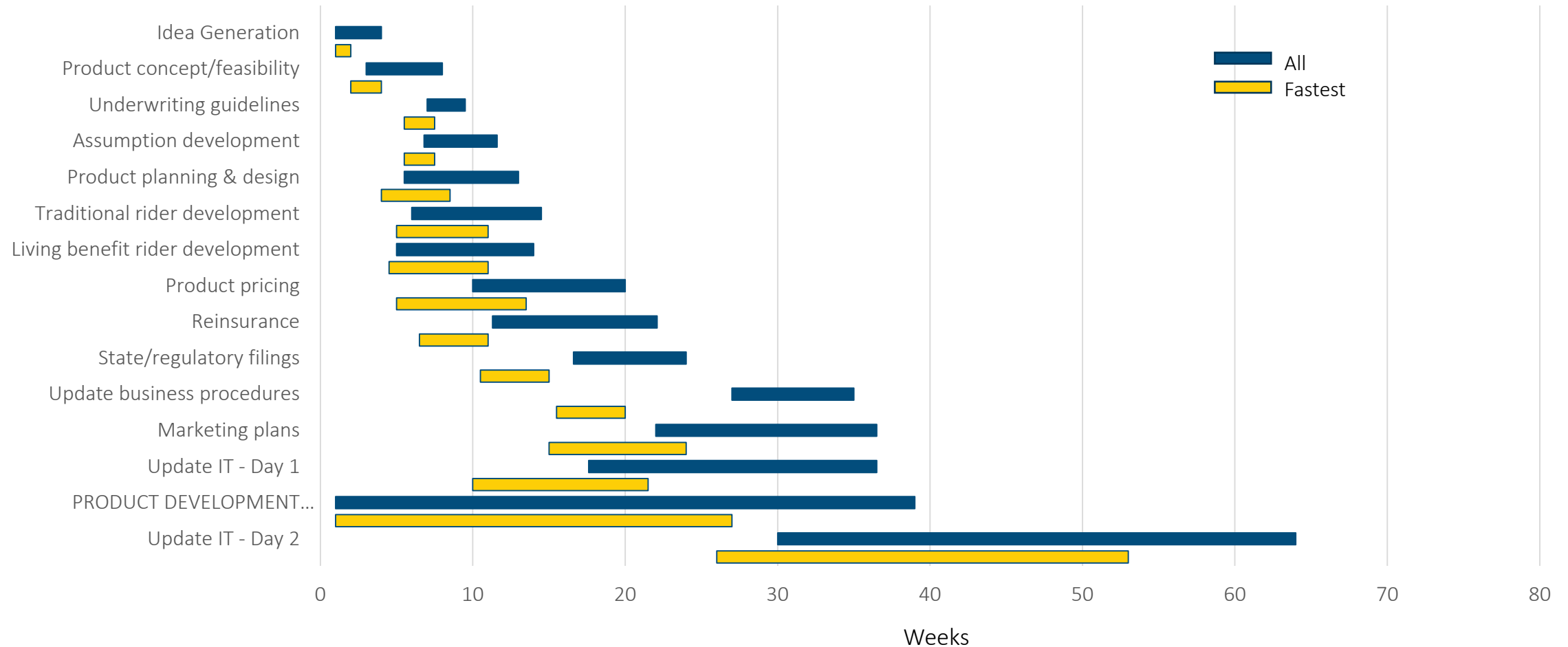


Comments on product development timelines

- Usually, if you're looking for something to get delivered in Q1, you need to start it probably in Q2 of the previous year
- You're taking a look at anything from 5 to 6 months for something that's actually a fairly small project
- Brand new products from concept to execution could be anywhere from 12/15 months to three years
- 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.

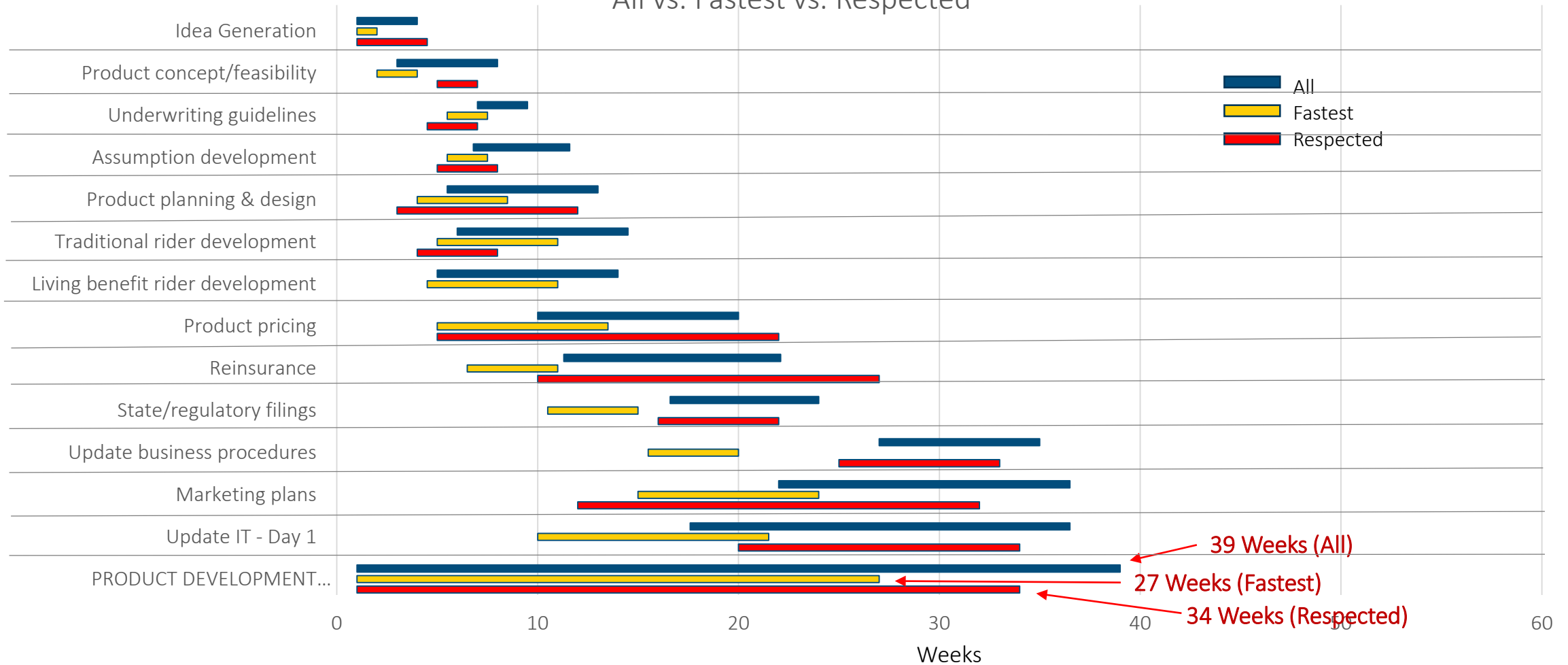
Duration and Timing of Product Development Steps

Term Insurance – New Products



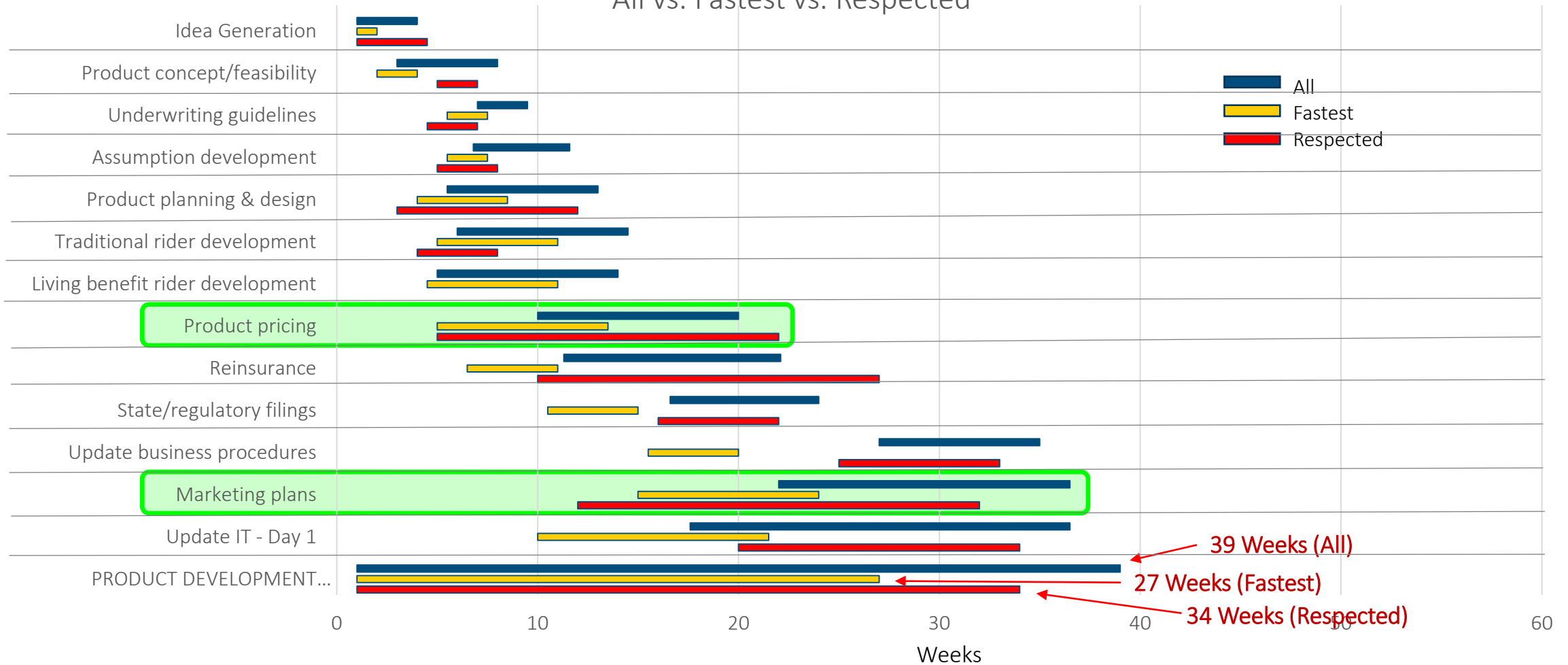
Duration and Timing of Product Development Steps

Term Insurance – New Products
All vs. Fastest vs. Respected



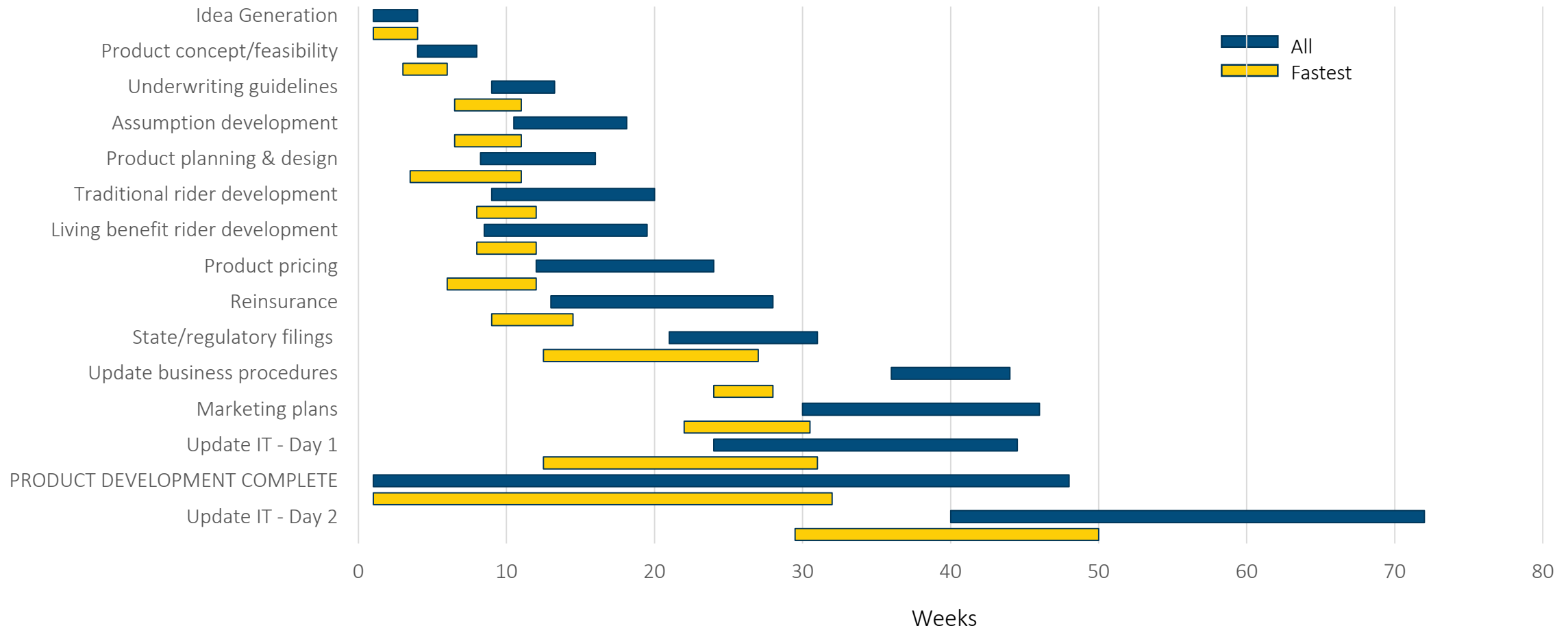
Duration and Timing of Product Development Steps

Term Insurance – New Products
All vs. Fastest vs. Respected



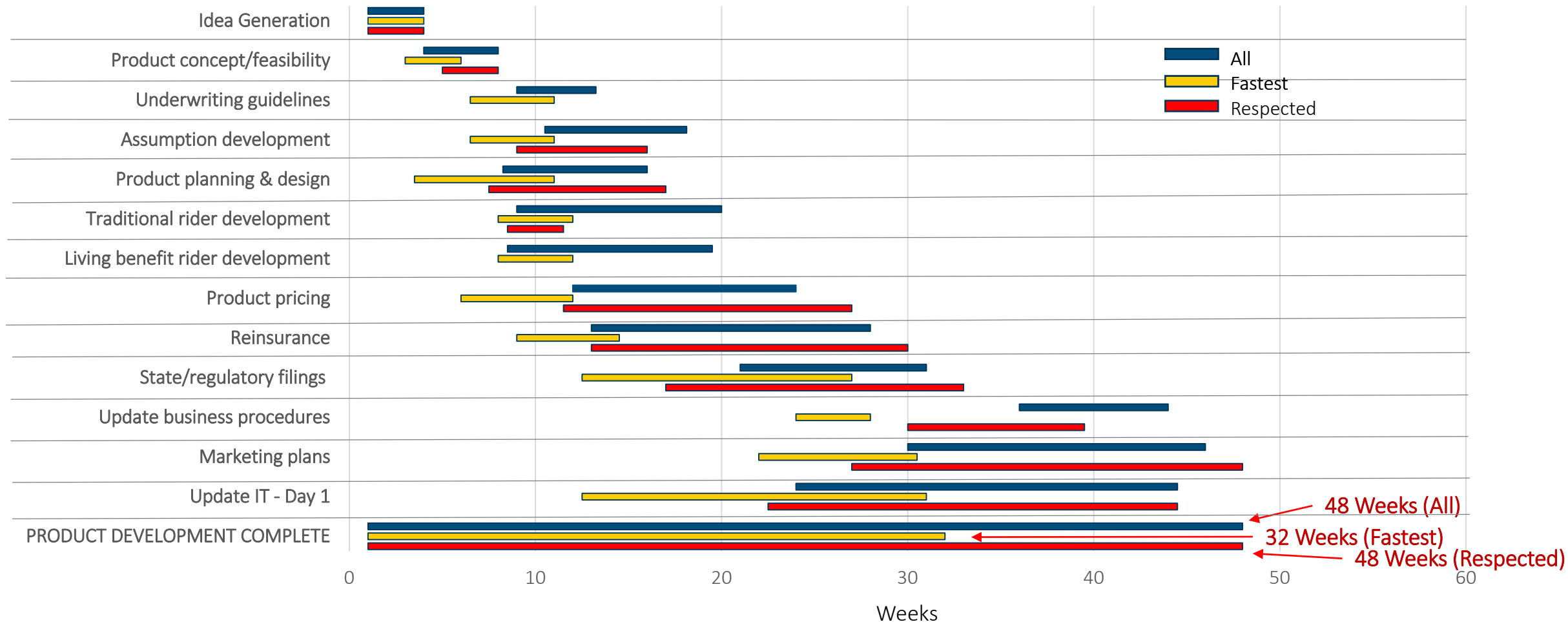
Duration and Timing of Product Development Steps

UL/ULSG – New Products



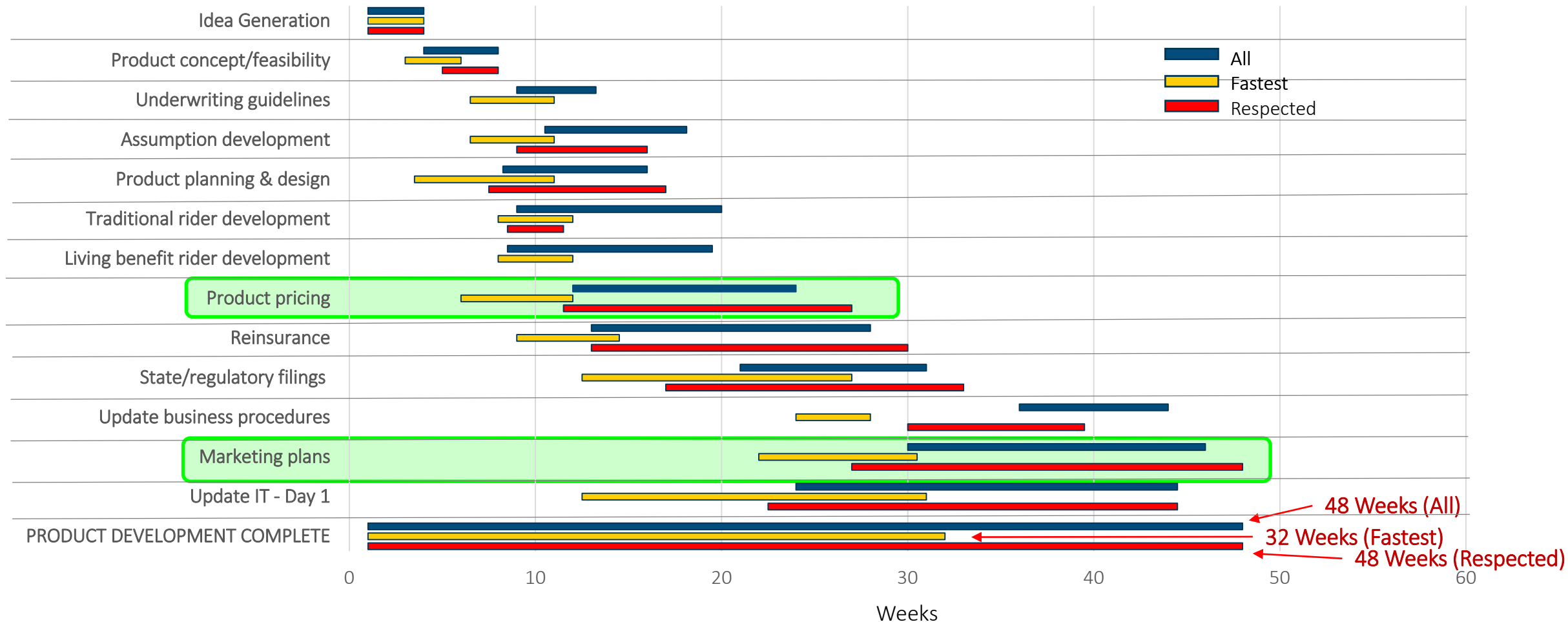
Duration and Timing of Product Development Steps

UL/ULSG – New Products
All vs. Fastest vs. Respected



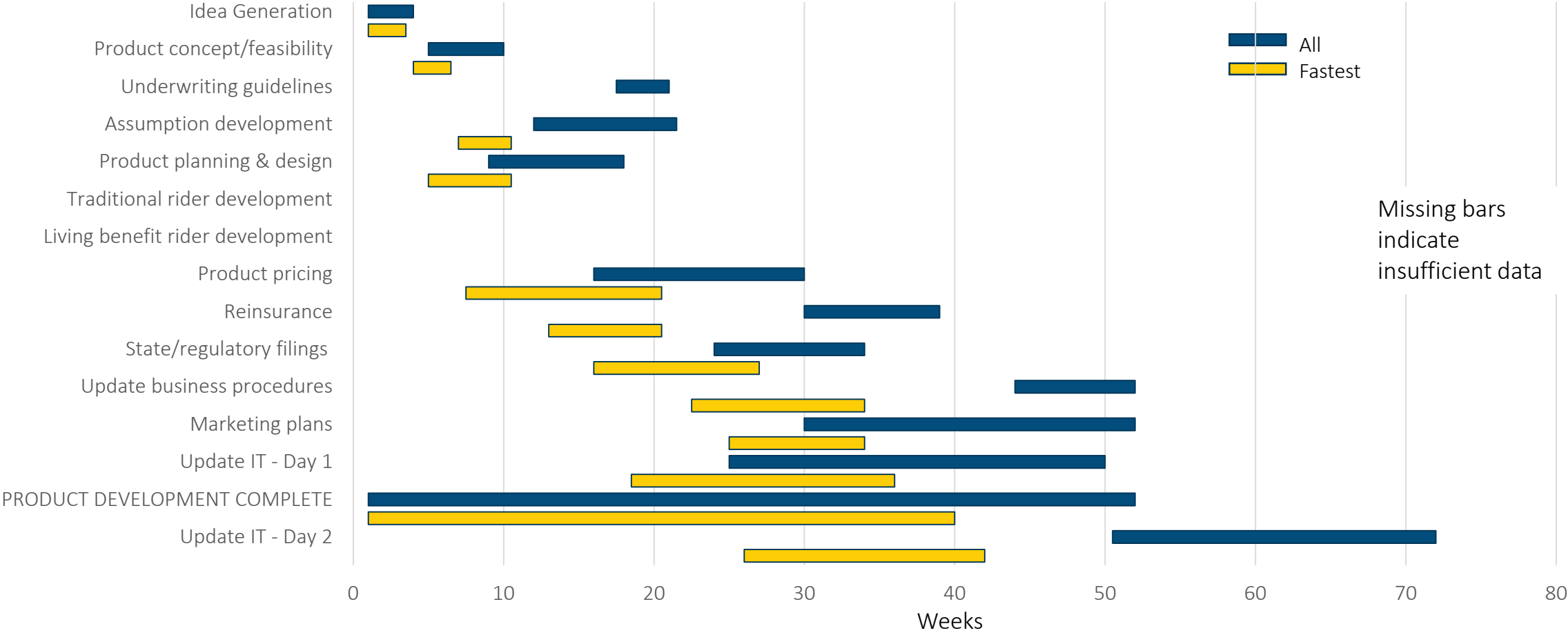
Duration and Timing of Product Development Steps

UL/ULSG – New Products
All vs. Fastest vs. Respected



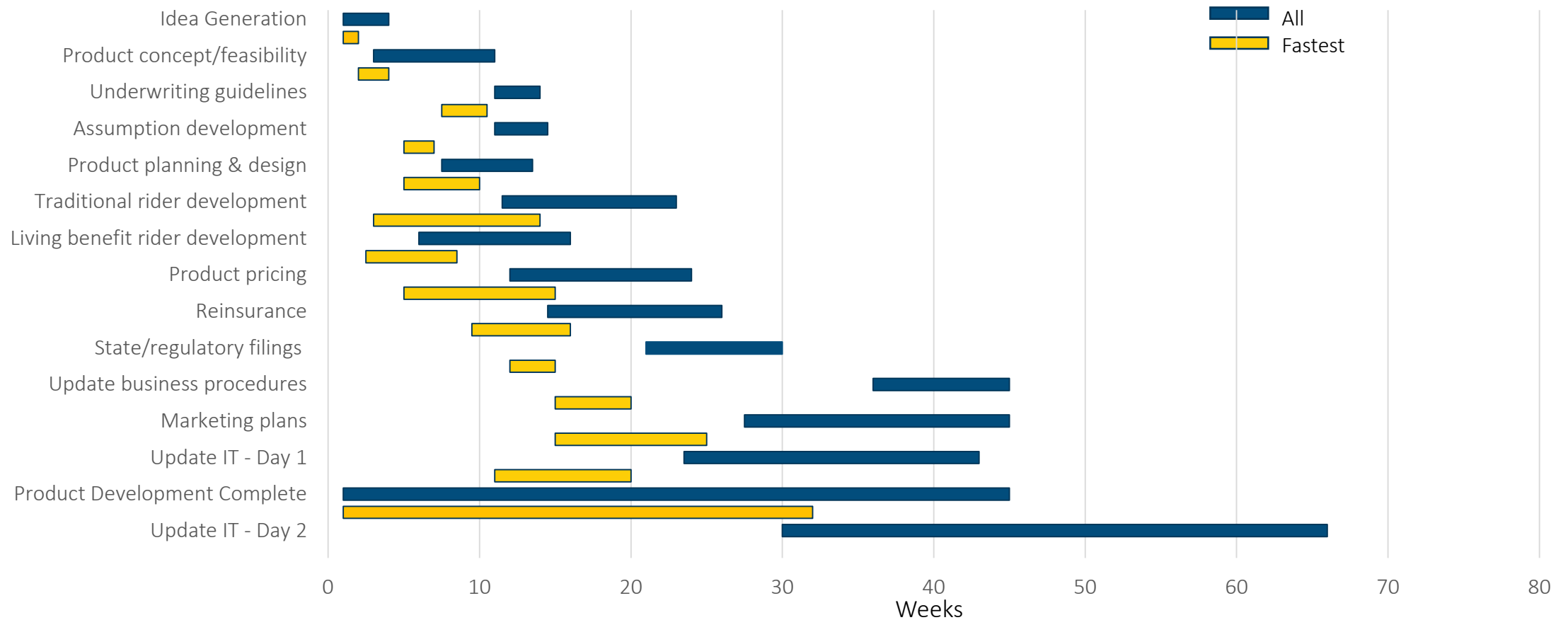
Duration and Timing of Product Development Steps

Indexed UL – New Products



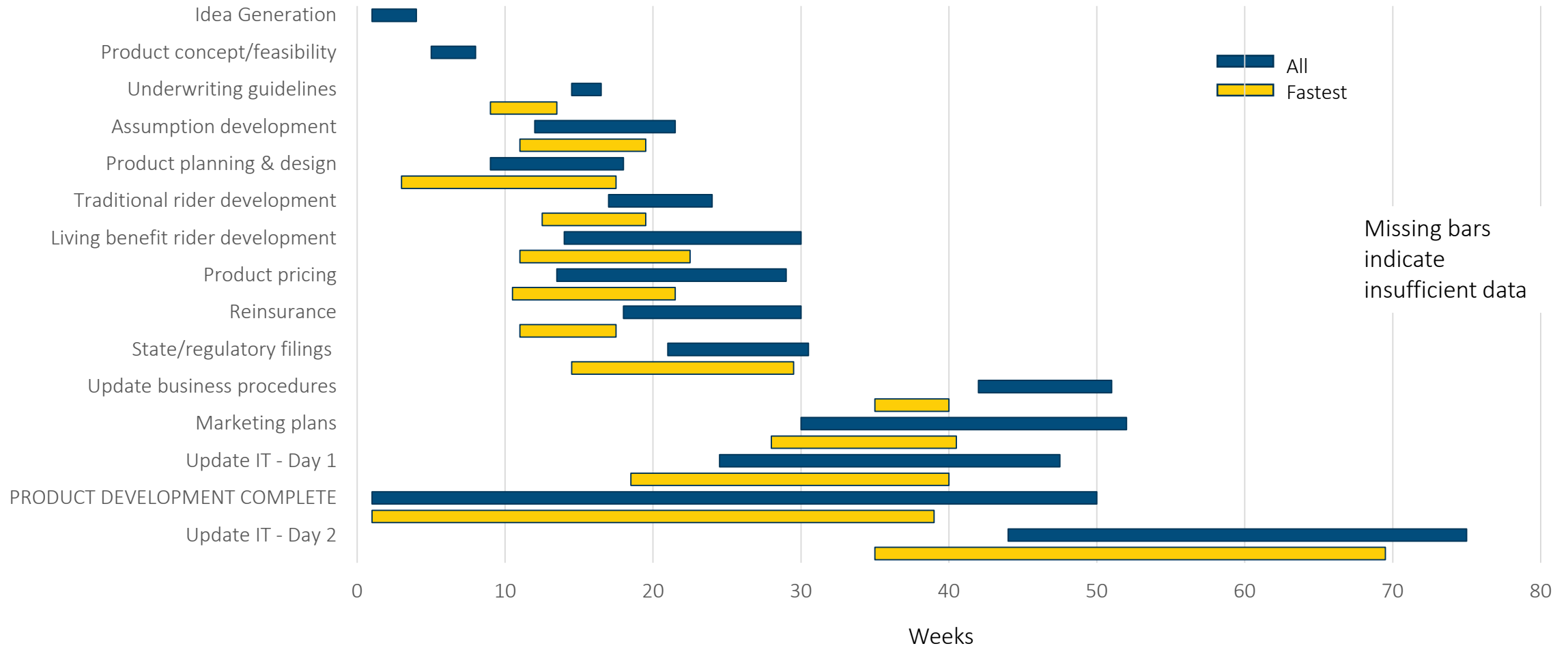
Duration and Timing of Product Development Steps

Whole Life – New Products



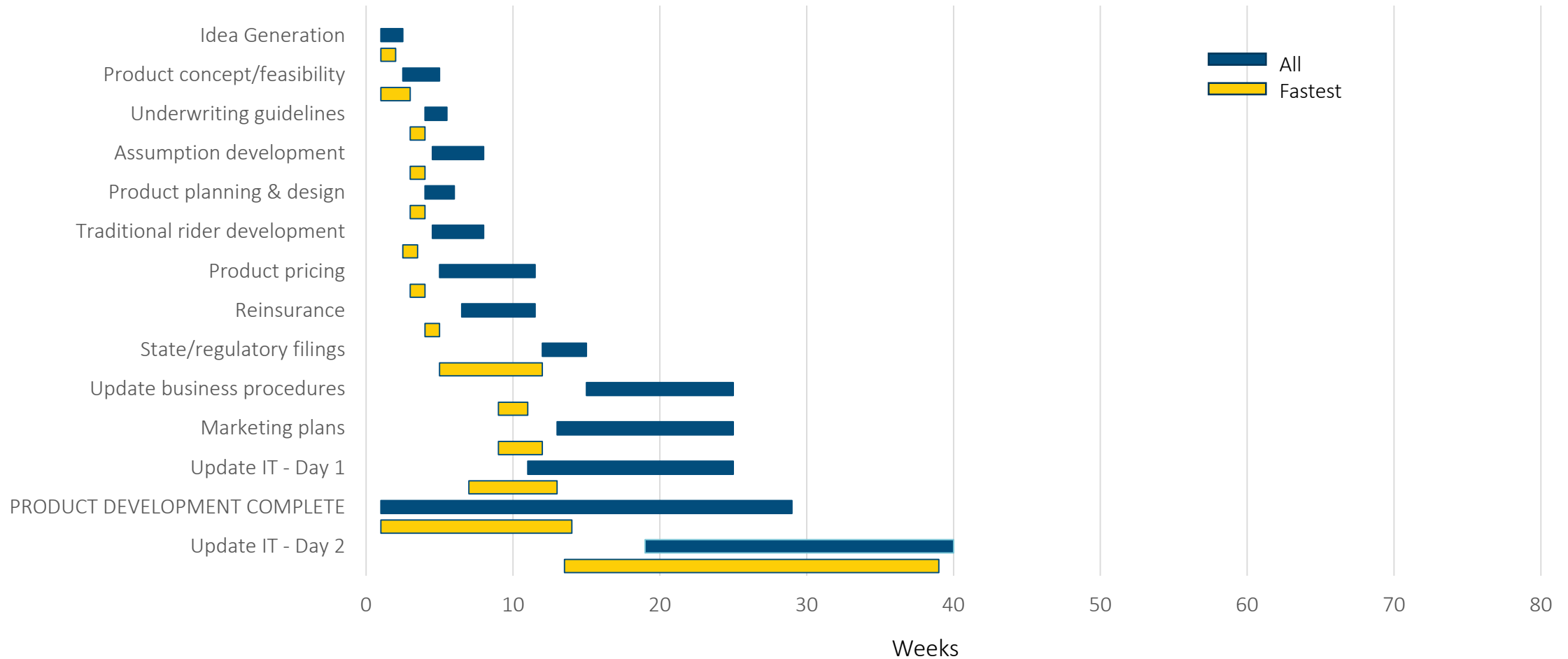
Duration and Timing of Product Development Steps

VUL – New Products



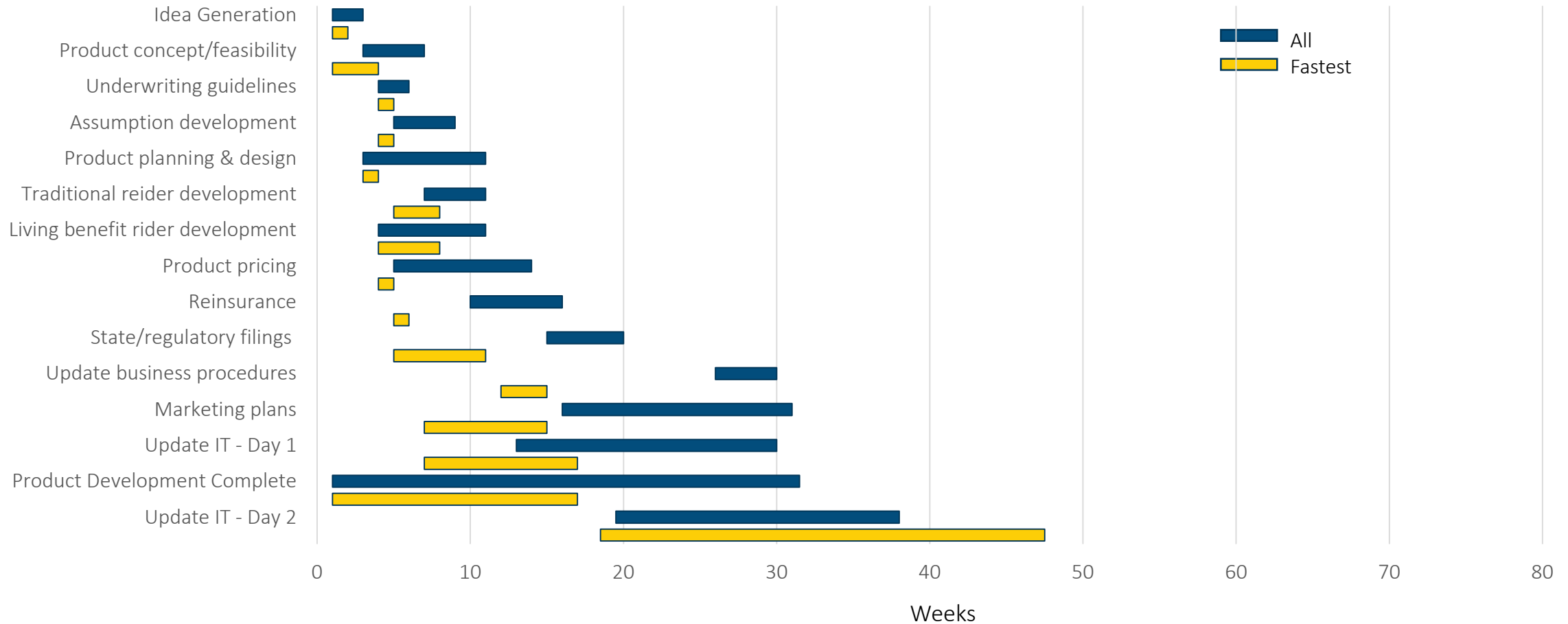
Duration and Timing of Product Development Steps

Term Insurance – Revisions

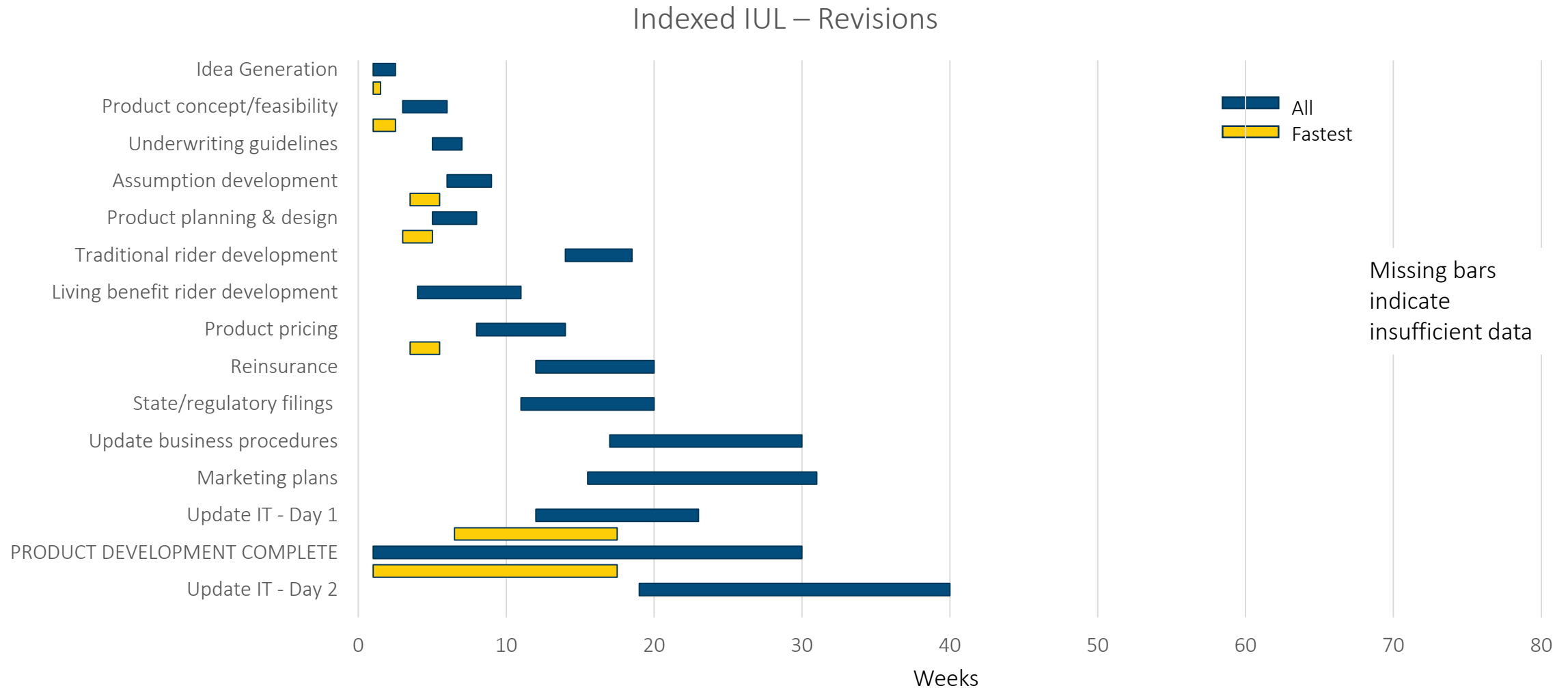


Duration and Timing of Product Development Steps

UL/ULSG – Revisions

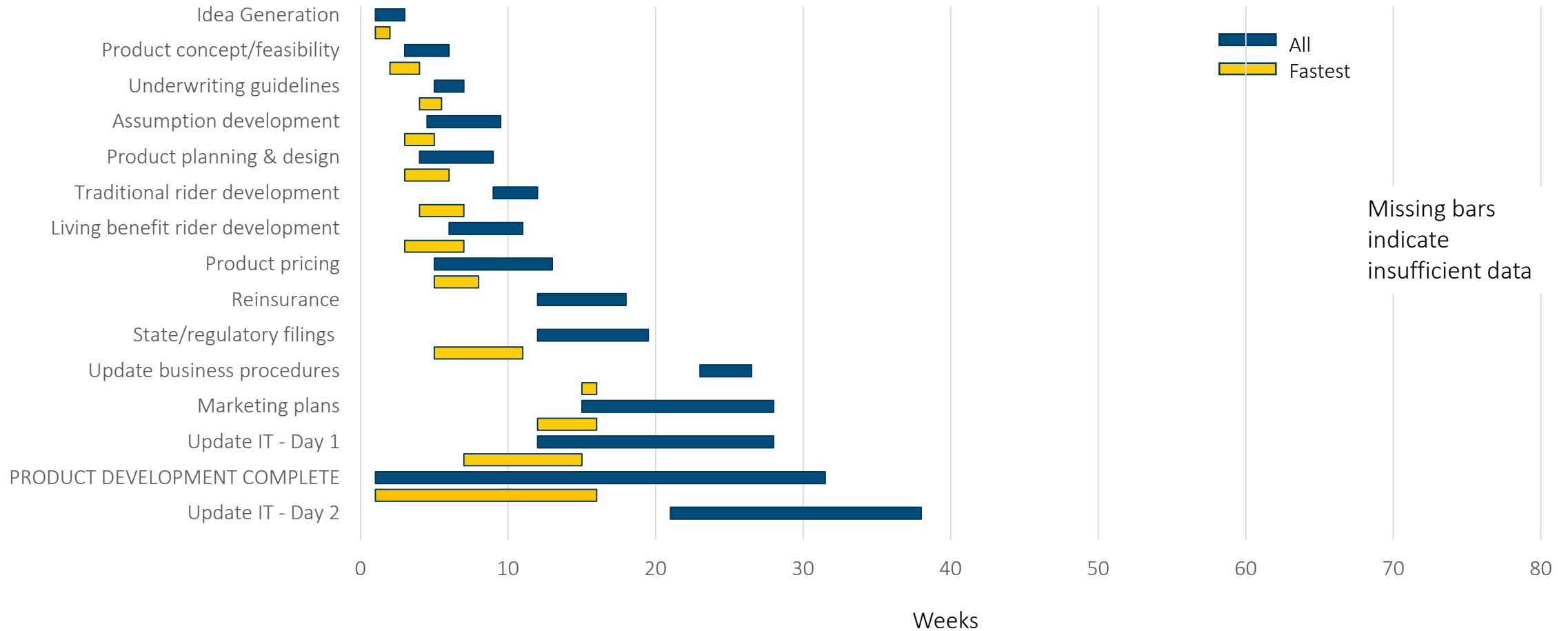


Duration and Timing of Product Development Steps



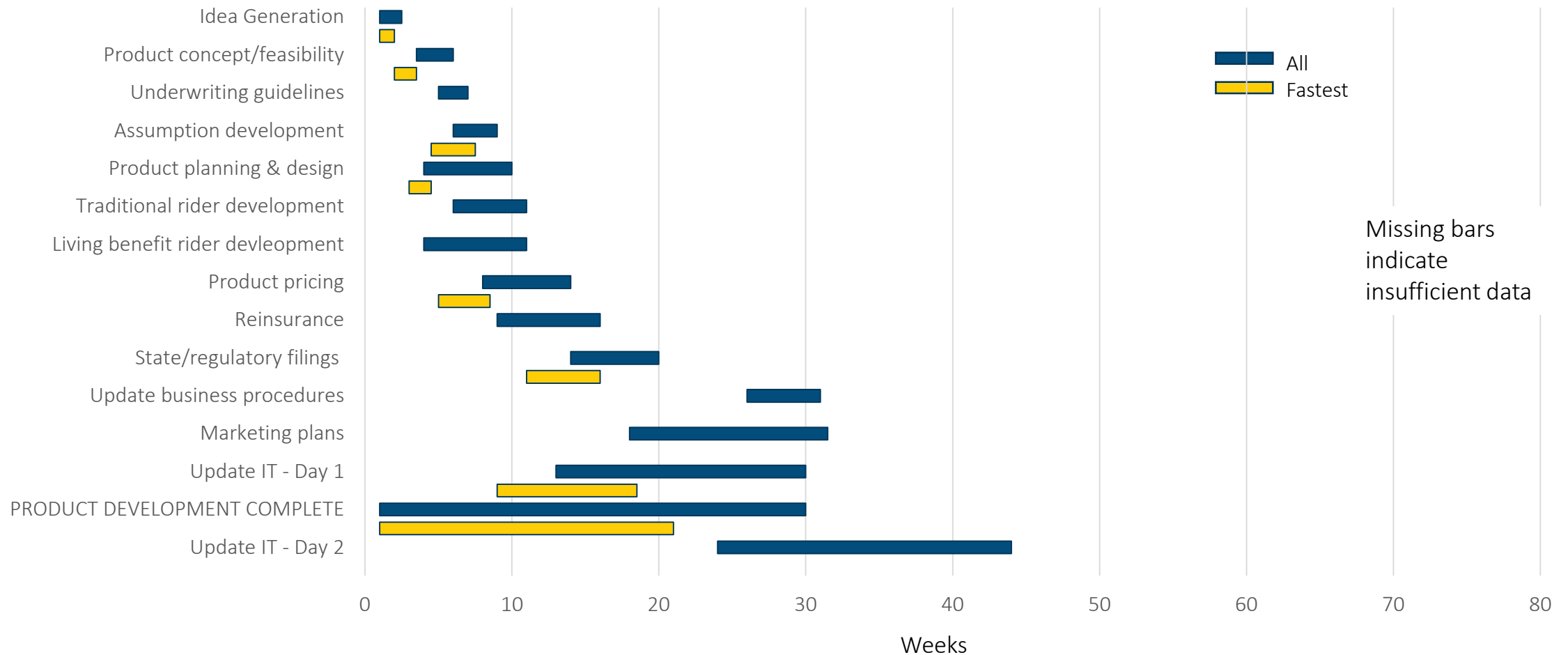
Duration and Timing of Product Development Steps

Whole Life – Revisions



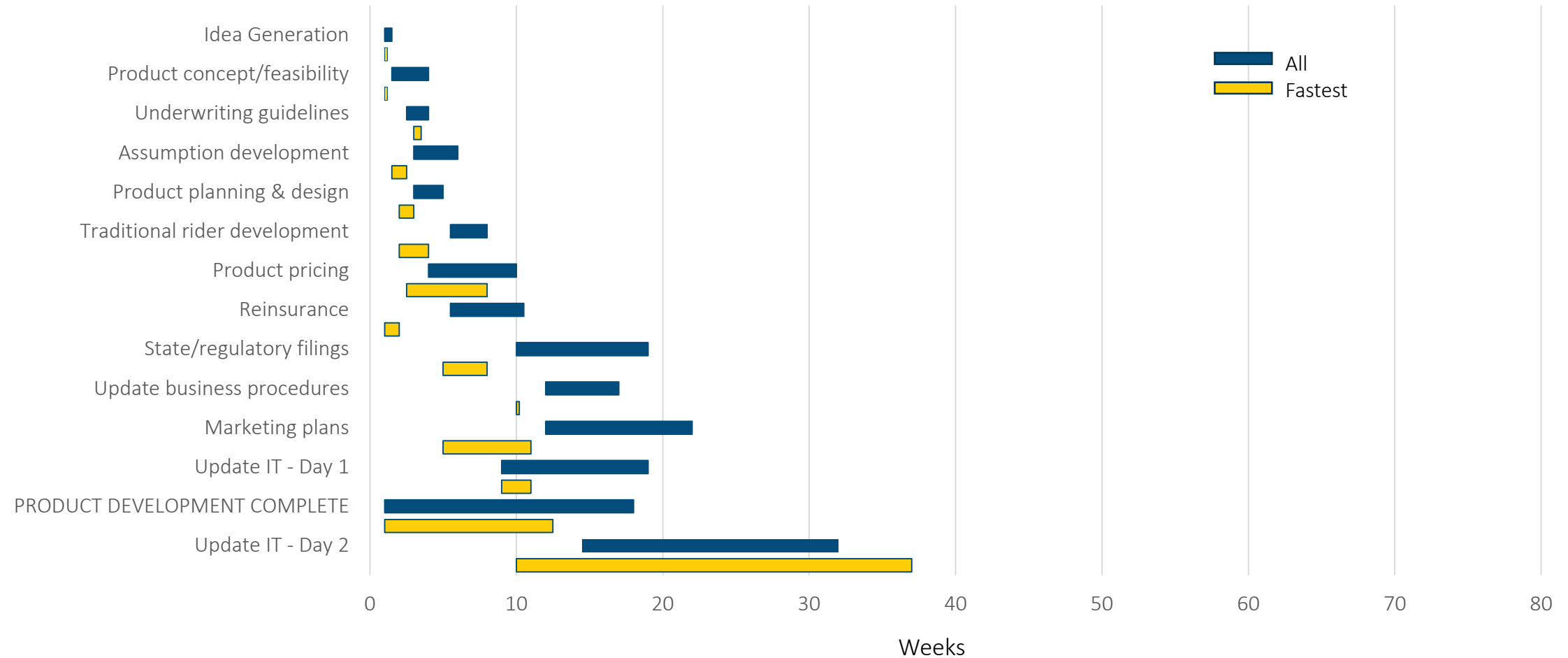
Duration and Timing of Product Development Steps

VUL – Revisions



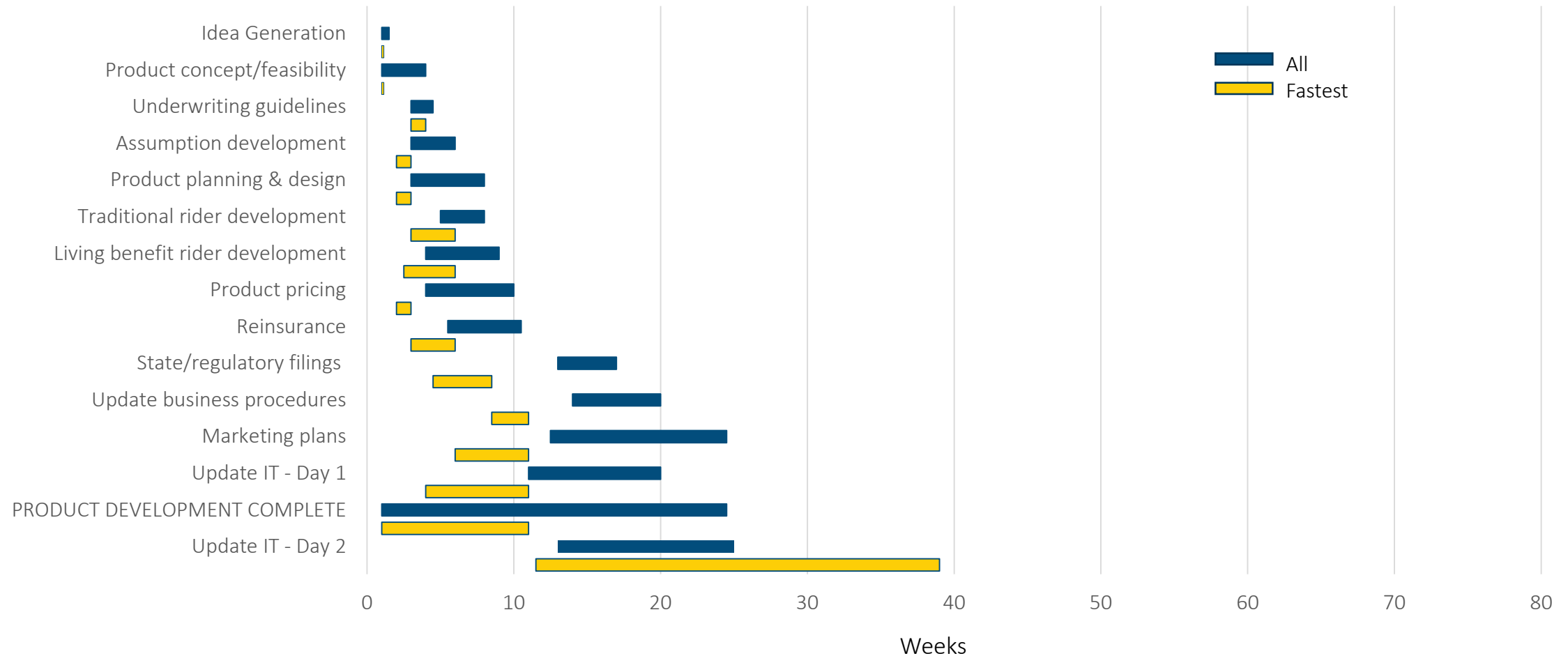
Duration and Timing of Product Development Steps

Term Insurance – Reprice



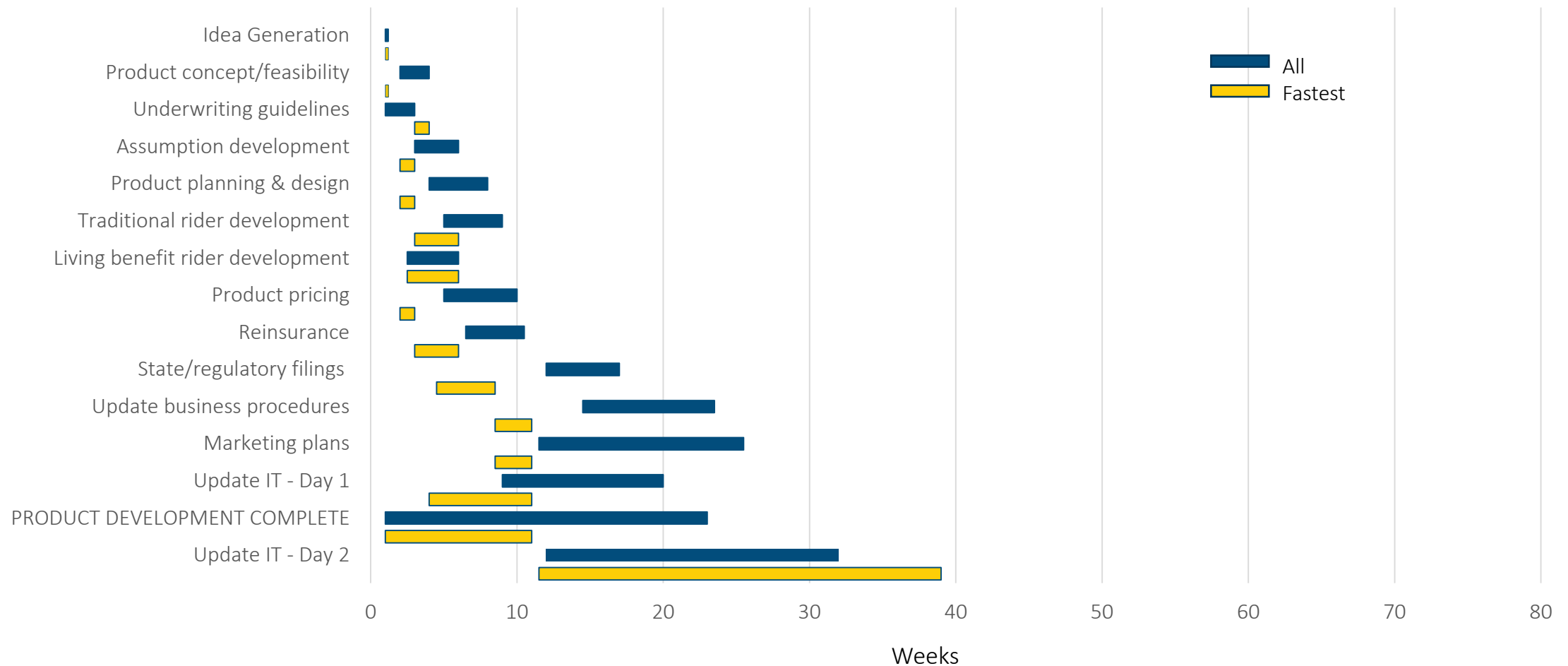
Duration and Timing of Product Development Steps

UL/ULSG – Reprice

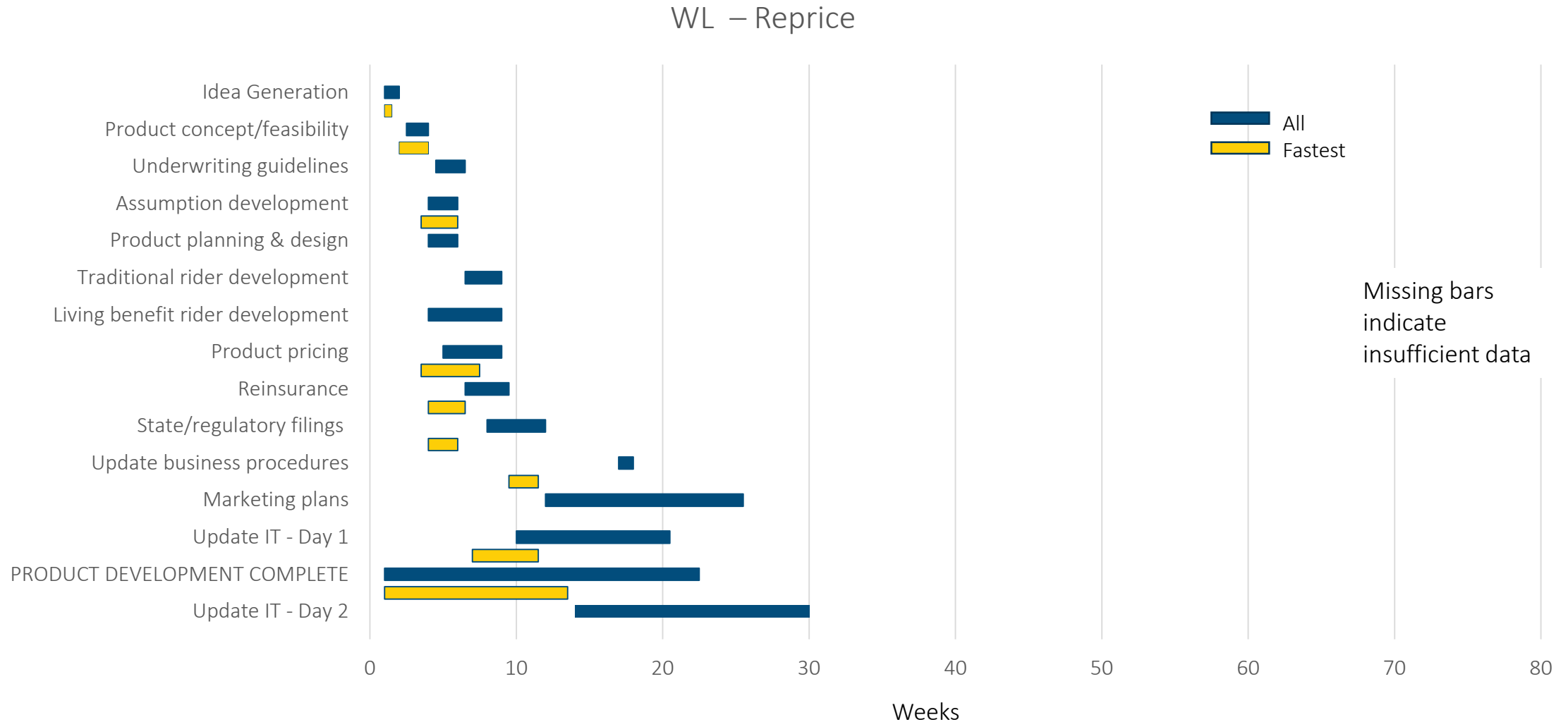


Duration and Timing of Product Development Steps

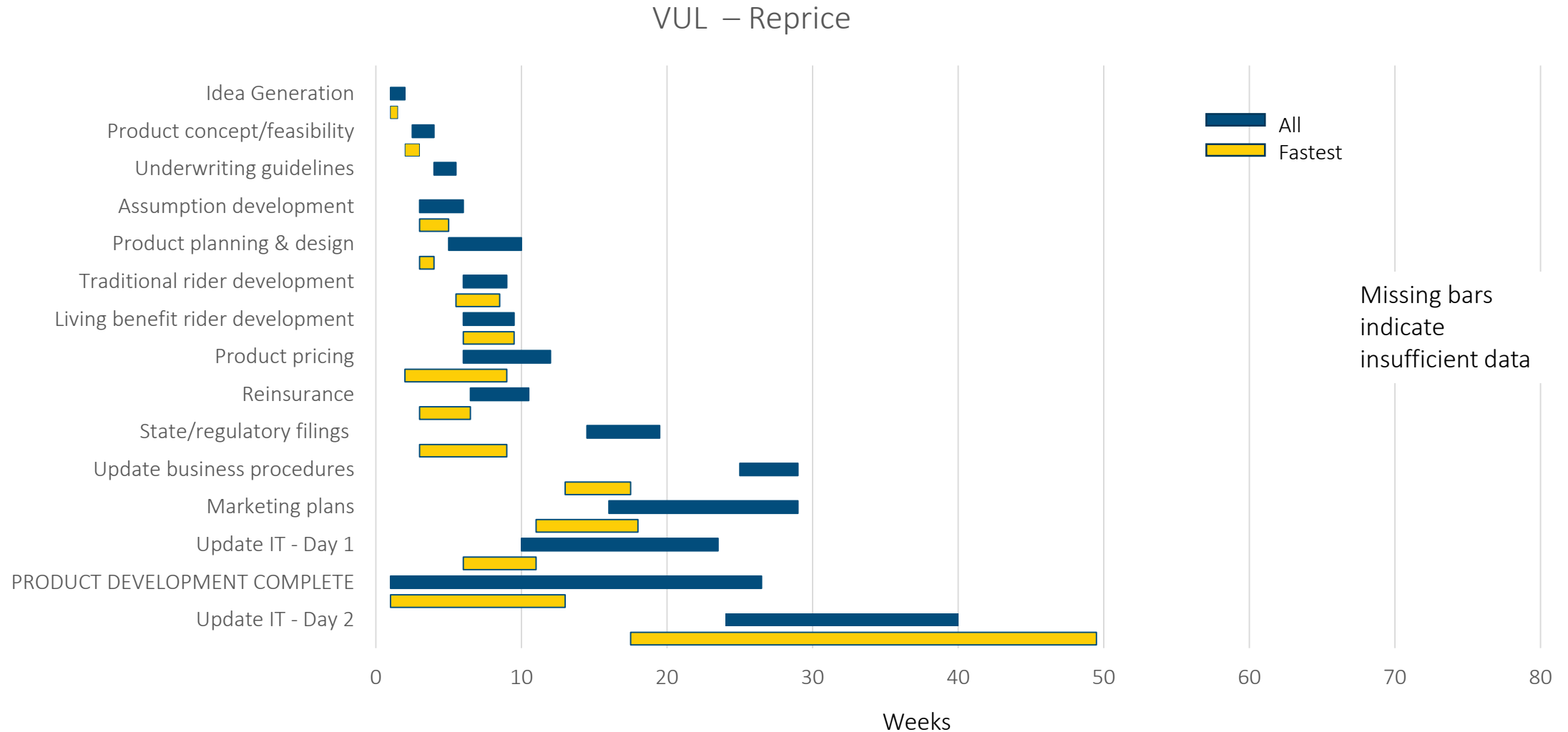
IUL – Reprice



Duration and Timing of Product Development Steps

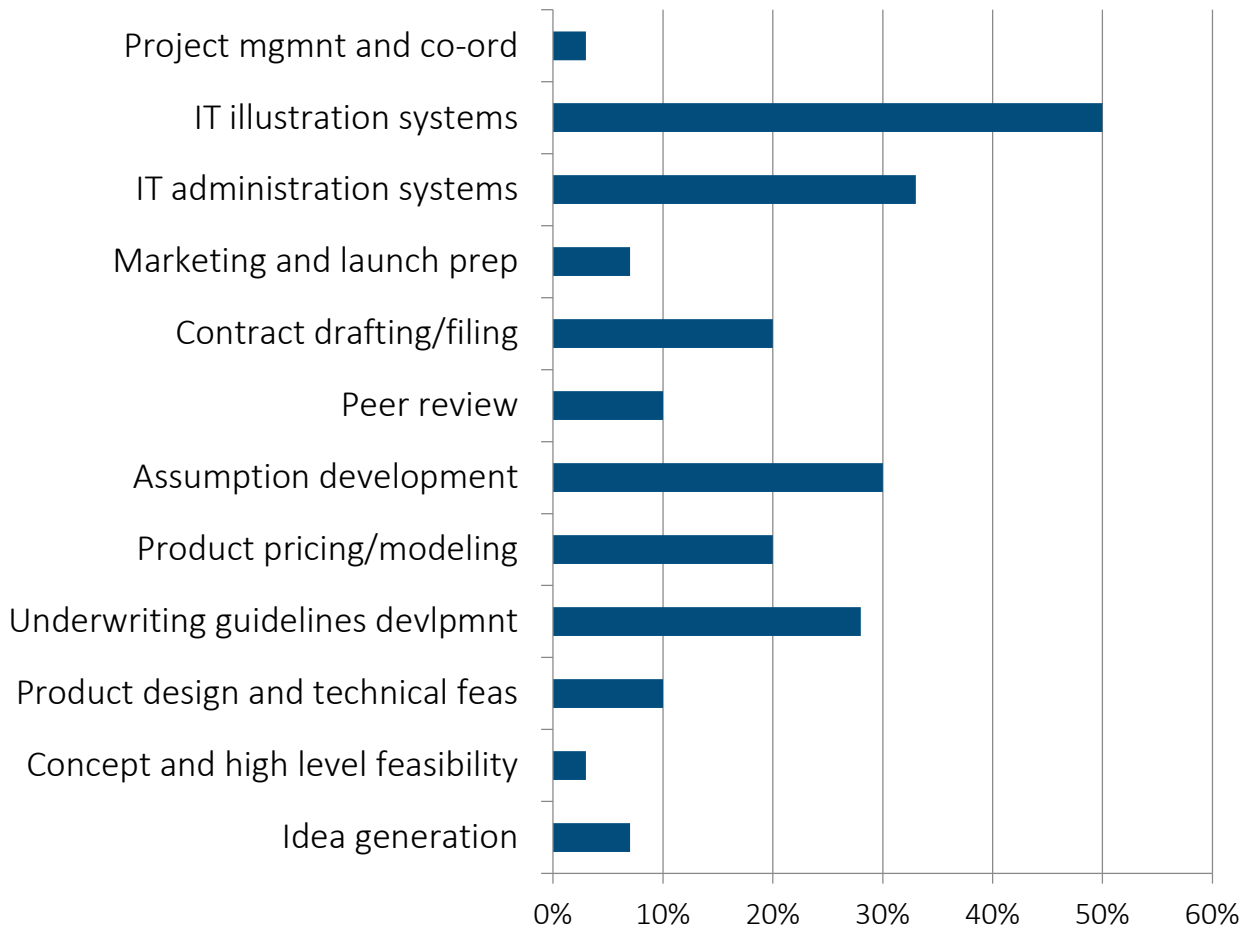


Duration and Timing of Product Development Steps

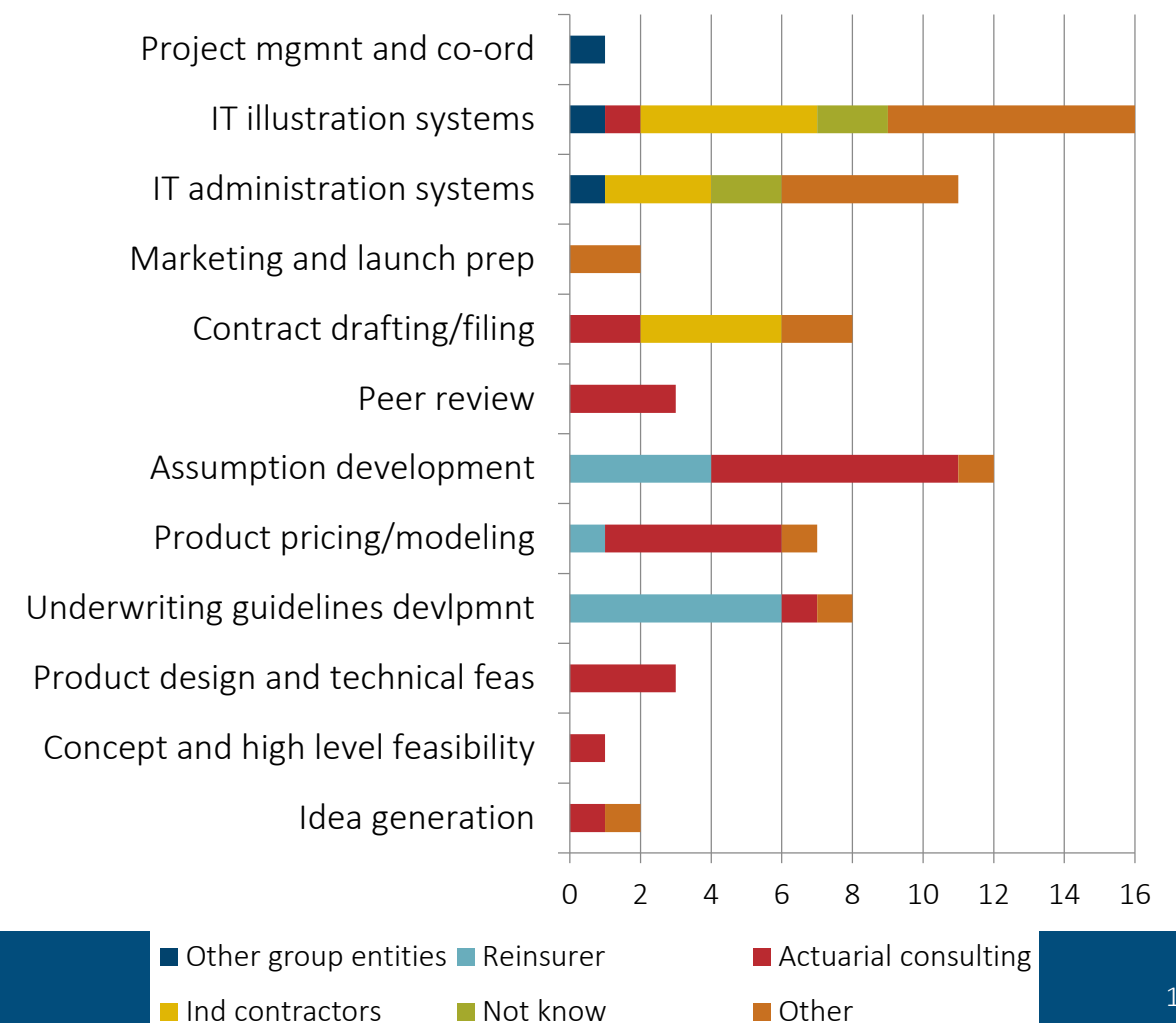


D1a. For the development of a new Life Insurance product, does your company outsource any of the following process steps? (Life only)

% Yes (of 30 companies)

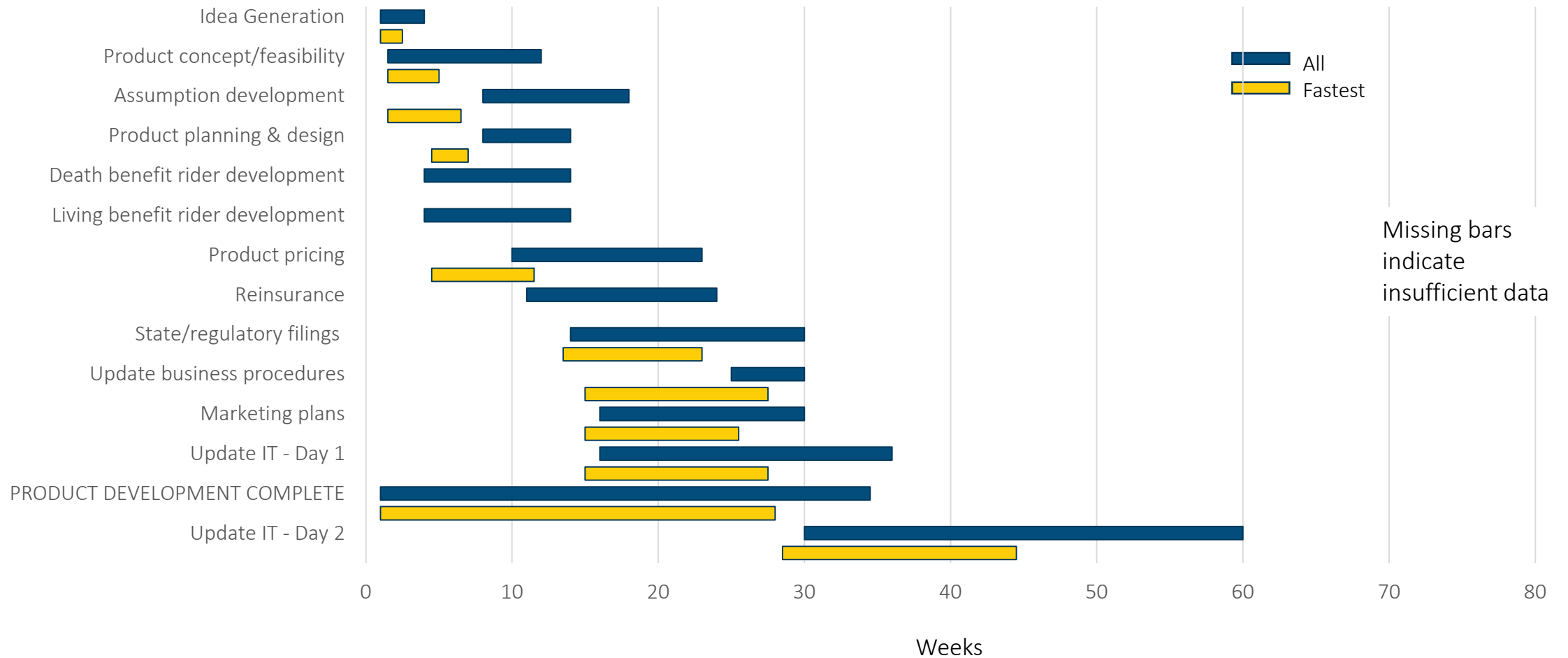


Type of Services Outsourced



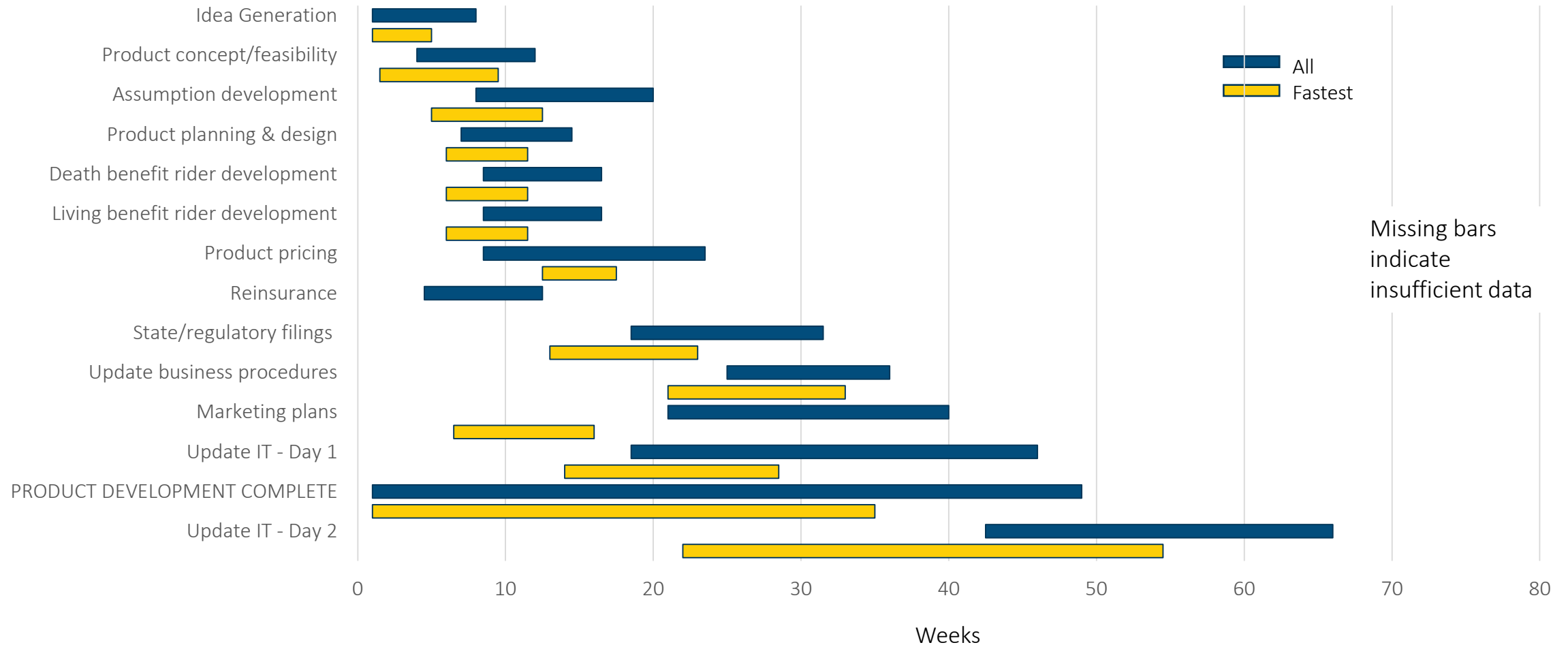
Duration and Timing of Product Development Steps

Fixed Annuities – New Products



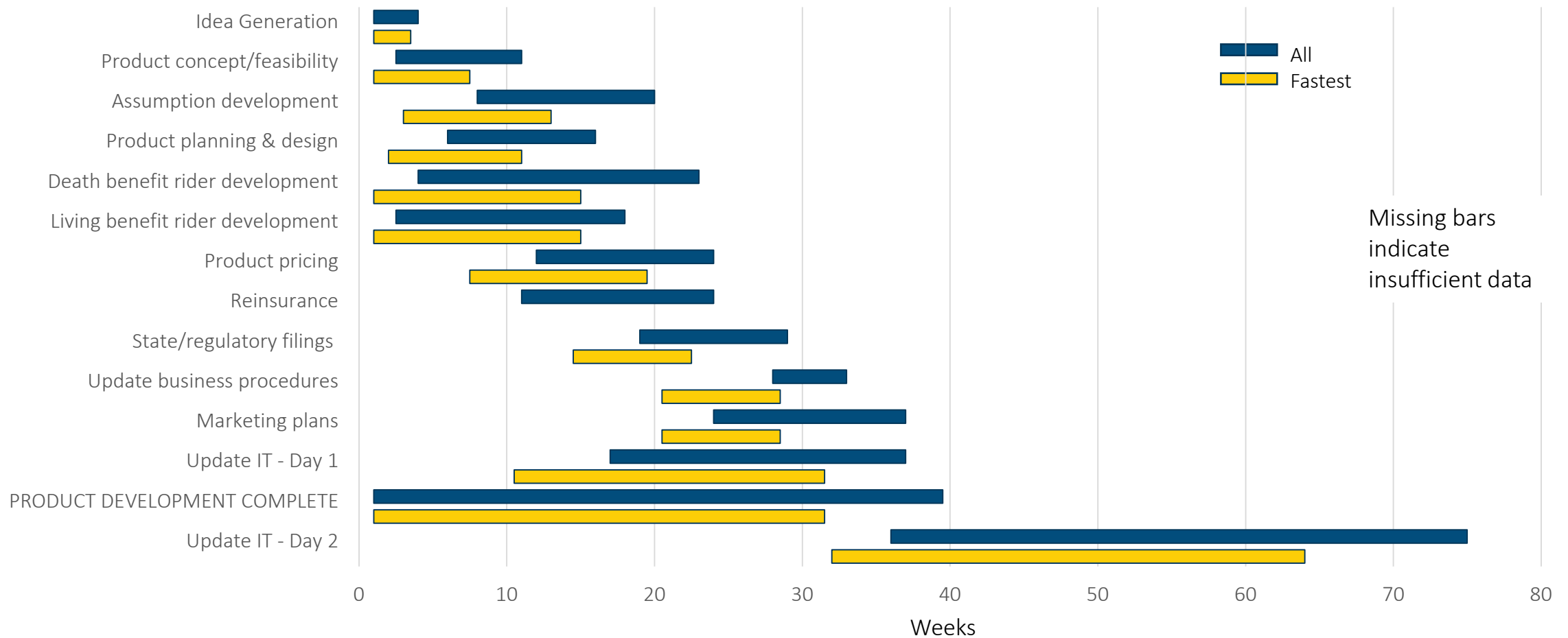
Duration and Timing of Product Development Steps

Variable Annuities – New Products



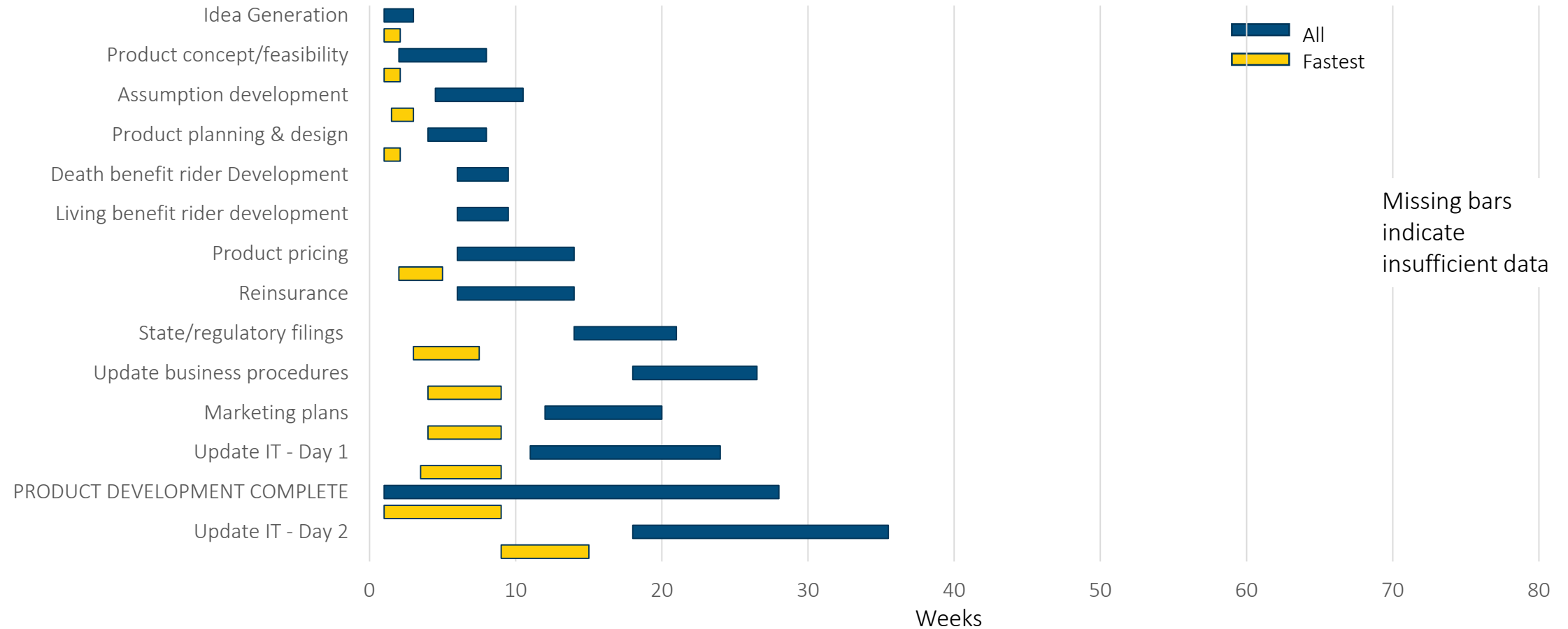
Duration and Timing of Product Development Steps

Indexed Annuities – New Products



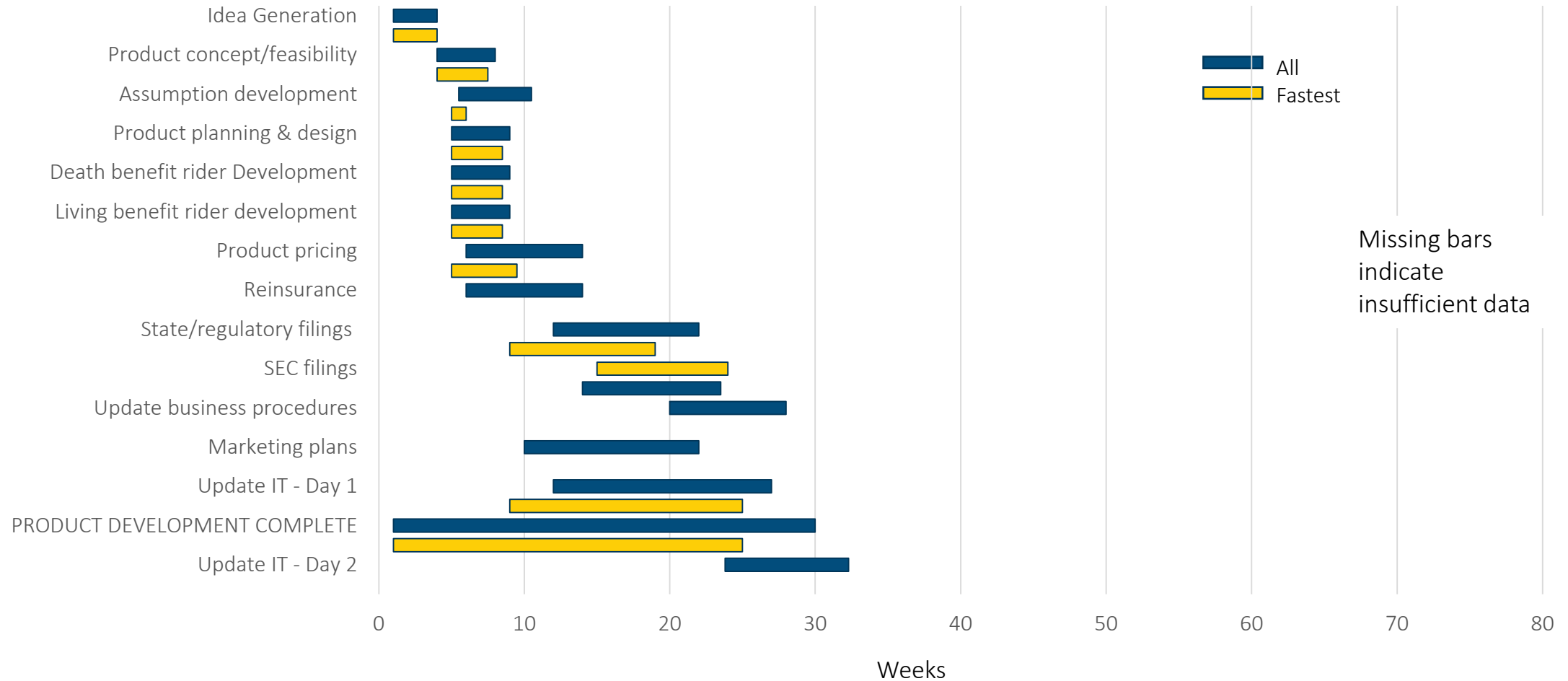
Duration and Timing of Product Development Steps

Fixed Annuities – Revisions

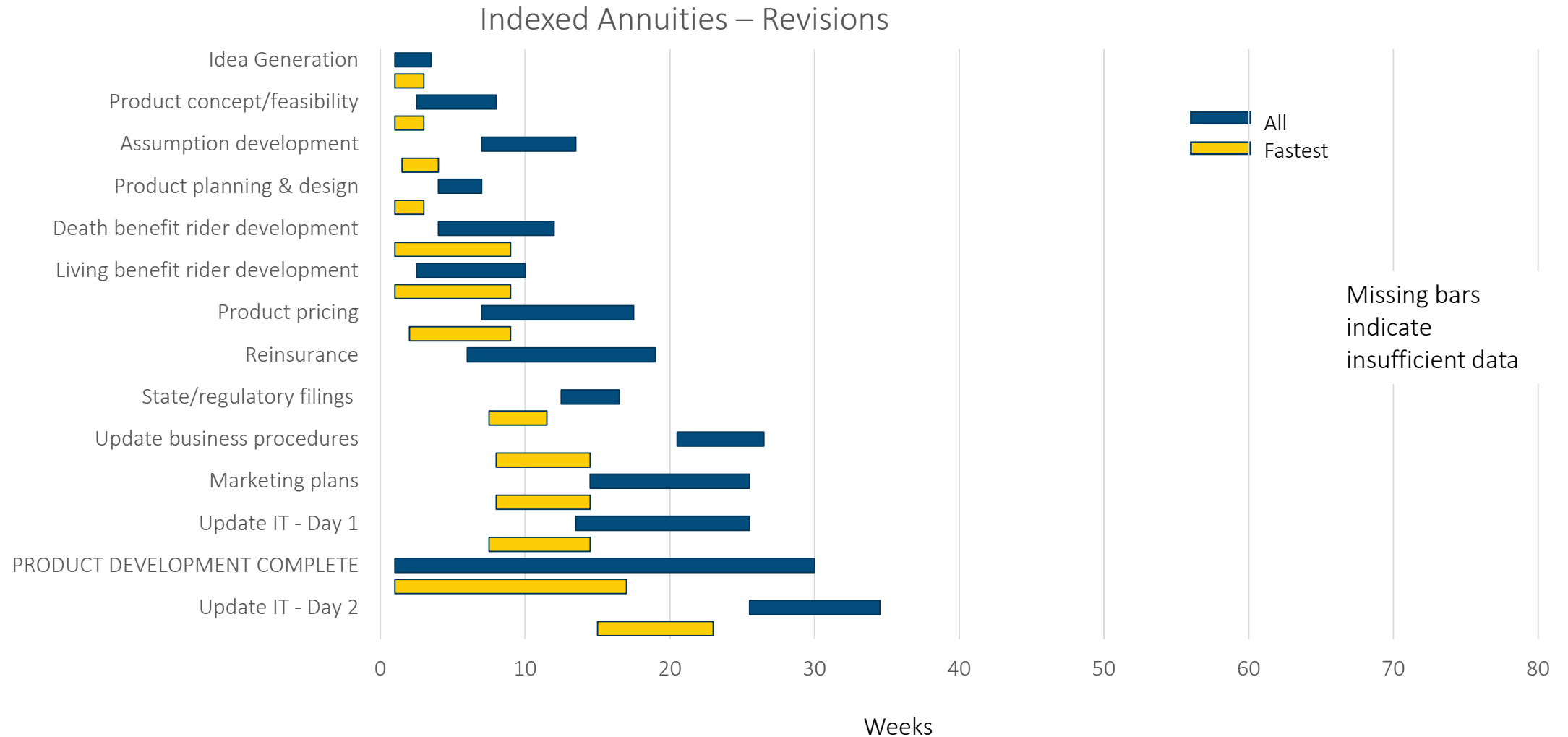


Duration and Timing of Product Development Steps

Variable Annuities – Revisions

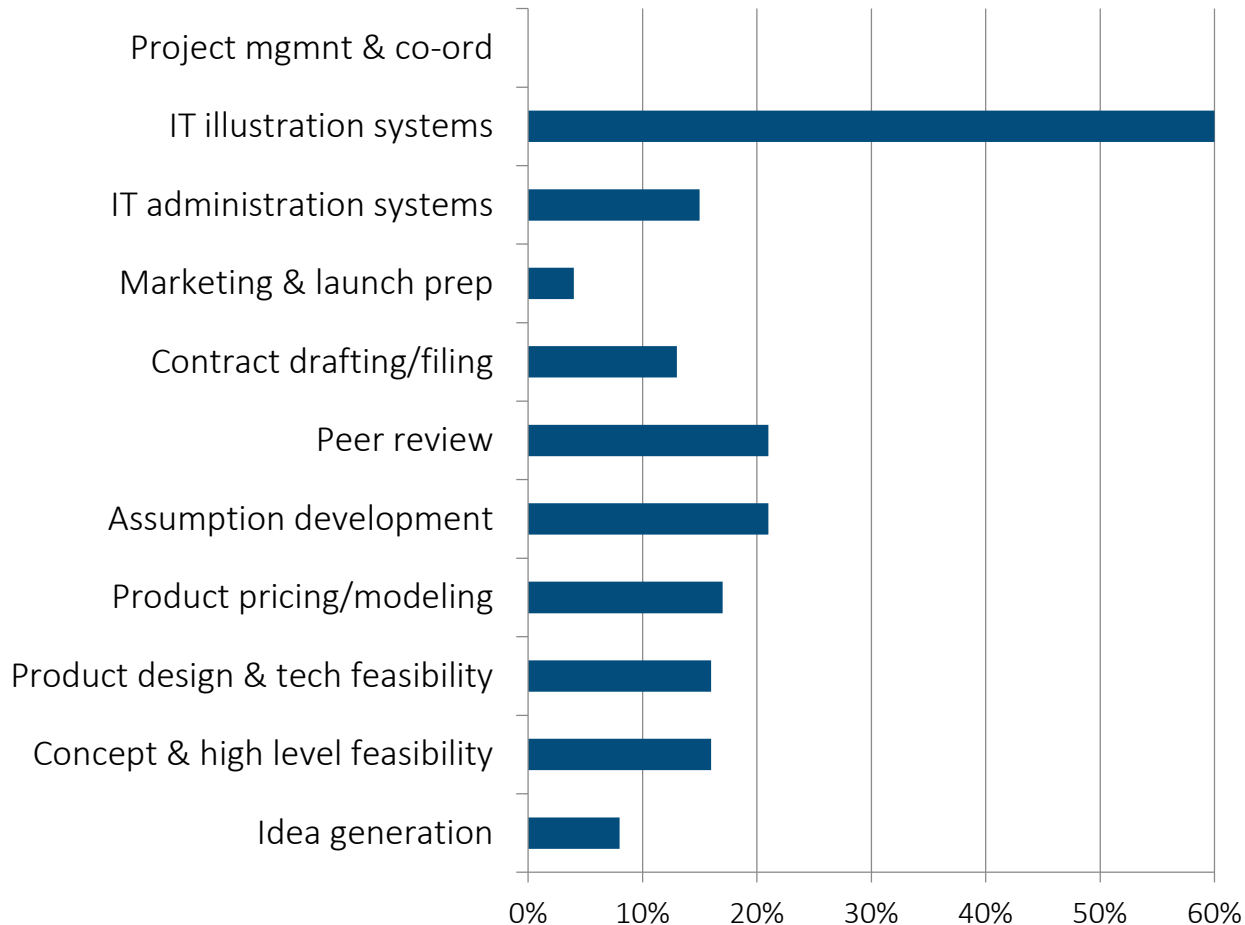


Duration and Timing of Product Development Steps

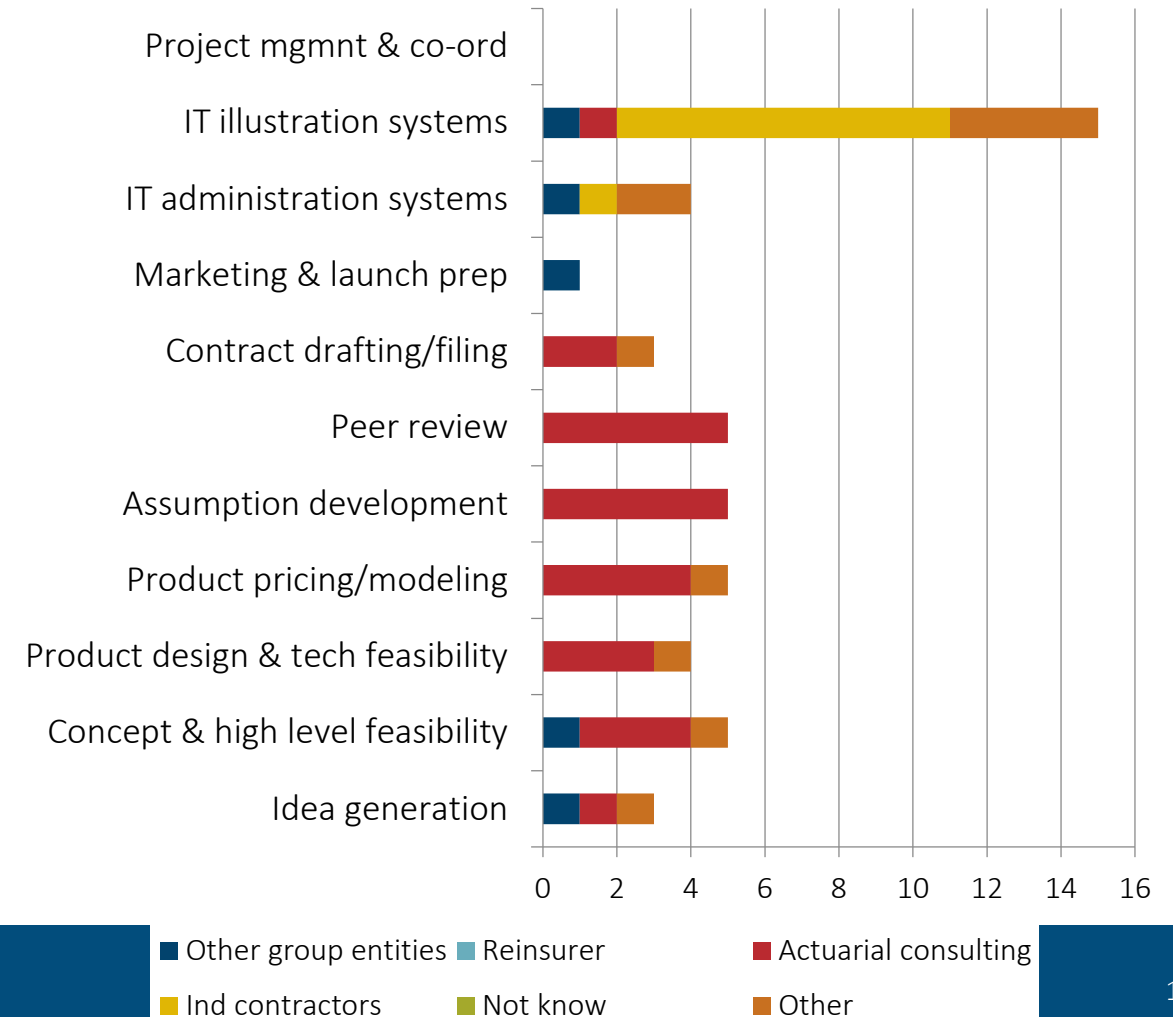


D2a. : For the development of a new Life Insurance product, does your company outsource any of the following process steps? (Annuity Only)

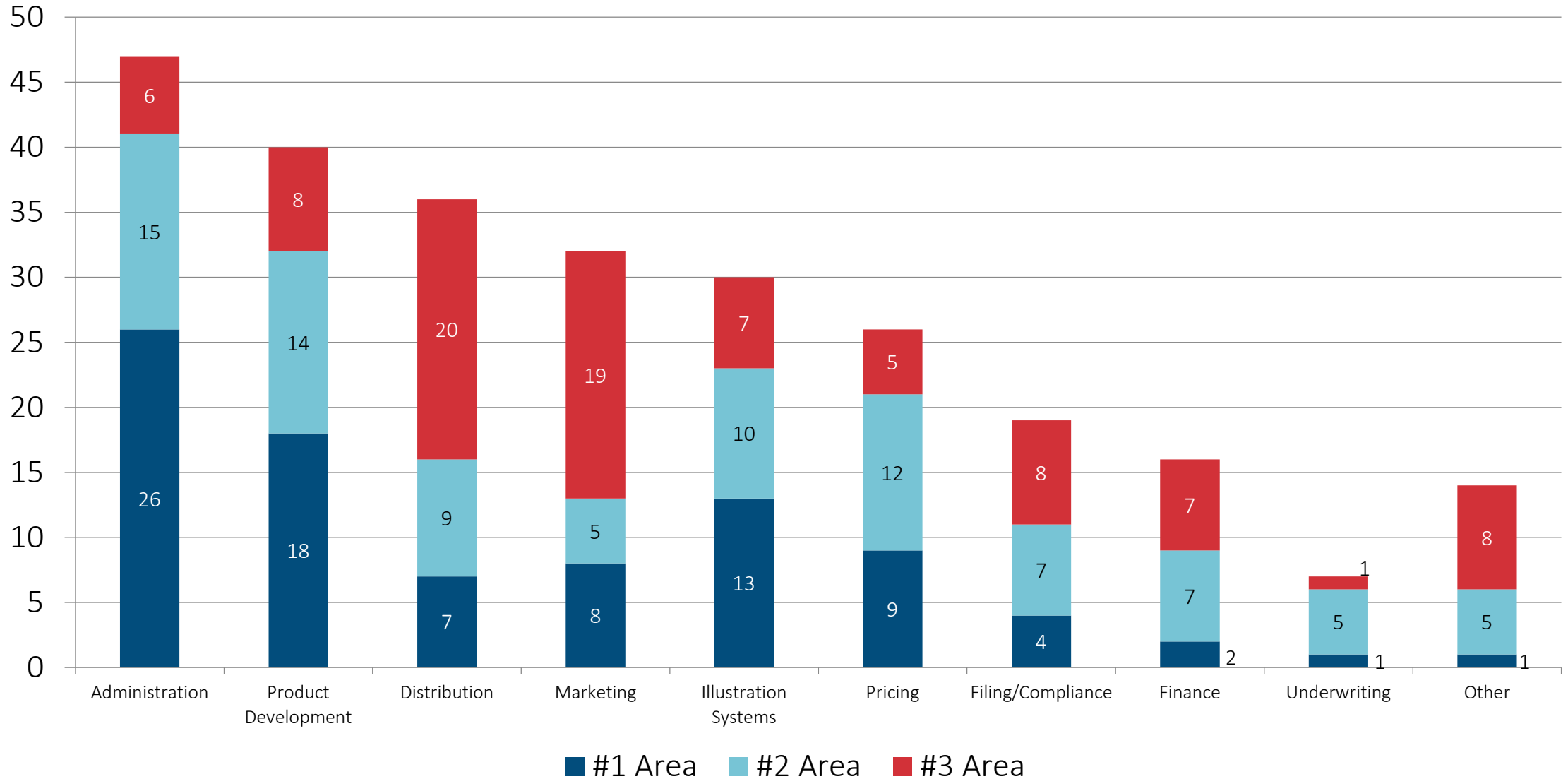
% Yes (of 25 companies)



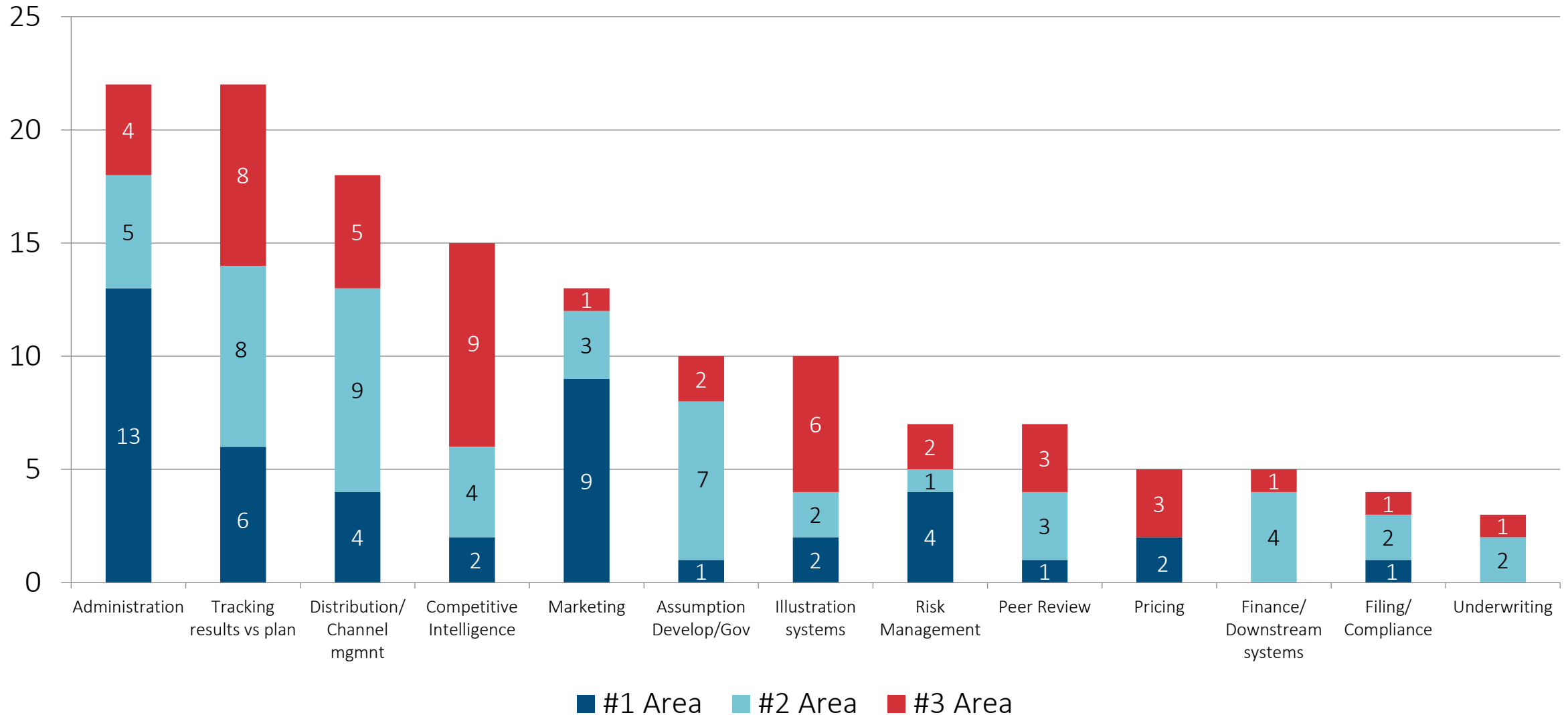
Type of Services Outsourced



International Survey*: Top 3 areas that are in need of improvement



D3. Please select and rank the top 3 areas in the product development process which are in need of the most improvement in your company



Interview Comments on Improvement Areas

- We always complain about the IT capacity. I think our company really made a great stride in recent years.
- I've heard about things like Agile development, but I haven't seen much evidence of it.
- The positive side of that is by the time we implement something, it's been tested 7 ways. It's been tested thoroughly.
- I think our biggest problem is decision making. It's not that people can't make decisions. I'm sure that this is something that is seen across the board in many companies, there are a lot of people that have input into the decisions.

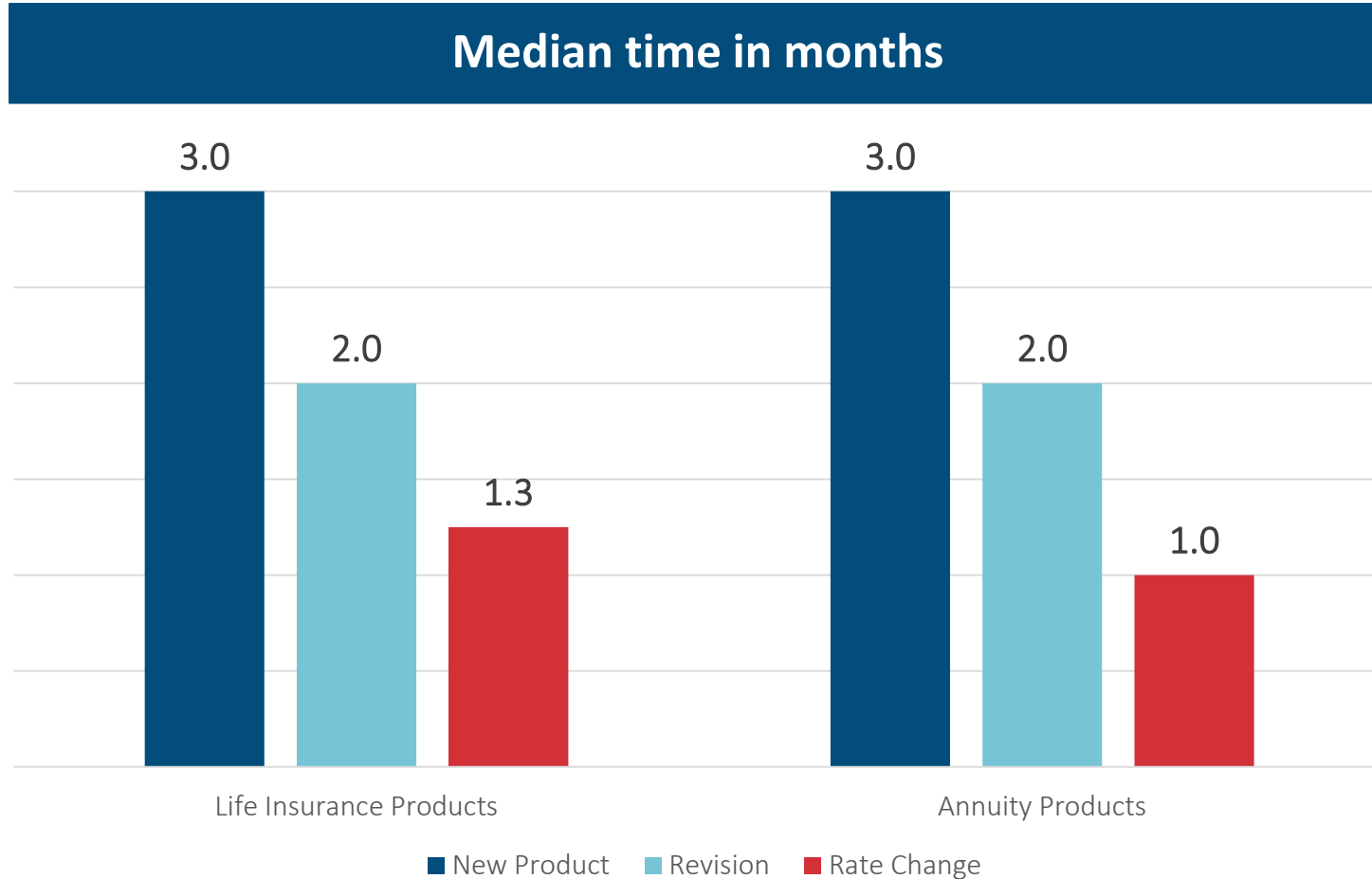
Section E: Regulation and Compliance



Section E Key Highlights

- 1–3 months of filing time is needed before product launch depending on type of PD effort
- 93% of life and 96% of annuity companies report medium to high efforts related to consumer protection
- Small companies feel that they are at a pricing disadvantage due to the cost of meeting regulatory requirements

E1. From the time your company starts state filings, how long does it take to receive approval in sufficient states to launch the product?



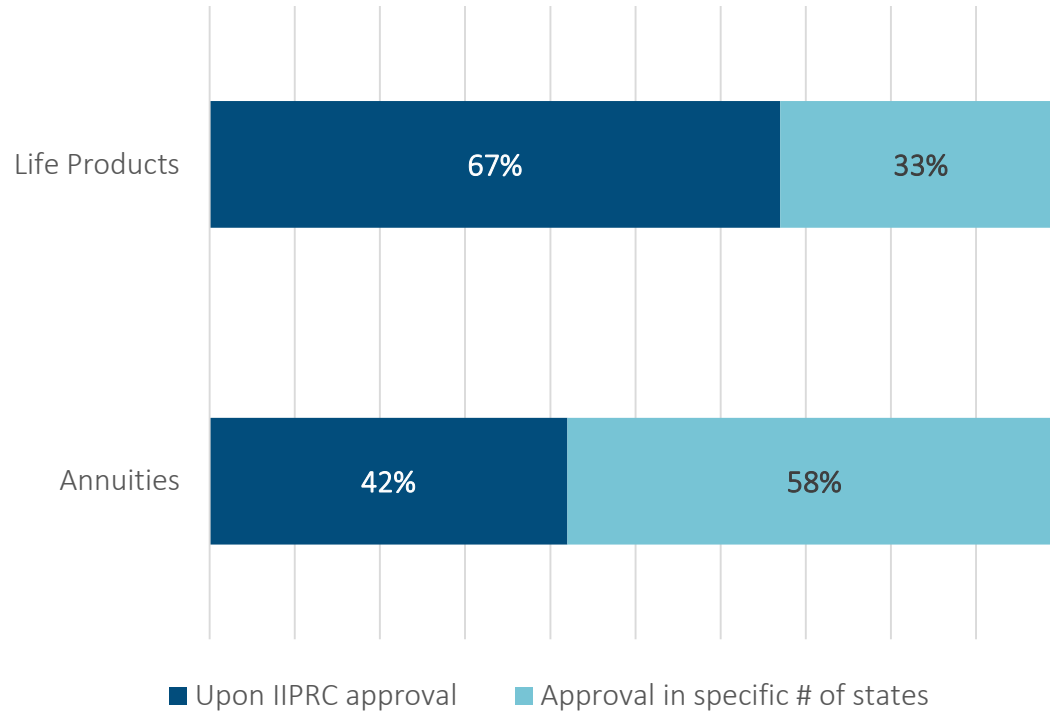
Comments from life insurer

With regard to seeing regulatory change, how would you respond?

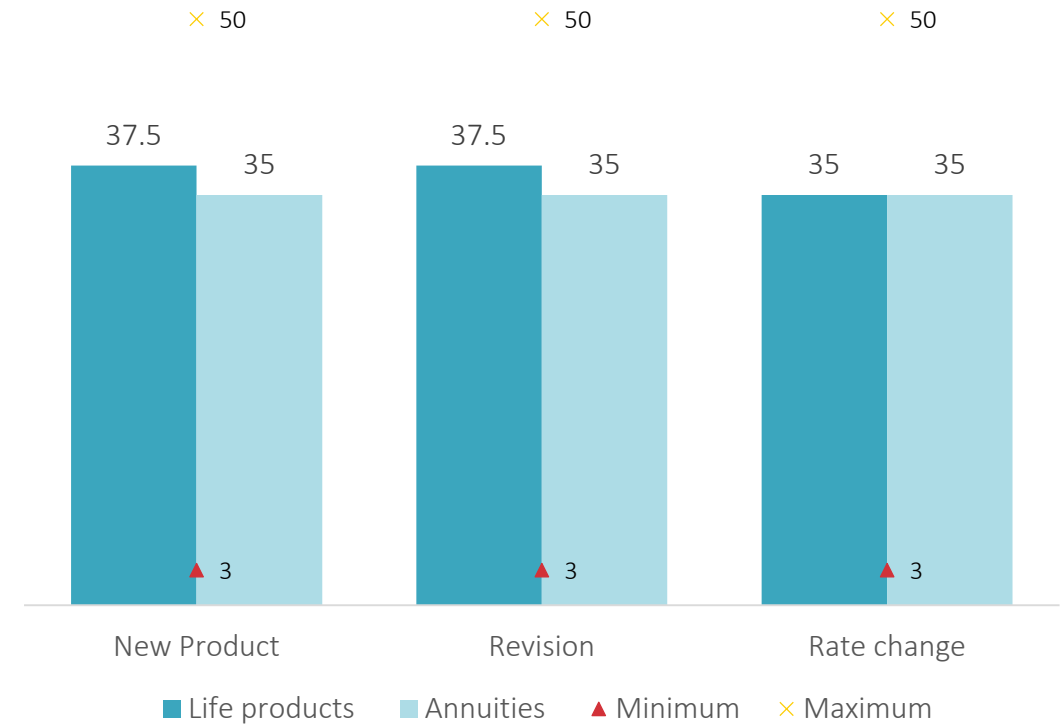
I think depending on the nature of the product type the term is a rather easy product to reprice.

E2. How many state approvals does your company typically require before officially releasing a product? (U.S. only)

When do you release a product?



How many states?

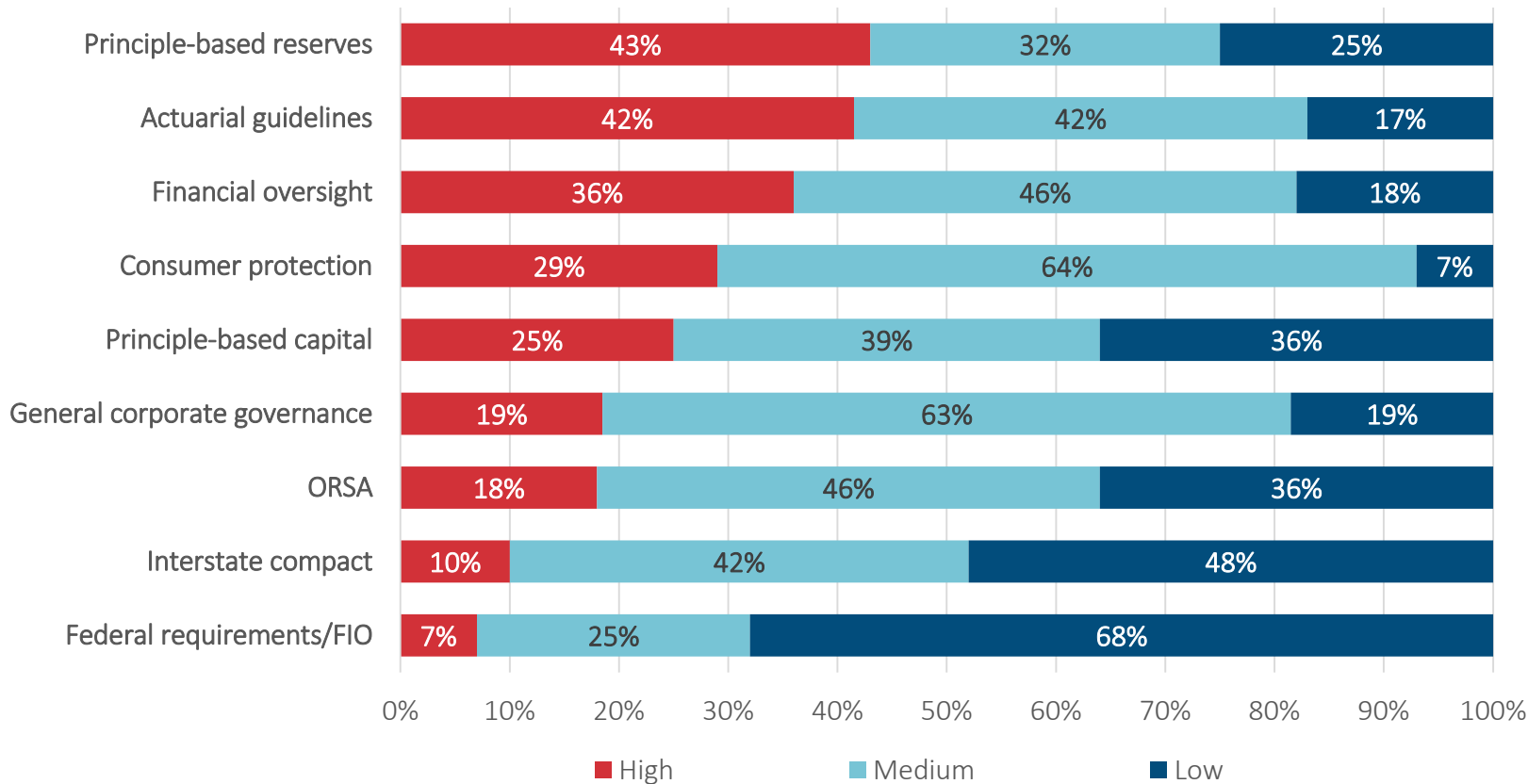


International perspective on regulation from interviews

- In Brazil, companies must file products in advance. In theory the approval time may be 3–6 months. However, certain types of products may take longer.
- In many Asian countries products can be filed and launched immediately, negating the regulatory approval timelines.

E3. In the following areas where insurers are regulated, what level of effort does the regulation add in each of the following areas for your organization?

Life insurance



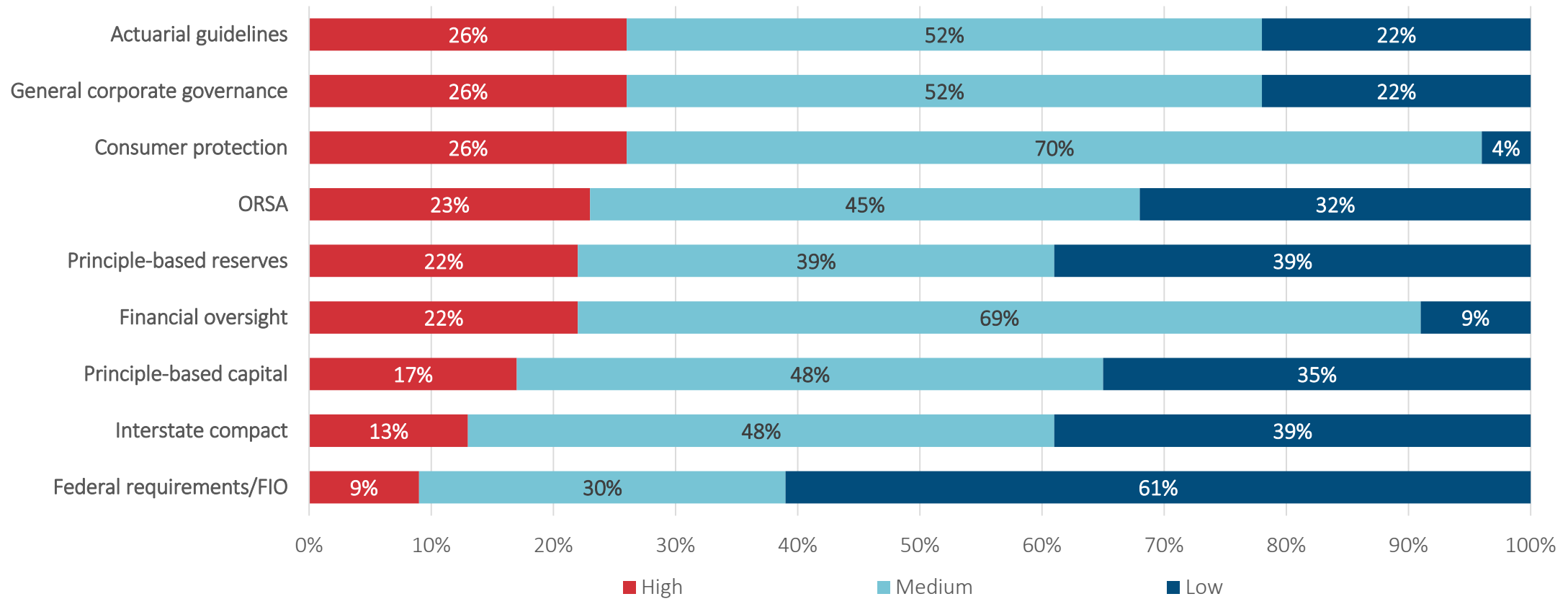
Comments from life insurer

There's a major regulatory change this year that affects every life company in Canada (excl. modified policyholder taxation, IFRS and risk-based capital requirements).

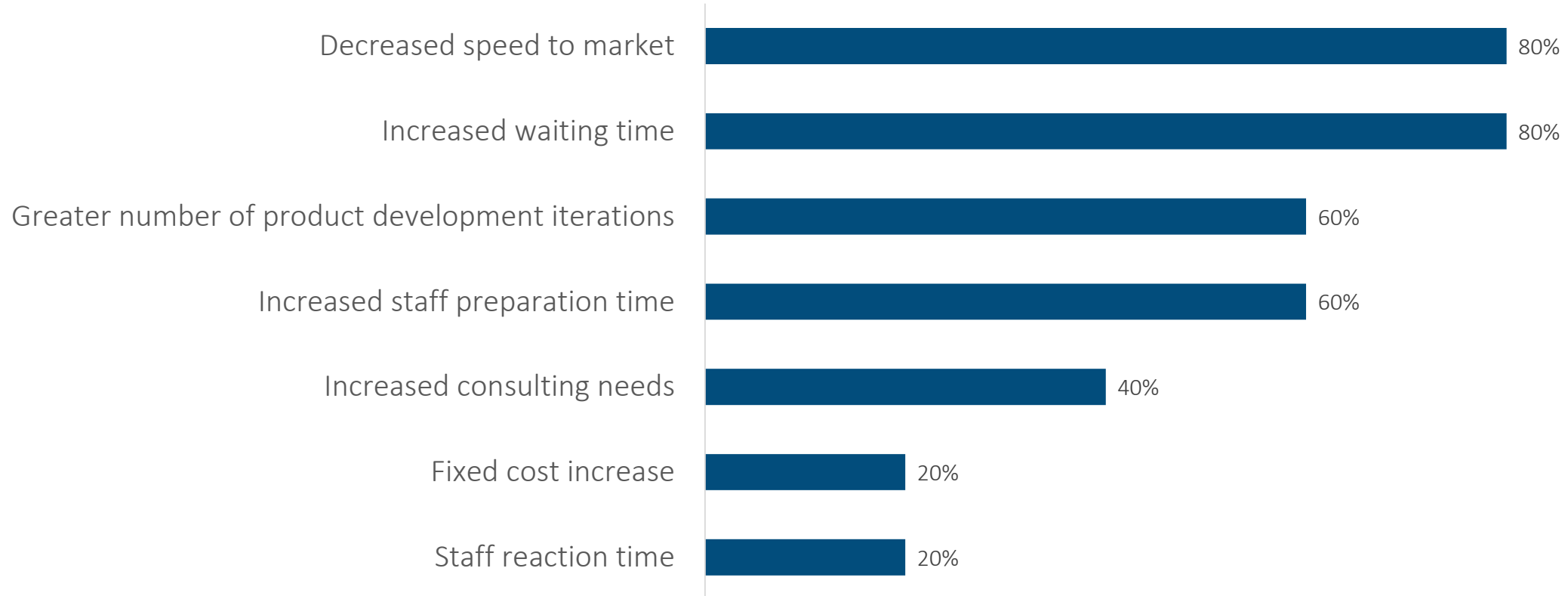
That's a multimillion dollar project that's eating up a fair chunk of our resources in 2015 and 2016, which we would have loved to spend on other things.

E3. In the following areas where insurers are regulated, what level of effort does the regulation add in each of the following areas for your organization?

Annuities

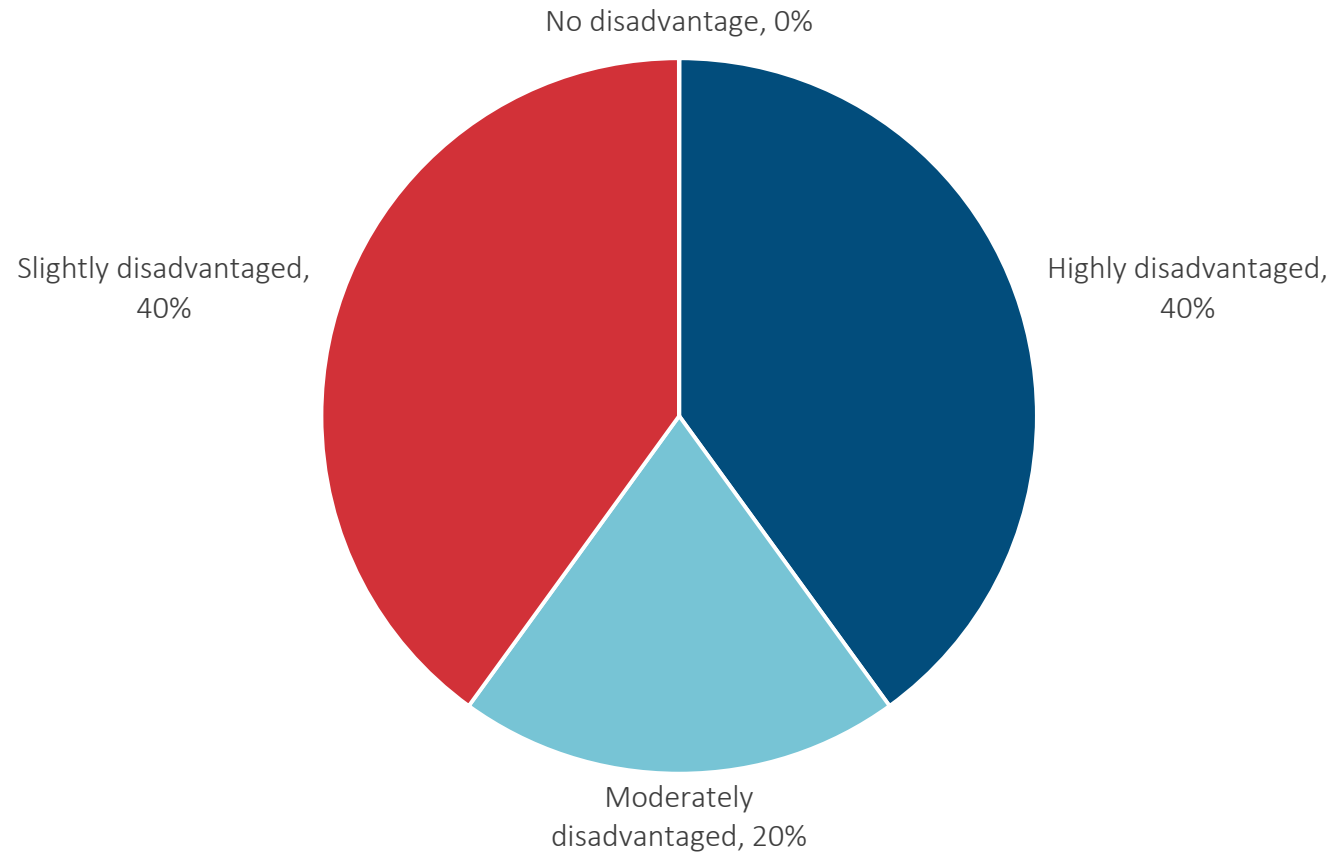


E4.1. In which of the following areas does regulation have a large impact on your company's product development efforts? (small companies only*)



*5 respondents

E4.2. What is your view of the level of pricing disadvantage due to regulatory costs on a small company such as yours compared to large companies?*



*5 respondents

Comments from small company

We get about 40 states with the compact, so we file that first, then IT can start with the working off of that model. We've got more than one filer too, so although we file with the compact first, sometimes we leverage other filers to work on the other states.

Section F

Idea Generation

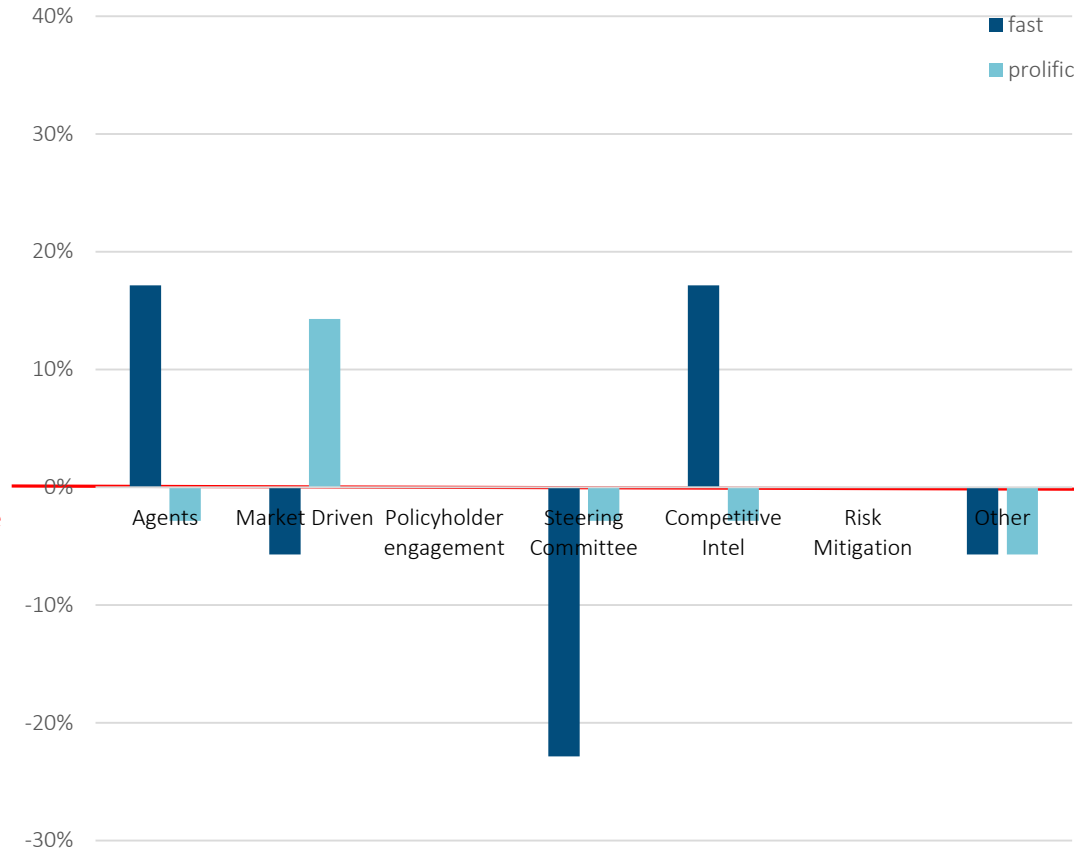


Section F Key Highlights

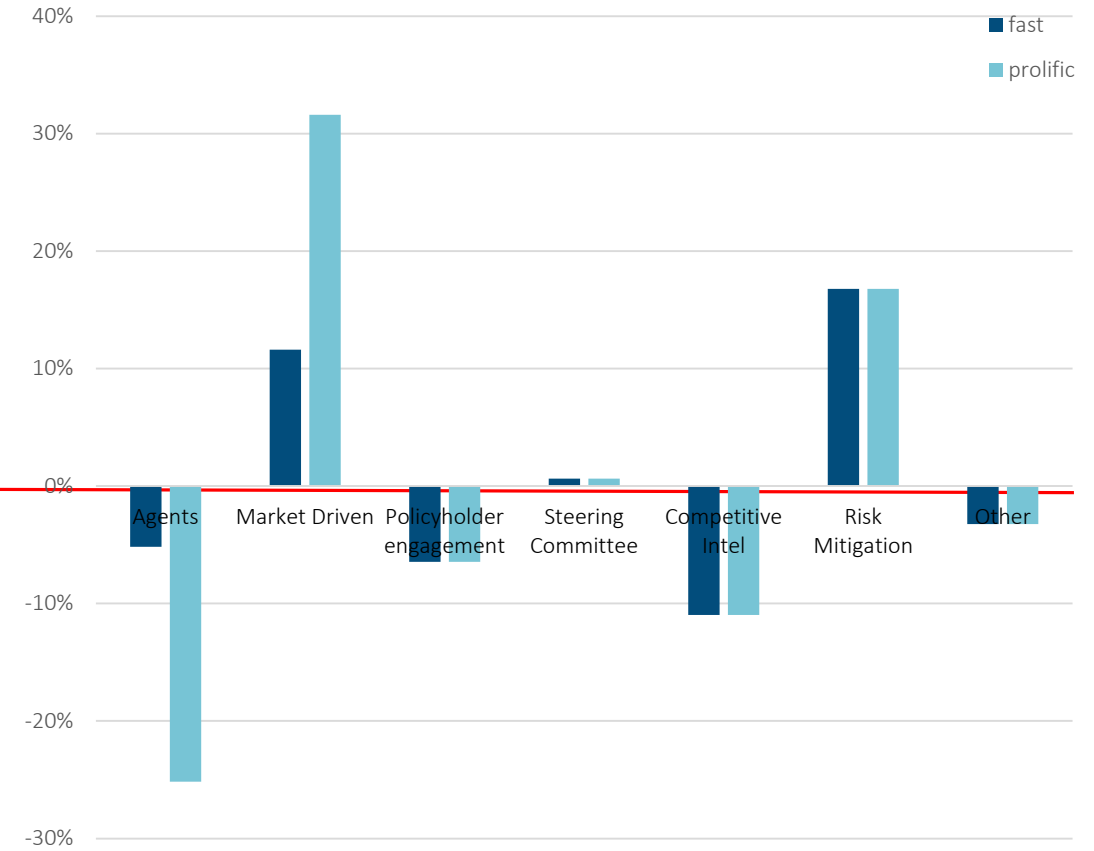
- For fastest or most prolific life companies, steering committees are less relied on for product ideas and competitive intel is more relied on than in other life companies.
- For fastest or most prolific annuity companies, agents are less relied on for product ideas and risk mitigation is more relied on than in other annuity companies.
- Financial impact has highest influence on how to prioritize ideas.
- Consumer focus groups are leveraged less by fastest companies but more by most prolific companies.

F1. What are your top 2 sources for idea generation?

Percent Differences vs. Life Average



Percent Differences vs. Annuity Average



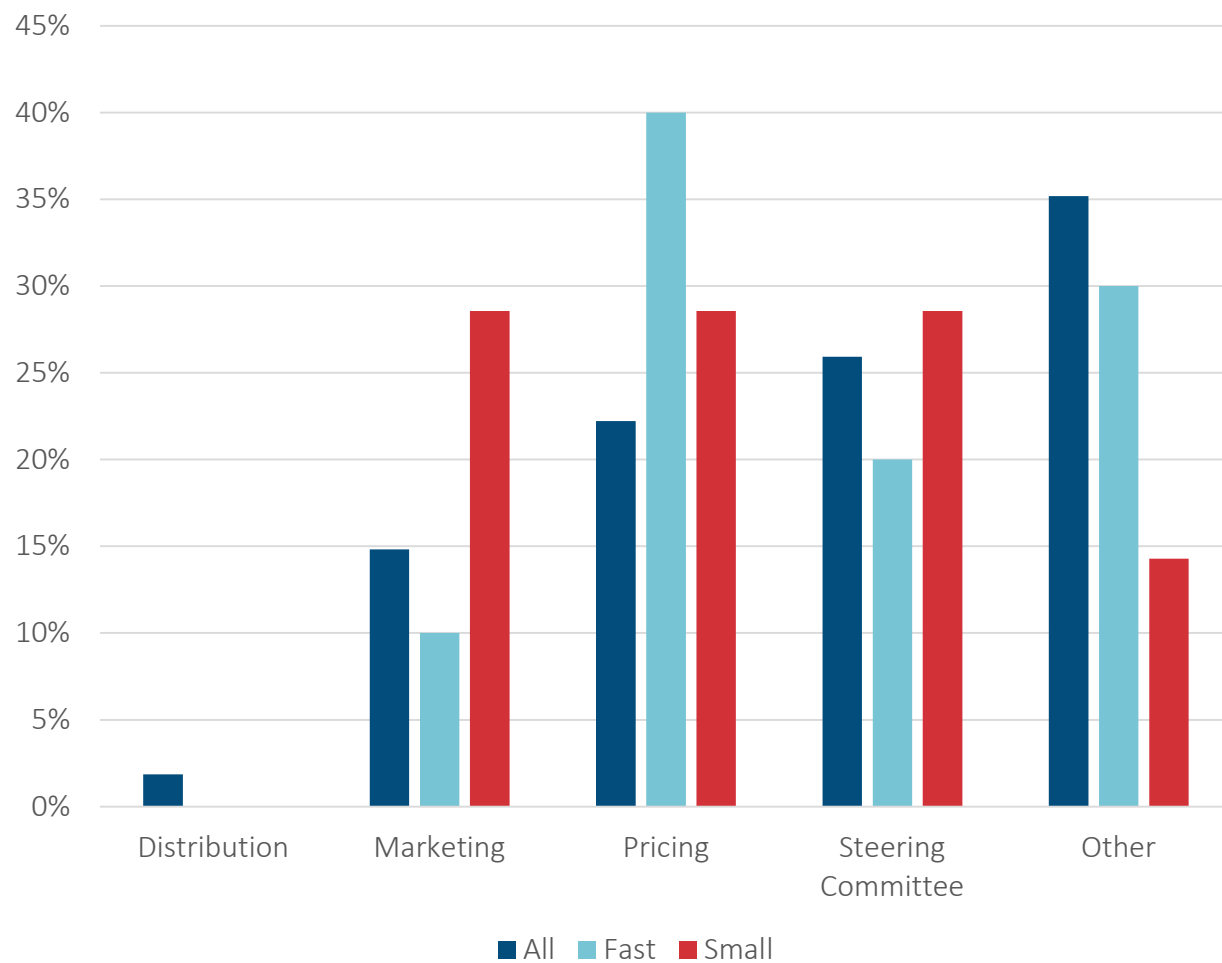
US/C Avg 43% 46% 0% 23% 83% 0% 6%

US/C Avg 45% 48% 6% 19% 71% 3% 3%

Interview Comments on Top Sources for Ideas

- Number of sources. In some cases, a certain amount of product development comes out of competitive analysis and trends and where things are going. I'd like to think that we're always out ahead of the pack, but the reality is in many cases for a lot of things we're catching up to other competitors.
- It's also about how can you differentiate yourself from your competitor so that you come out with a better mouse trap. That's part of it. The other is—and other companies do it different ways—you have some companies that do Advisory councils.
- At the same time, sometimes the best ideas don't come from internally in the organization, but they actually come from the field. That's a key source as well. In the past, we've done some innovation-type sessions where you bring a group of people together and you go through a brainstorming session. Often that ends up generating some pretty interesting ideas.
- We've done surveys, obviously with our advisors. We've done surveys with consumers. We have a fairly substantial marketing research library, so we have access to lots of research in terms of what consumers and investors are looking for in the way of products and services.
- Based on interviews, the most common sources mentioned for idea generation are: Competitive intelligence (outsourced and/or internal), Field/Advisor/Agent input, Consumer focus groups/surveys, Internal home office committee/panel.

F2. Who is ultimately responsible for managing the process of gathering ideas?



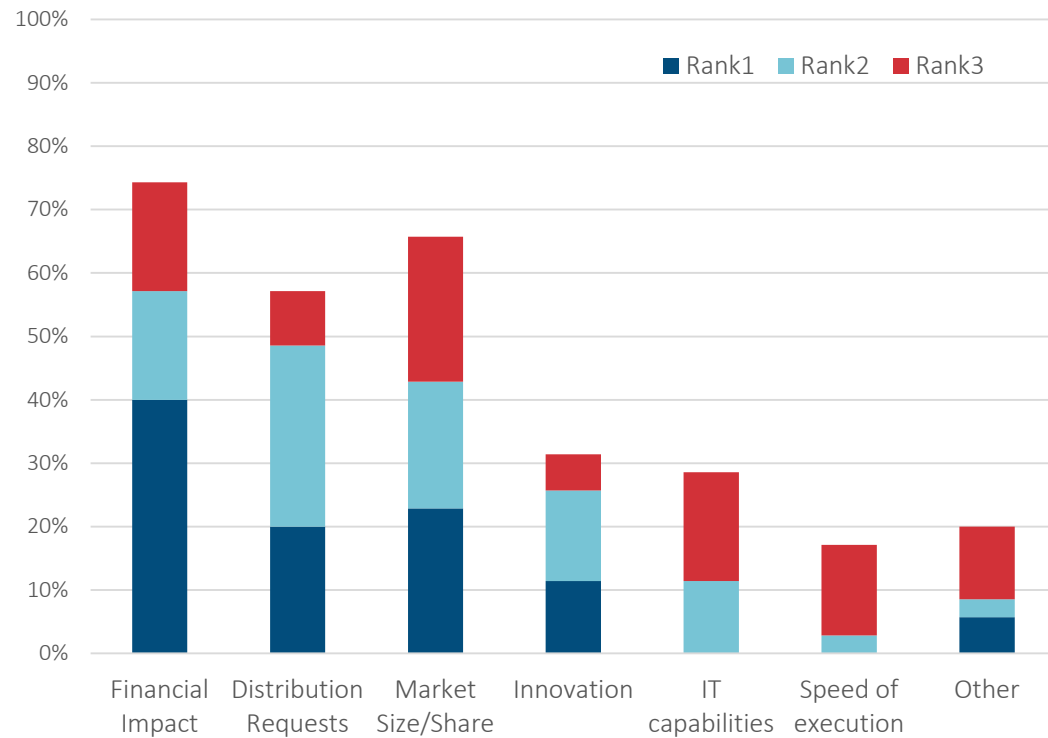
Detailed comments at an insurer

“Some ideas are in-house ... organic, and some come from participating in different industry leading seminars, talking to consultants ... We have a strategic meeting annually and even quarterly to talk about certain ideas.”

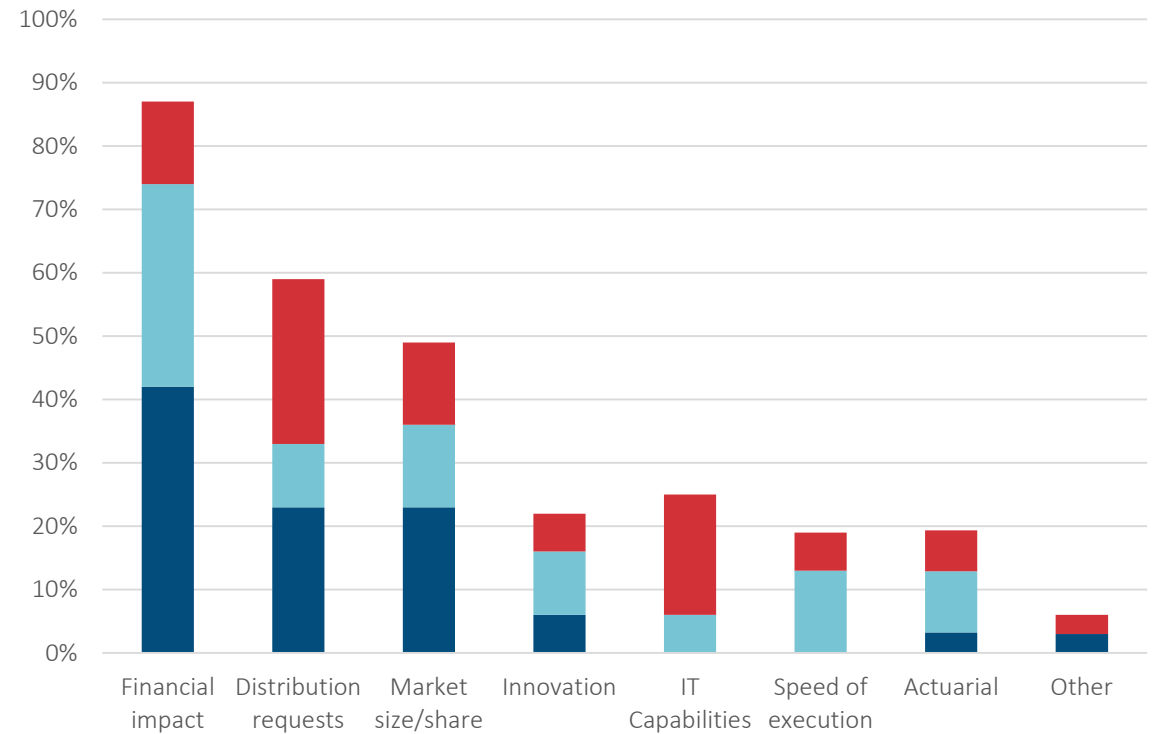
“Other” responses include product development, product management, business development/marketing/innovation team, product line leader, separate design area, competition, actuarial product owner

F3. How do you prioritize ideas? (Rank 1 = highest priority etc.)

Life Insurance



Annuities

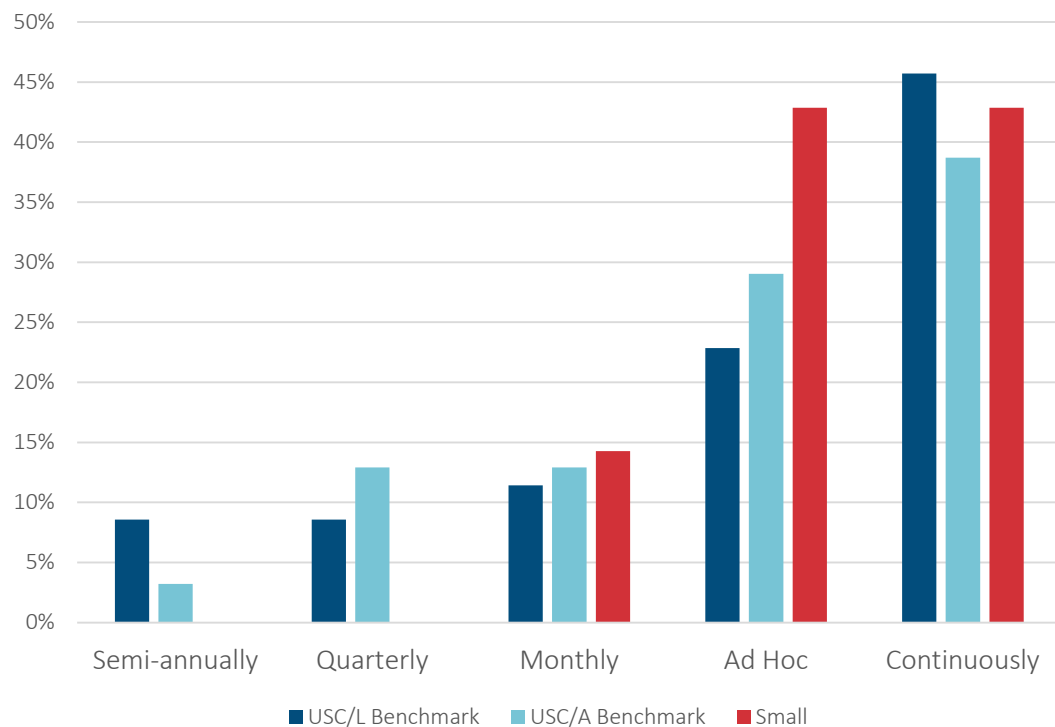


Interview Comment on Prioritizing Ideas

I think the field committee has a stronger influence than just providing feedback. At the very least, it's very influential feedback. We meet with them somewhere between 4 to 6 times a year. At that point, we usually run the current status of the project by them, which would include basic design, it would include some basic benchmarking just to check in to make sure it's meeting their expectations. The same is also true in terms of the product management group. We actually meet with them in various forms weekly or at least biweekly and give them a status on where we are.

F4. How often do you engage in the idea generation process?

Frequency of Idea generation



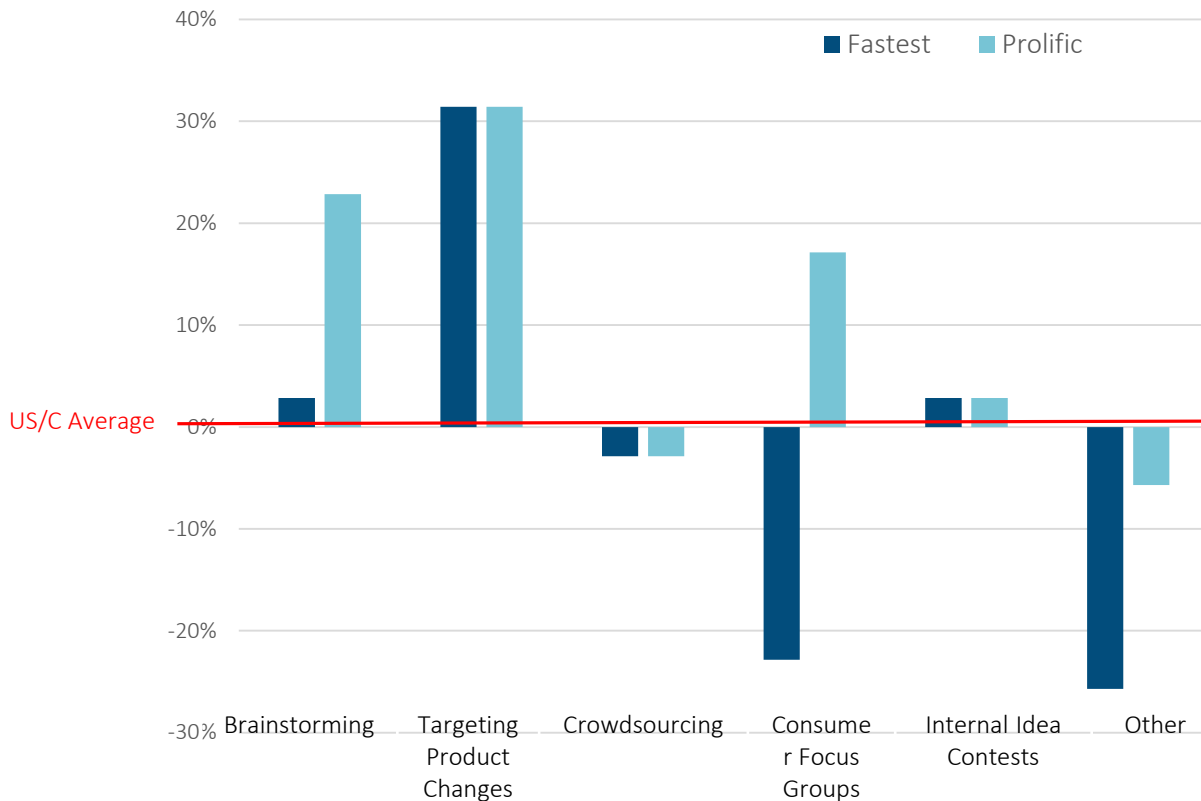
Detailed comments at a direct writer

We basically get together once a month to go through ideas. We have part of Sales, Underwriting and IT teams on it and a few other people.

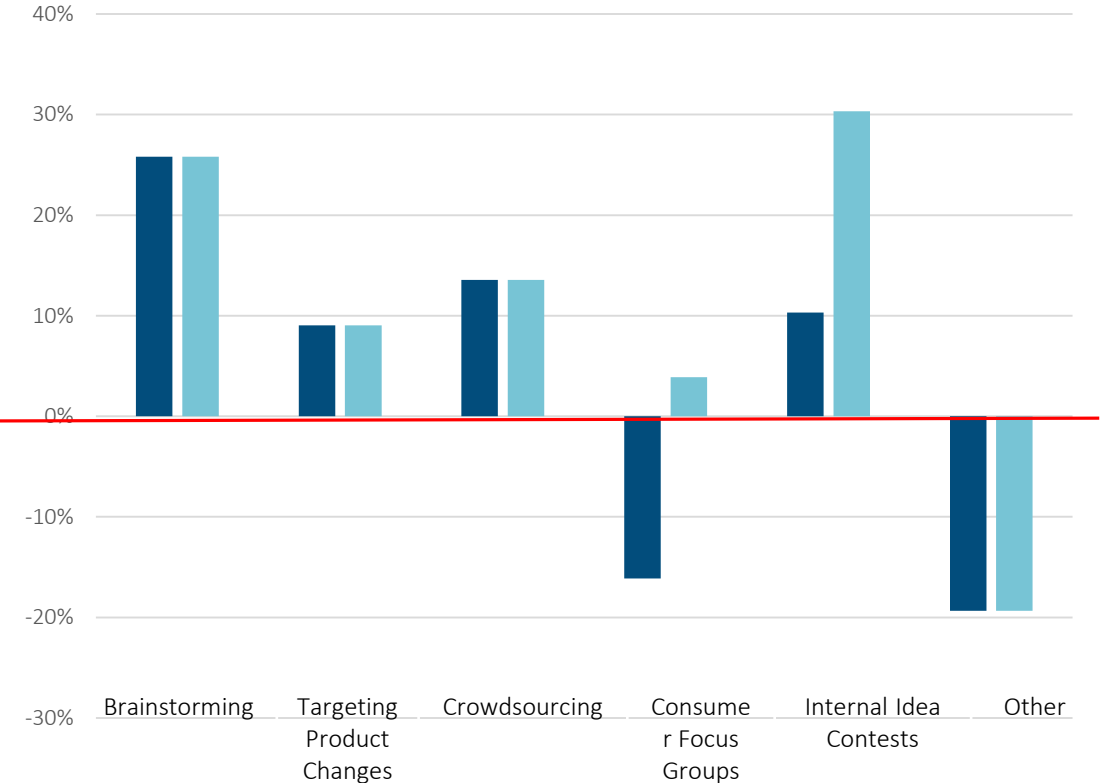
We brainstorm ideas, and when we think that there's one that would be valuable, we start narrowing that down, come up with whatever action plan we would, and present that to the higher ups.

F5. What type of idea generation do you engage in?

Percent Difference vs. Life Average



Percent Difference vs. Annuity Average



International perspective from interviews

- Around the world the commentary and prior research indicates that life insurers make limited use of end consumers to inform their PD efforts, whether via focus groups or market surveys.
- This mirrors the findings from the respondents. Instead, they rely strongly on existing products and trends in the market as their primary information sources when designing new products.
- In Brazil, there is very little focus on innovation or new ideas. It is currently a much more traditional market without even universal life.

Section G

Product Concept and Feasibility

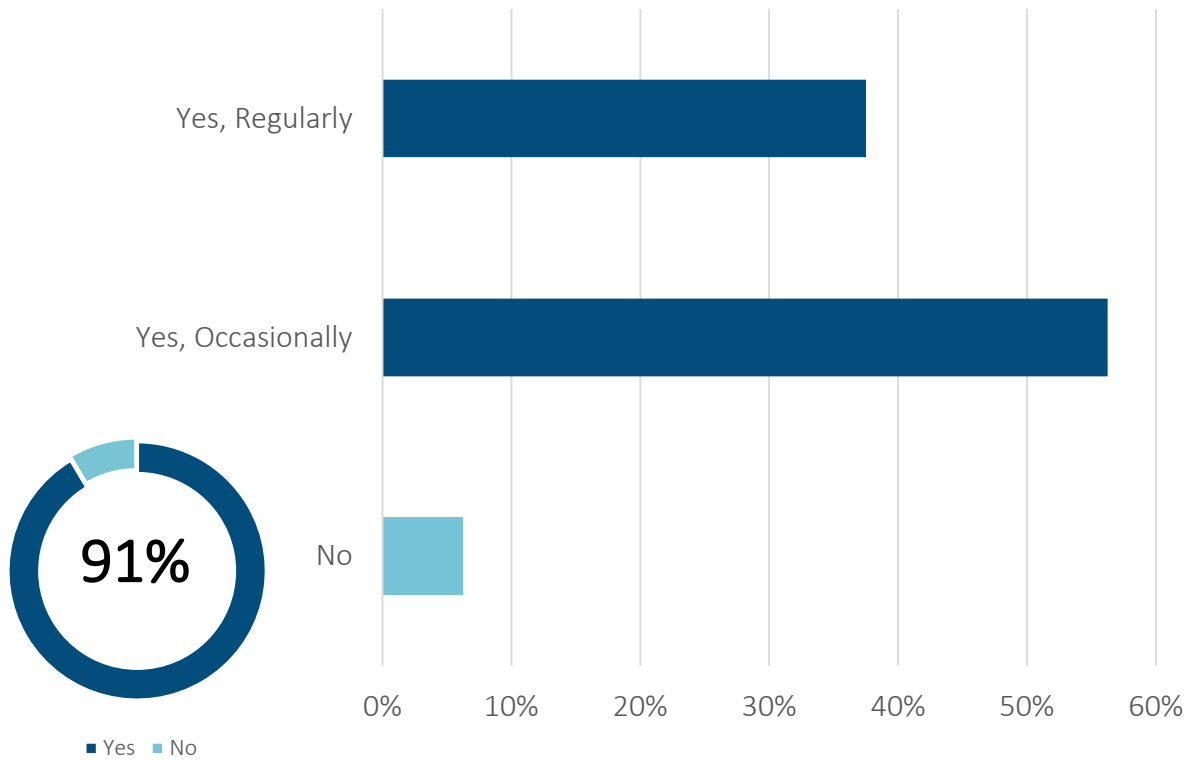


Section G Key Highlights

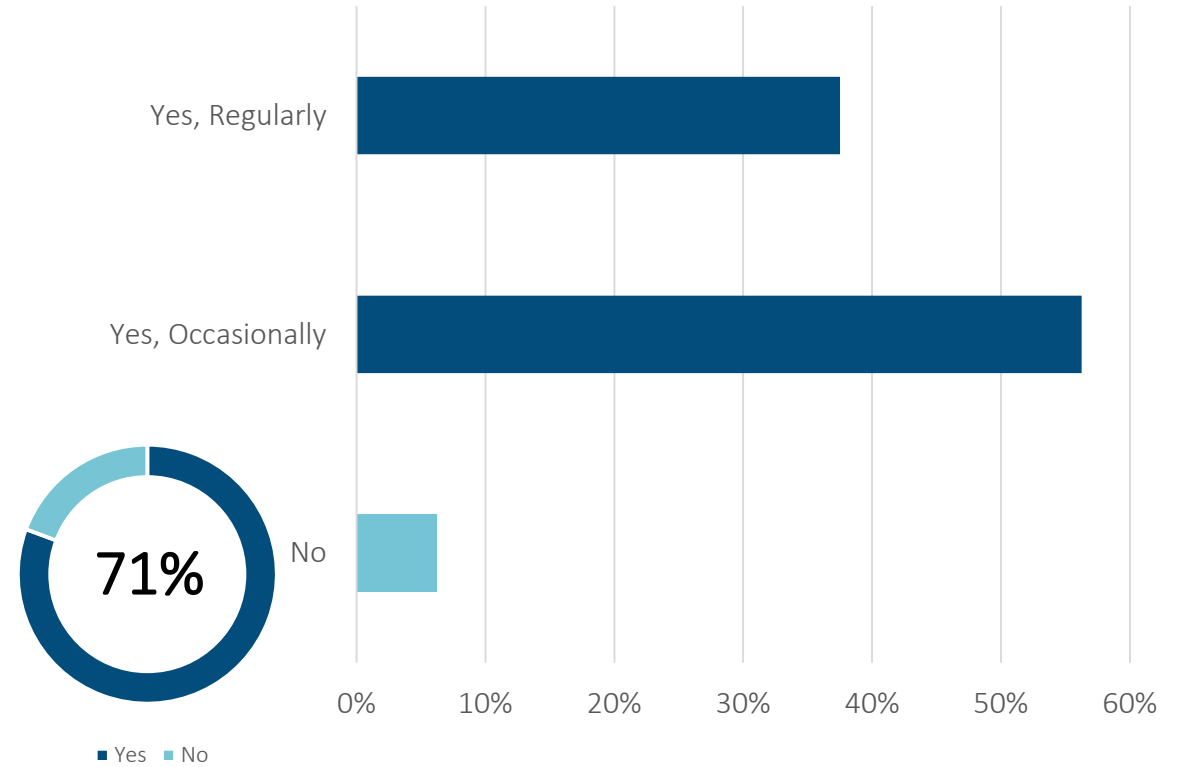
- Steering committees tend to have final decisions to move products forward
- Most companies develop business cases and will occasionally, at a minimum, compare actual results back to the business case
- Competitive intel tends to make it into the business case, but income statements and balance sheets do not

G1: Is a formal internal business case developed? If yes, does your company compare the actual results to the approved business case?

Life – formal business case developed and if yes, compared to actual results



Annuity – formal business case developed and if yes, compared to actual results



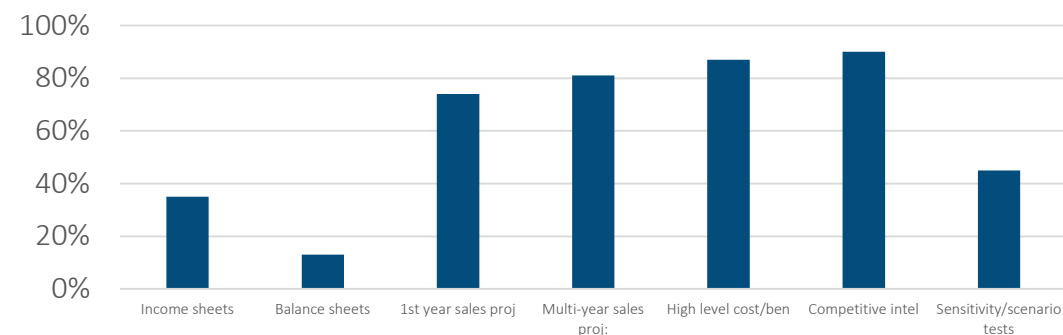
G2: Which of the following do you include in your feasibility study?

Commentary from two insurers

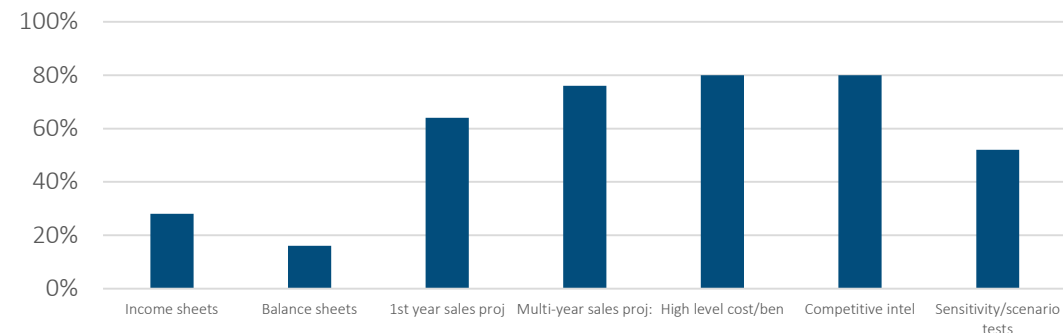
Our feasibility study tries to touch on market share, competitors, features, IT etc. to involve all the major departments that are involved in the development.

Our products will soon have a preliminary research report that covers design, target and scope at a high level

Life Insurance – included in feasibility

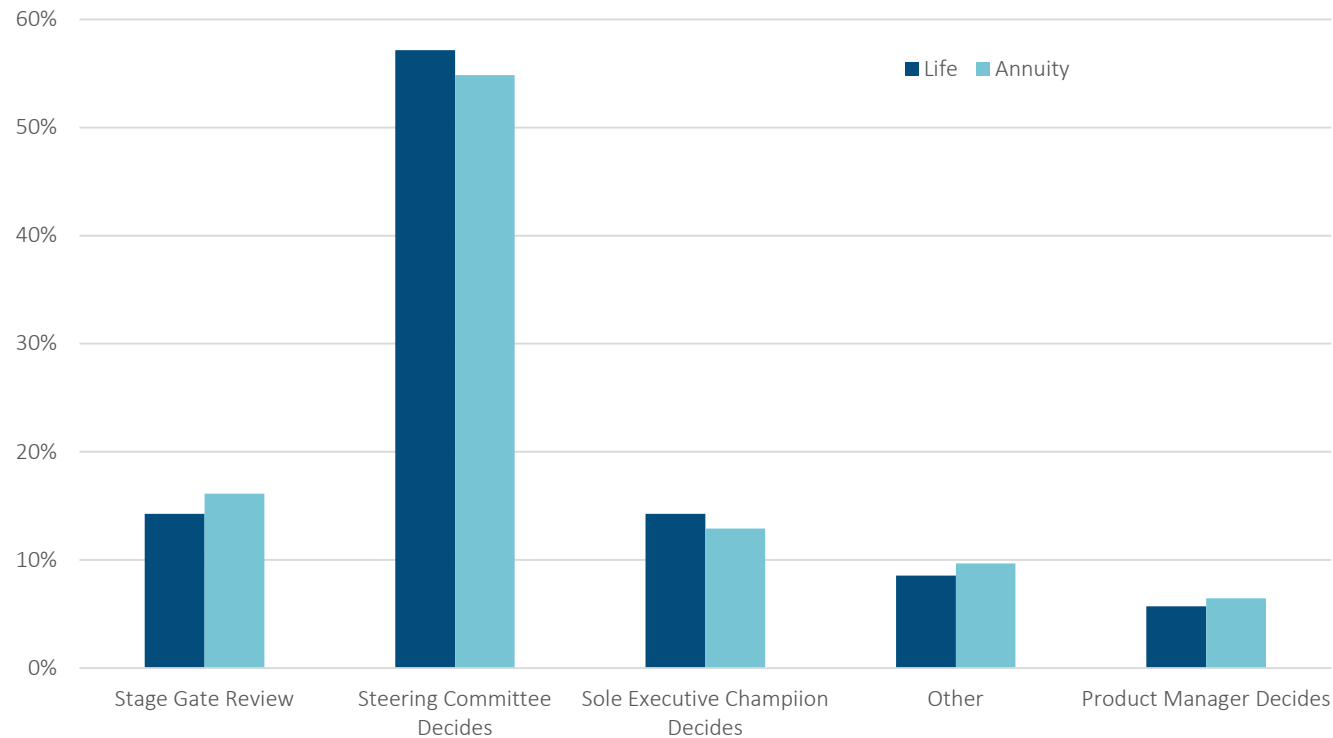


Annuity – included in feasibility



G3: How is the final decision made as to whether or not your company moves ahead with a new product idea?

Who has final Go / No-Go decision



Detailed comments from two direct insurers

We're constantly talking with the field and talking with the distribution channels to understand ... But ultimately at the end of the day, I think the decision would lie with the senior management.

We have leadership in sales, new business, legal and compliance that get together. This group is responsible for recommending what should we be doing from a product development perspective. If the commitment from the organization has been made to be able to execute on a certain development, ultimately those leaders will say, "Go ahead and do it."

Section H

Distribution Channels and Marketing

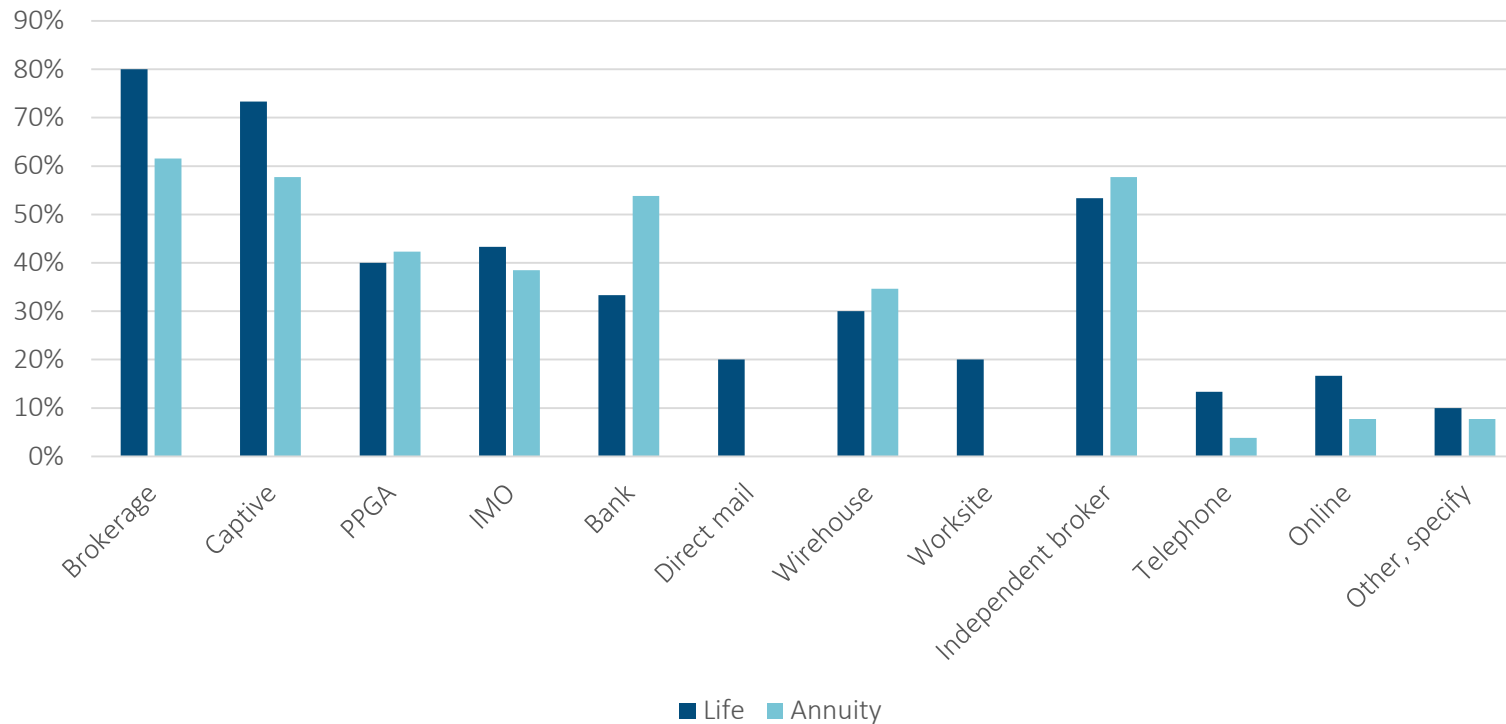


Section H Key Highlights

- Direct mail and worksite are only leveraged by life companies
- Brokerage and captive agent channels have shifted the most for life companies; independent brokers have shifted the most for annuity companies
- Agent portal and advancing commission are leading tools to retain agents
- Direct mail is rarely leveraged by small companies in their marketing efforts

H1. Which of the following channels did your company use in 2014 to distribute life/annuity products? (U.S. only)

Which channels are used in 2014? U.S. Only



Detailed comment from insurer using direct side

We believe in our distribution channels. We have a strong distribution channel team. We always say we sell at our terms. We believe we have a better process to be able to provide a better customer experience so that we can maintain the market share.

H2. Distribution channel changes

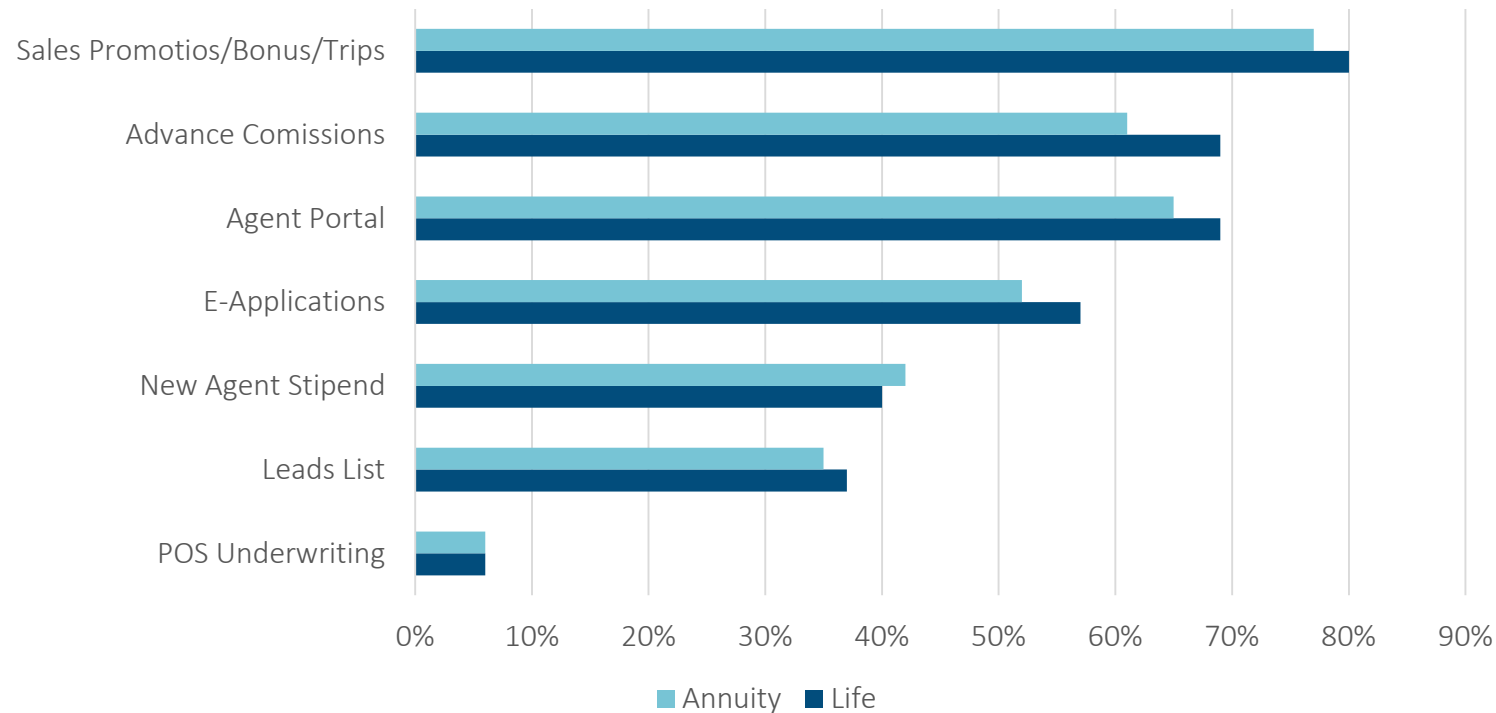
Life distribution channel changes				
Distribution Channel	Added Channel since 2010	Dropped channel since 2010	Greatest Growth over past 5 years	Greatest Decline over past 5 yrs
Brokerage	3	1	8	5
Captive (Career, MLEA)	0	1	6	6
PPGA	0	0	0	4
IMO	1	0	3	1
Bank	2	1	1	0
Direct Mail/Response	1	0	1	2
Wirehouse	1	0	1	1
Worksite	0	0	1	0
National Accts/Stockbrokers	2	0	1	0
Independent Broker	0	1	1	0
Telephone	0	0	0	1
Online	2	0	1	0
Other	1	0	1	3

Annuity distribution channel changes				
Distribution Channel	Added Channel since 2010	Dropped channel since 2010	Greatest Growth over past 5 years	Greatest Decline over past 5 yrs
Brokerage	2	1	3	1
Captive (Career, MLEA)	0	0	3	3
PPGA	0	0	1	2
IMO	2	0	4	2
Bank	2	0	3	3
Direct Mail/Response	0	0	0	0
Wirehouse	2	0	1	3
Worksite	0	0	0	0
National Accts/Stockbrokers	2	0	0	0
Independent Broker	2	1	5	3
Telephone	0	0	1	0
Online	1	0	0	0
Other	0	0	2	4

More respondents indicated adding channels rather than dropping. Higher levels of growth or decline are anticipated from brokerage and captive channels for Life; independent broker, IMOs and other for annuity.

H3. What tools are used to attempt to retain agents?

Tools used to retain agents

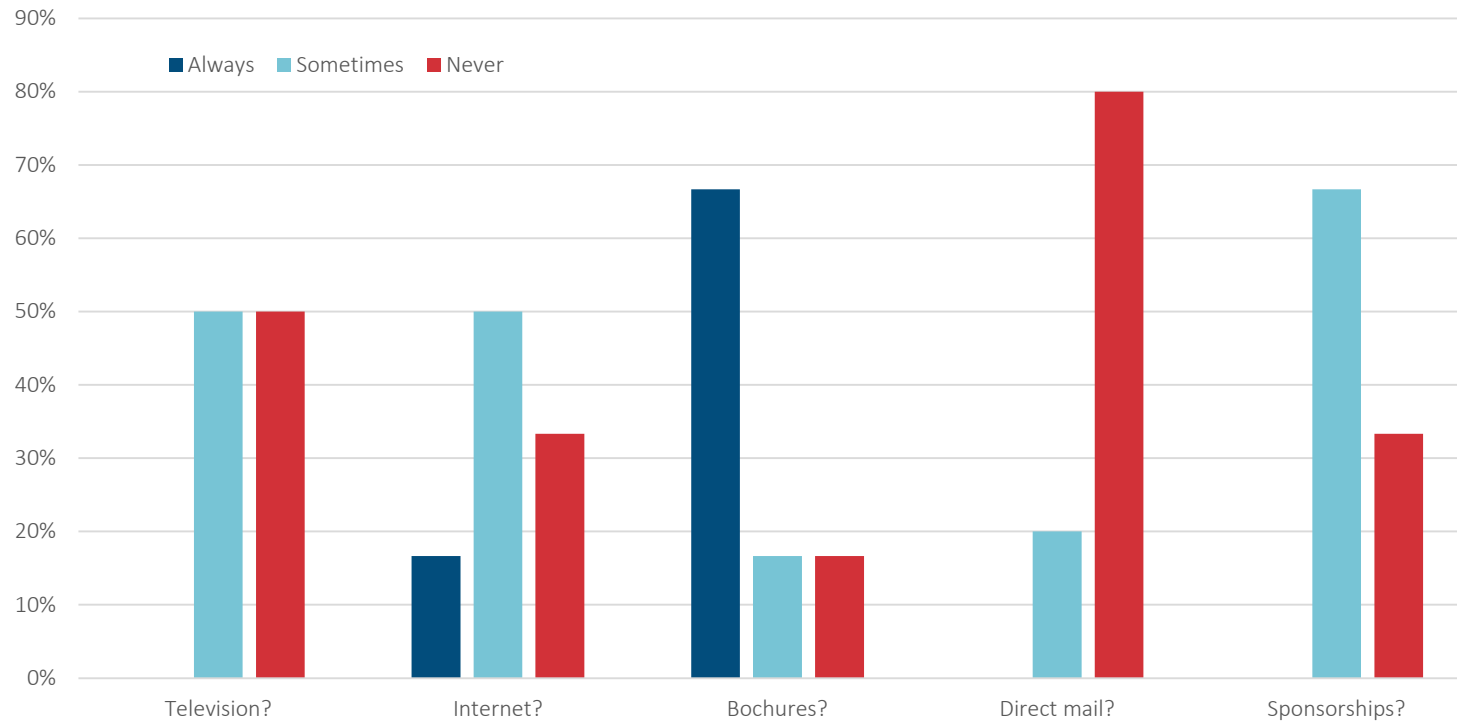


Detailed comment from insurer using direct side

We do have different products for direct versus on-direct ... it's got to be very simple, streamline. We do capture whether there are different underwriting methods. There is still pricing for that. Products are not going to be services as much. Once you have a product in place, it really is about the distribution on the direct side.

H3a. To what extent do you utilize advertising in your marketing efforts and what medium is used?

What medium and to what extent—Small Companies* only



*5 respondents

Detailed comment from insurer using direct side

I think the other thing is on the direct side because we have a direct division here as well, not just advisor. I had some involvement in that at one point. There's a lot more opportunity to fairly inexpensively innovate different kinds of insurance packages and combine certain services into a package and actually go out and test market it. It's actually a more innovative area right now.

International perspective from interviews

- Around the world particularly in Europe, South America, Asia and South Africa there is a much greater use of banks as distributors in comparison to the U.S. and Canadian respondents. Because of this, banks will influence the PD process more.
- Likewise international attention seems to be fixated on leveraging new technology to reach previously underserved markets.
- There are currently no online sales in Brazil. There is large resistance by agents to the company trying to develop this platform.

Section I

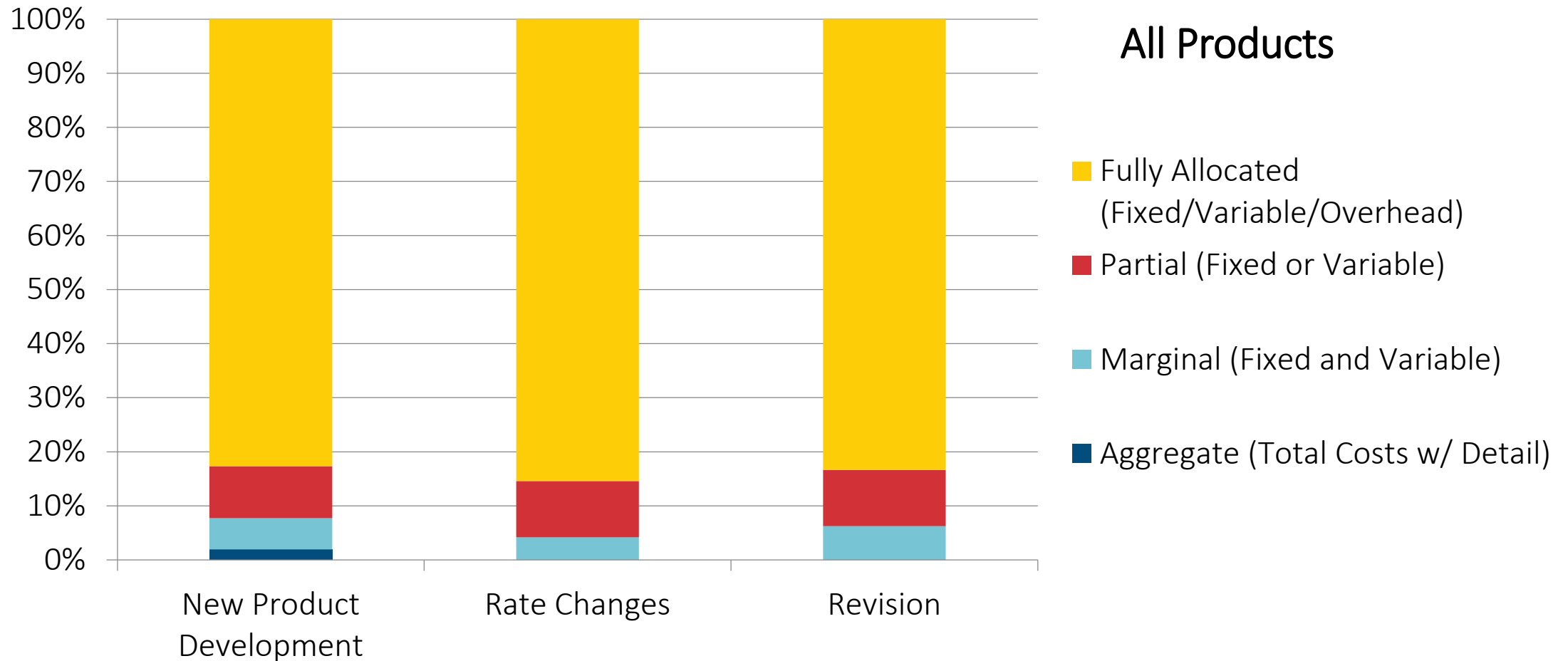
Expense Approach



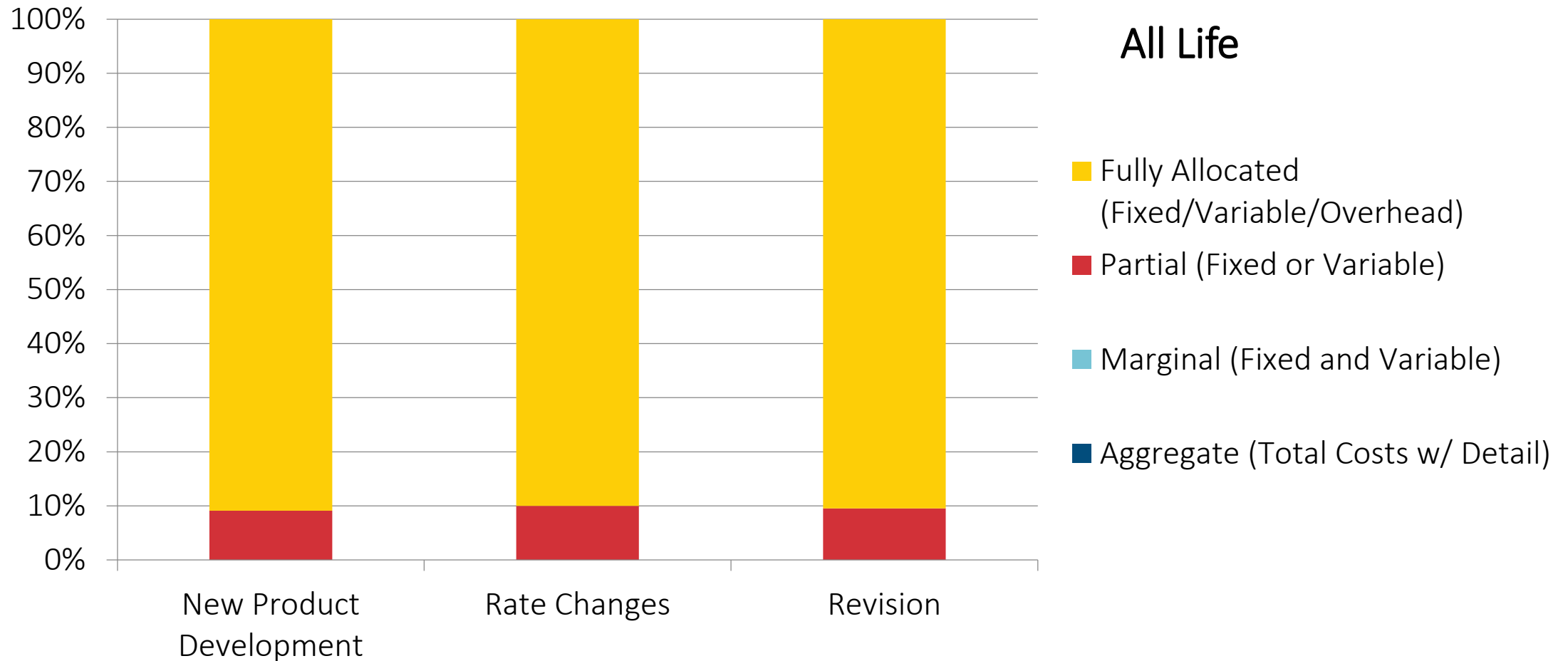
Section I Key Highlights

- Life companies tend to have fully allocated or at least partial expenses incorporated into product development
- Annuity and both life and annuity companies have some indication of using marginal or aggregate expenses in product development
- Generally half of companies do not compare their expenses to the GRET table

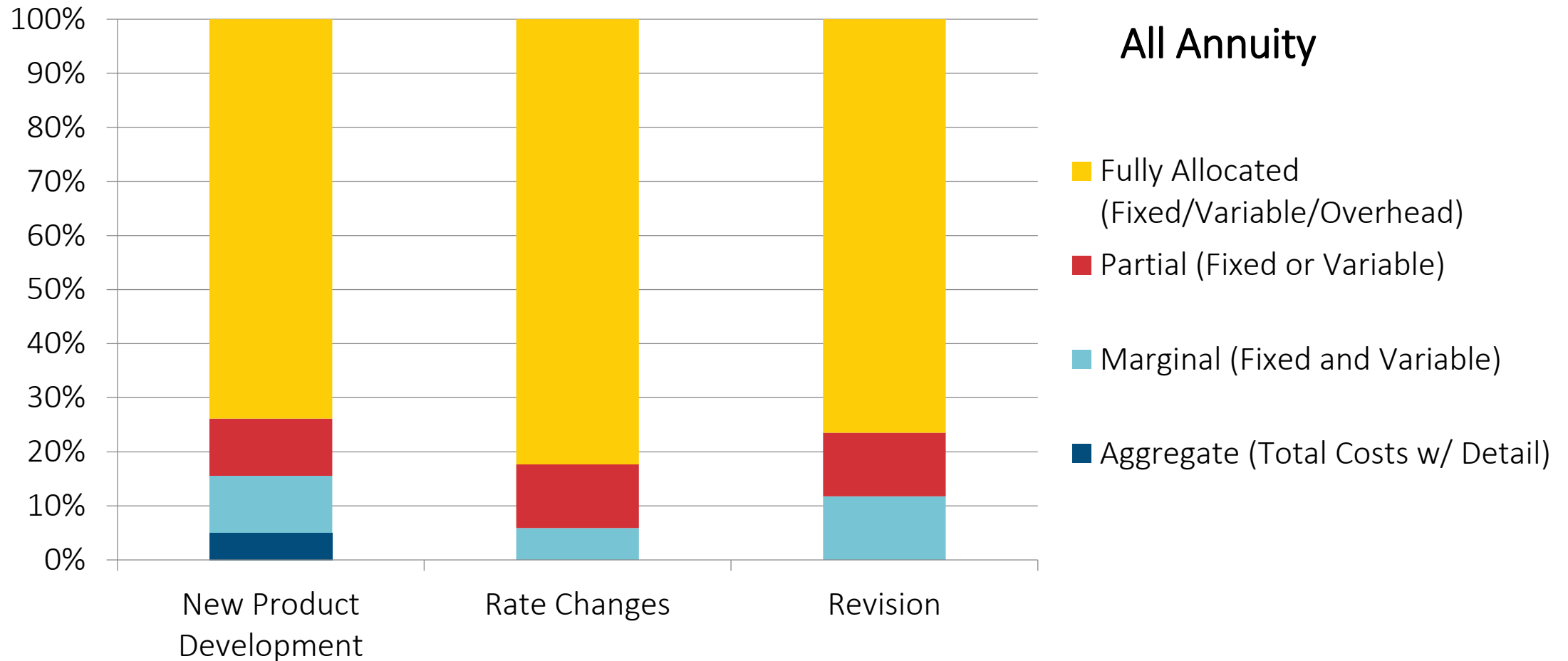
I1: What level of detail is available for expense studies incorporated into your product development?



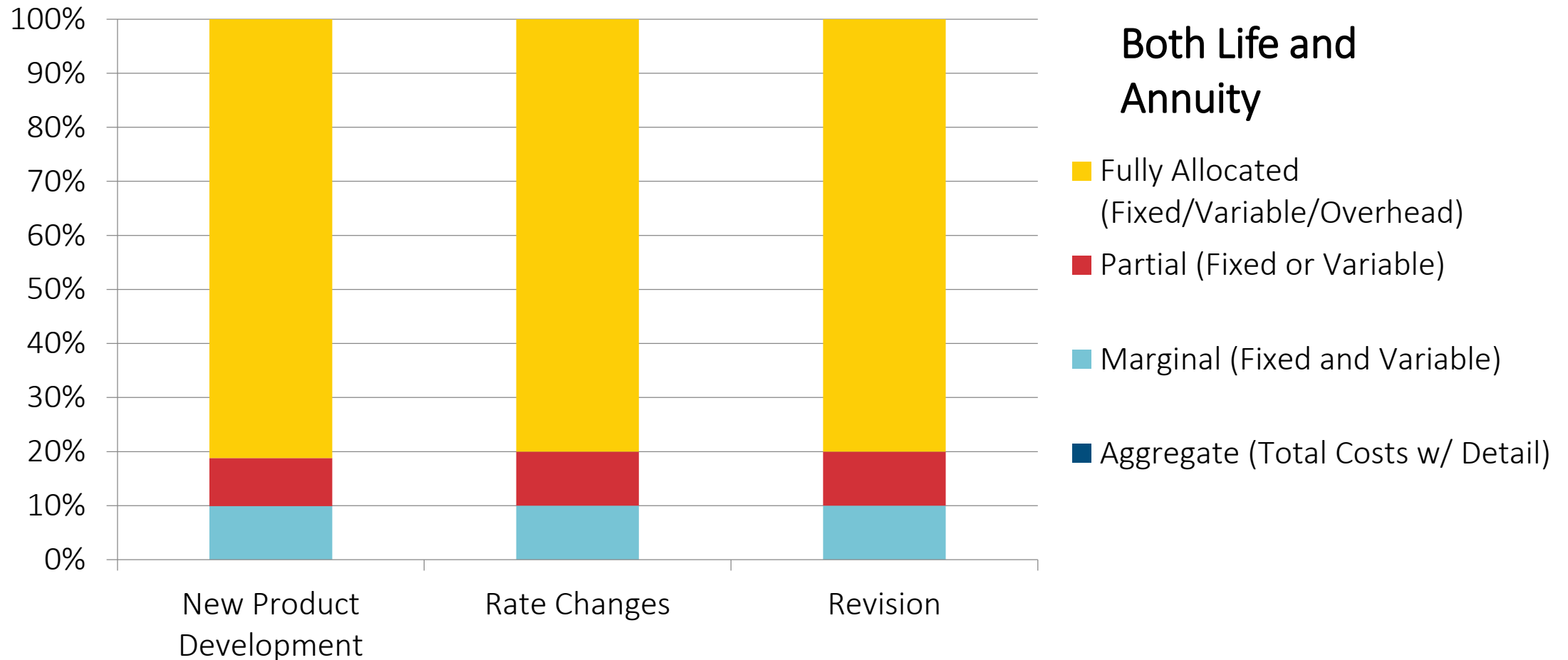
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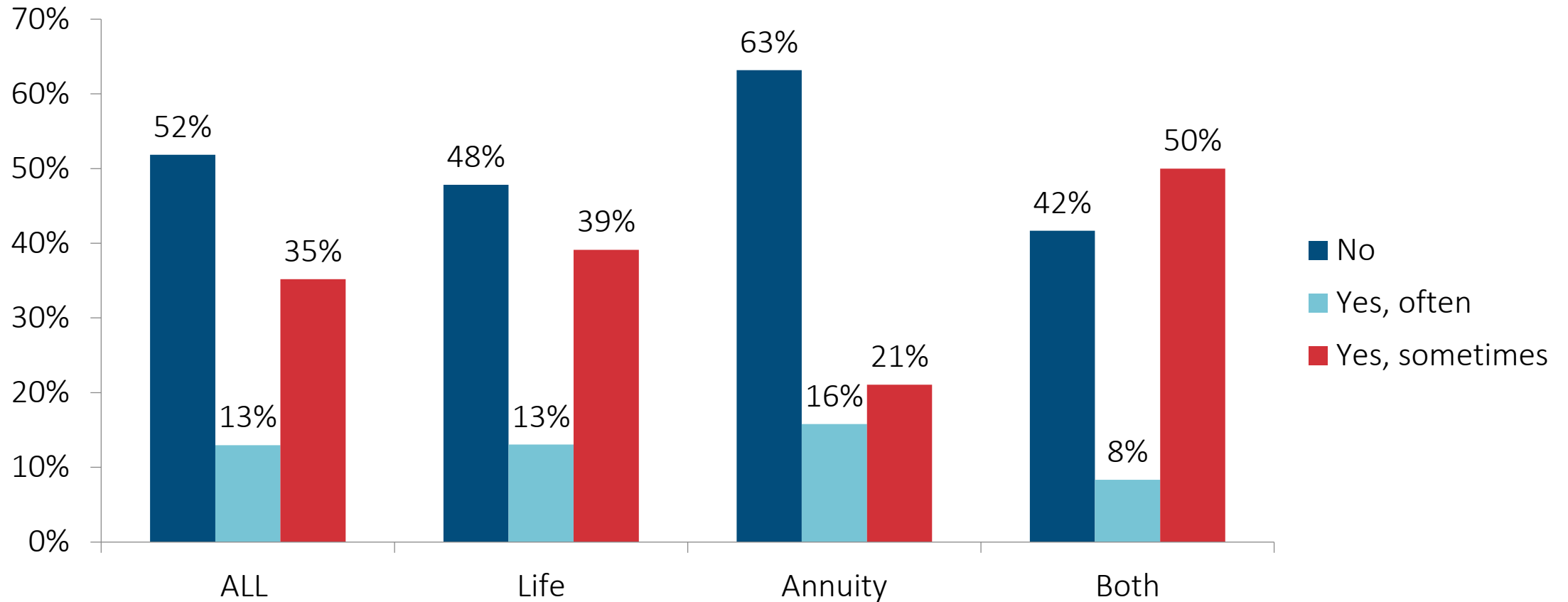
I1: What level of detail is available for expense studies incorporated into your product development?



I1: What level of detail is available for expense studies incorporated into your product development?*



I2: Do you compare your company expenses to the Generally Recognized Expense Table (GRET)?*



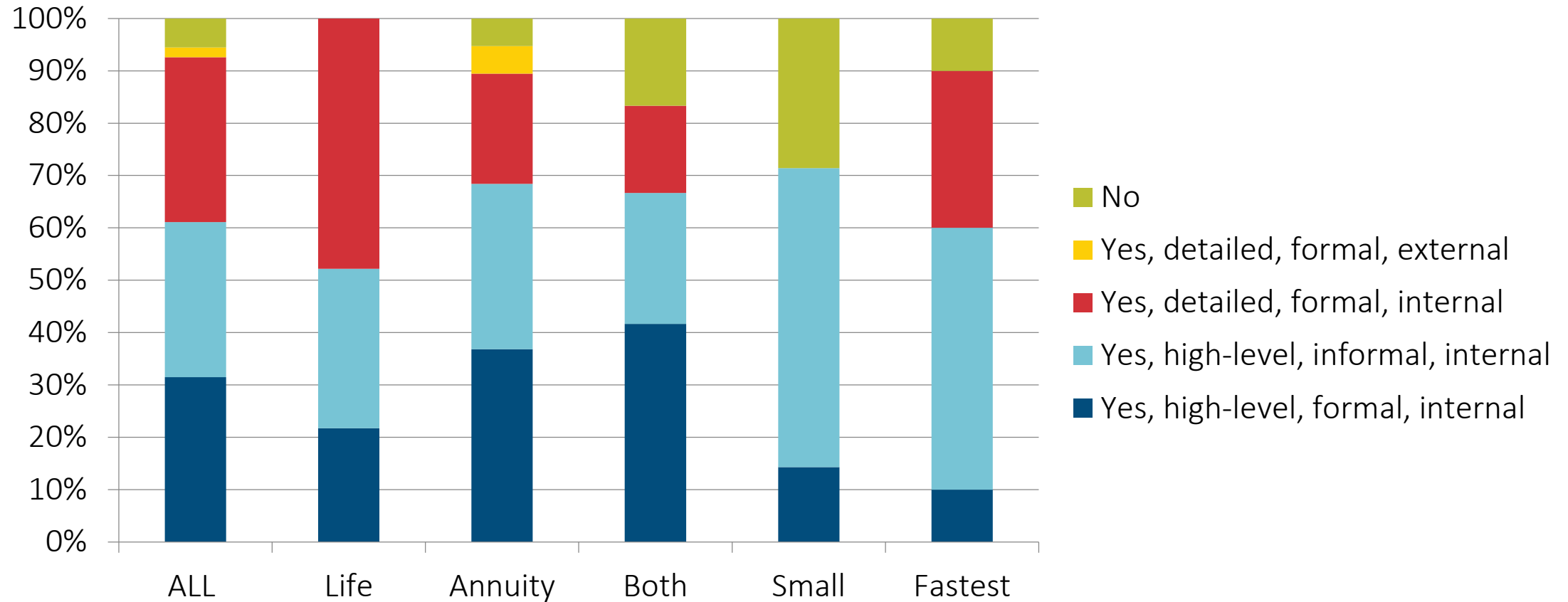
Section J: Review and Monitoring of Results



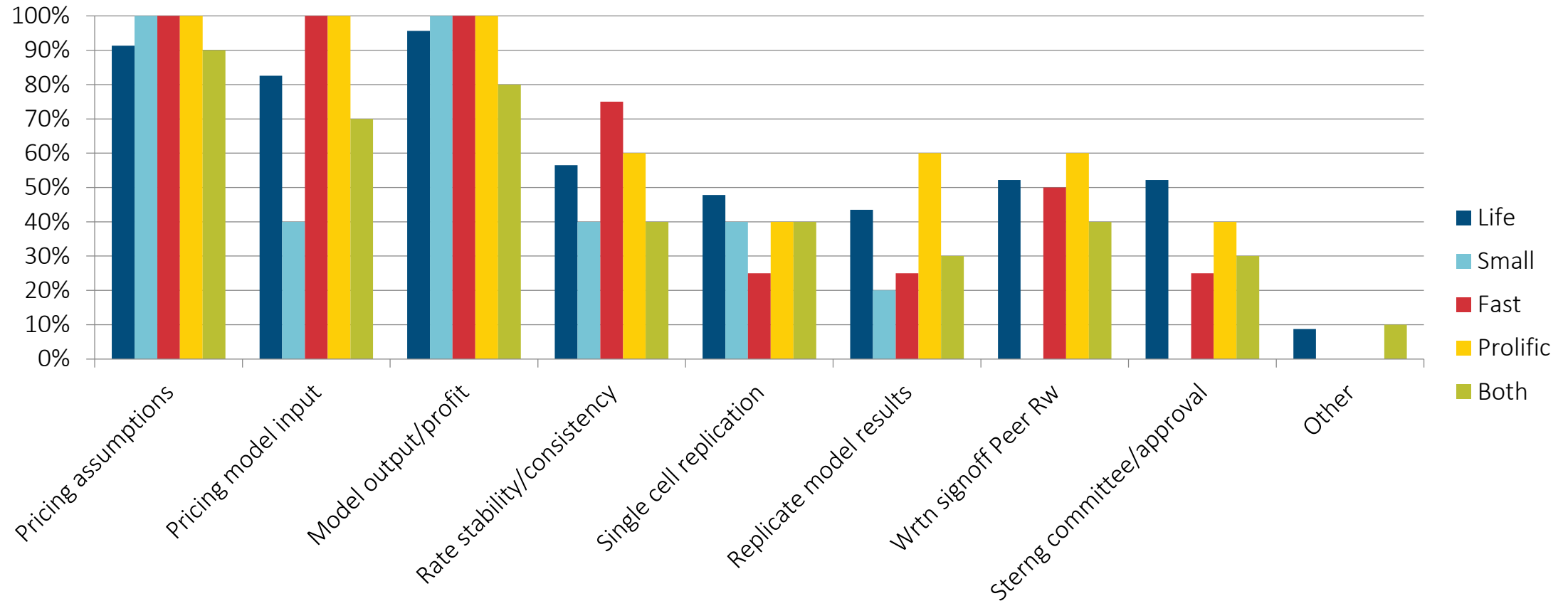
Section J Key Highlights

- Companies tend to have a high-level peer review rather than a detailed review, but some indicated no formal peer review process
- New premium and meeting profitability goals are most important measures of success
- Life companies complete experience studies more often than annuity companies
- Most prolific companies do not do ad hoc studies

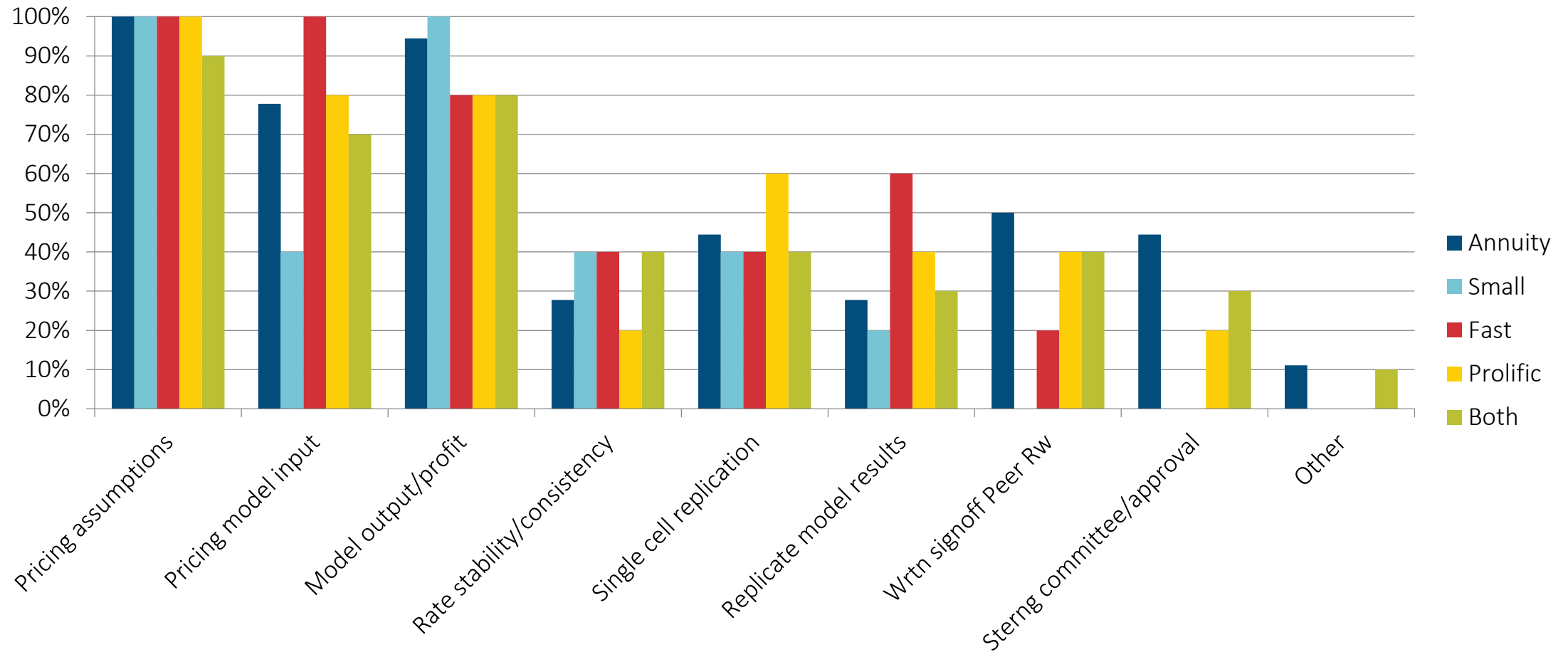
J1. Does your company have a formal peer review process?



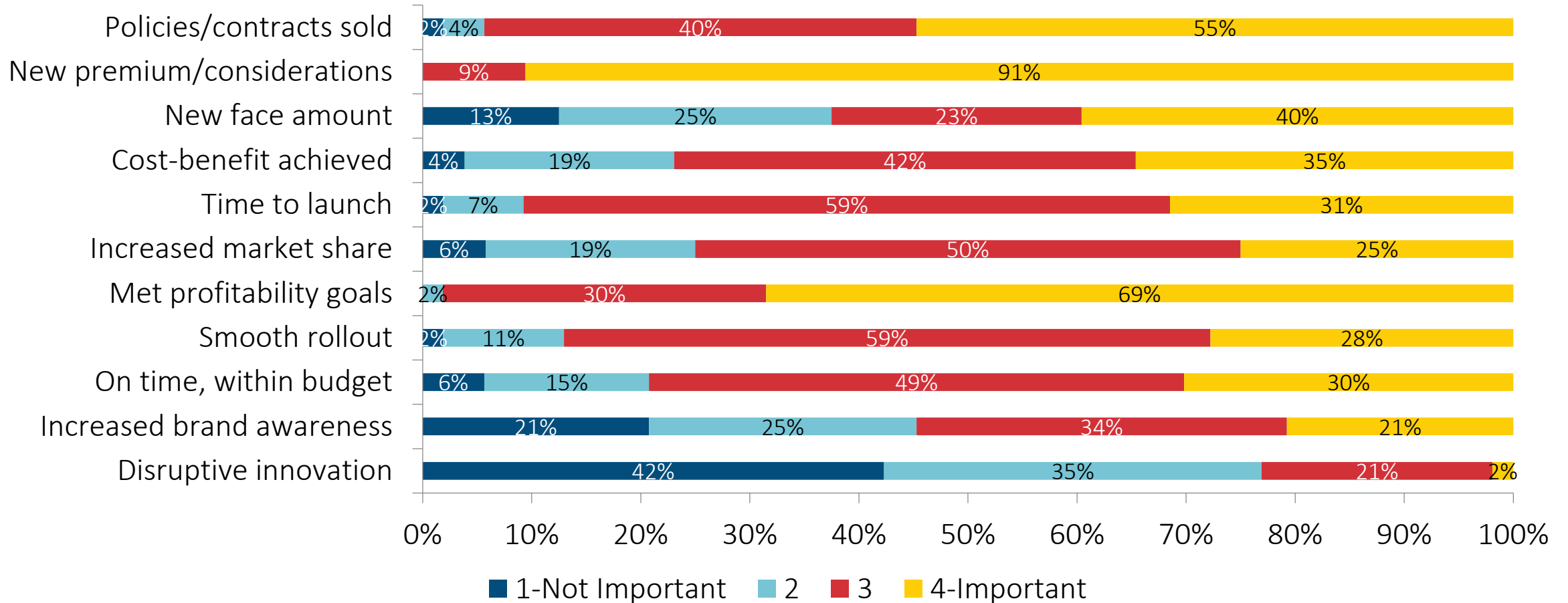
J2: What do you include in your peer review process? (Life)



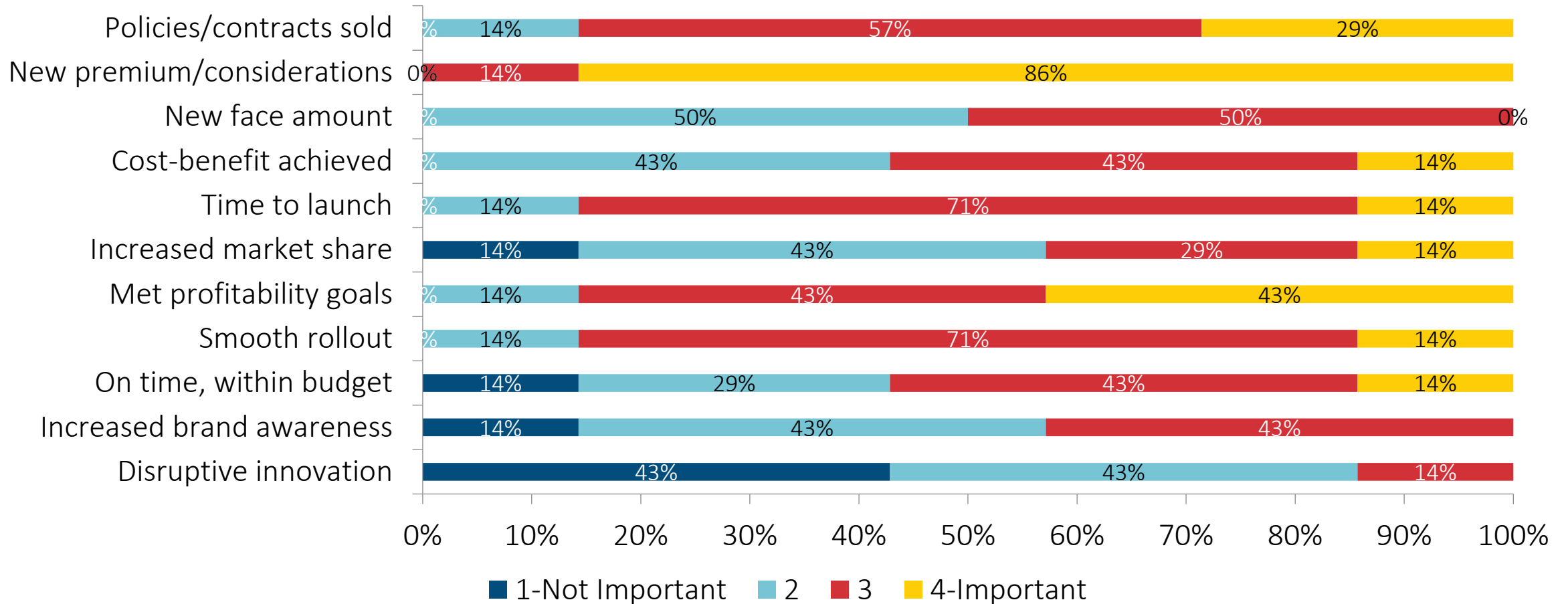
J2: What do you include in your peer review process? (Annuity)



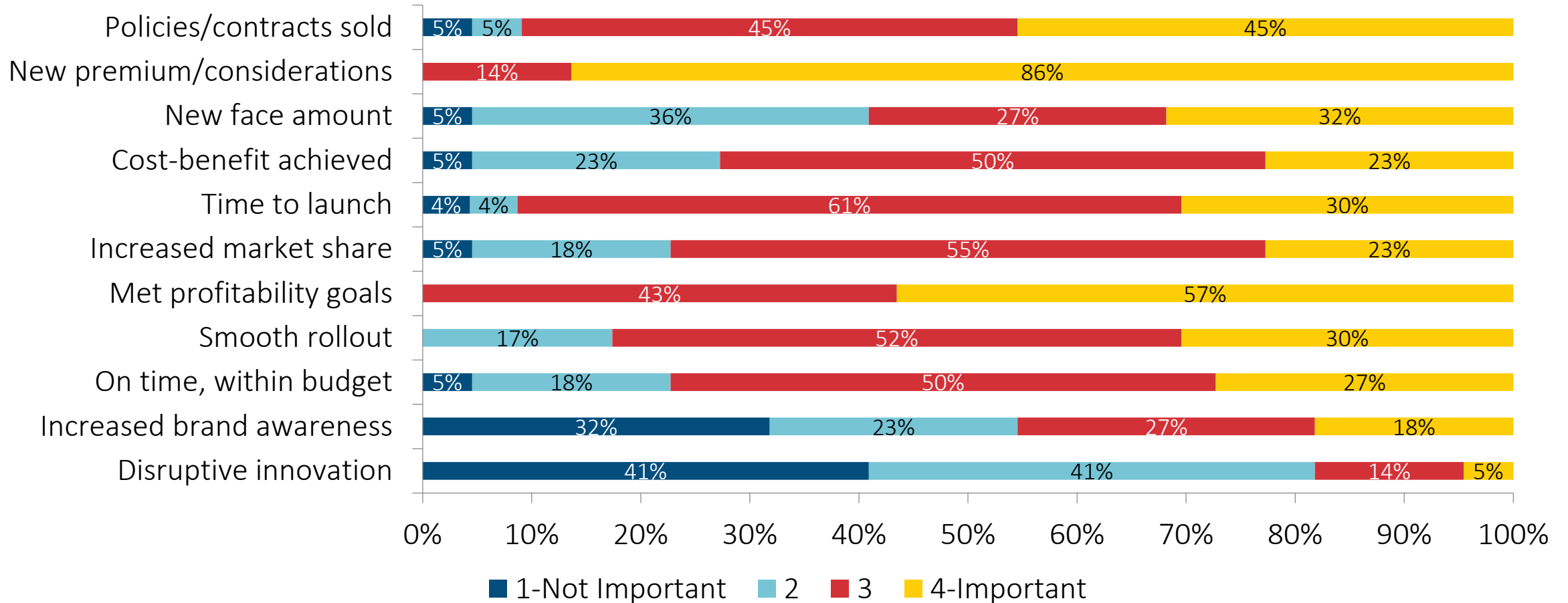
J3: Rate on a scale from 1 (not important) to 4 (important) the importance of the following measure(s) of success for product development for your company.



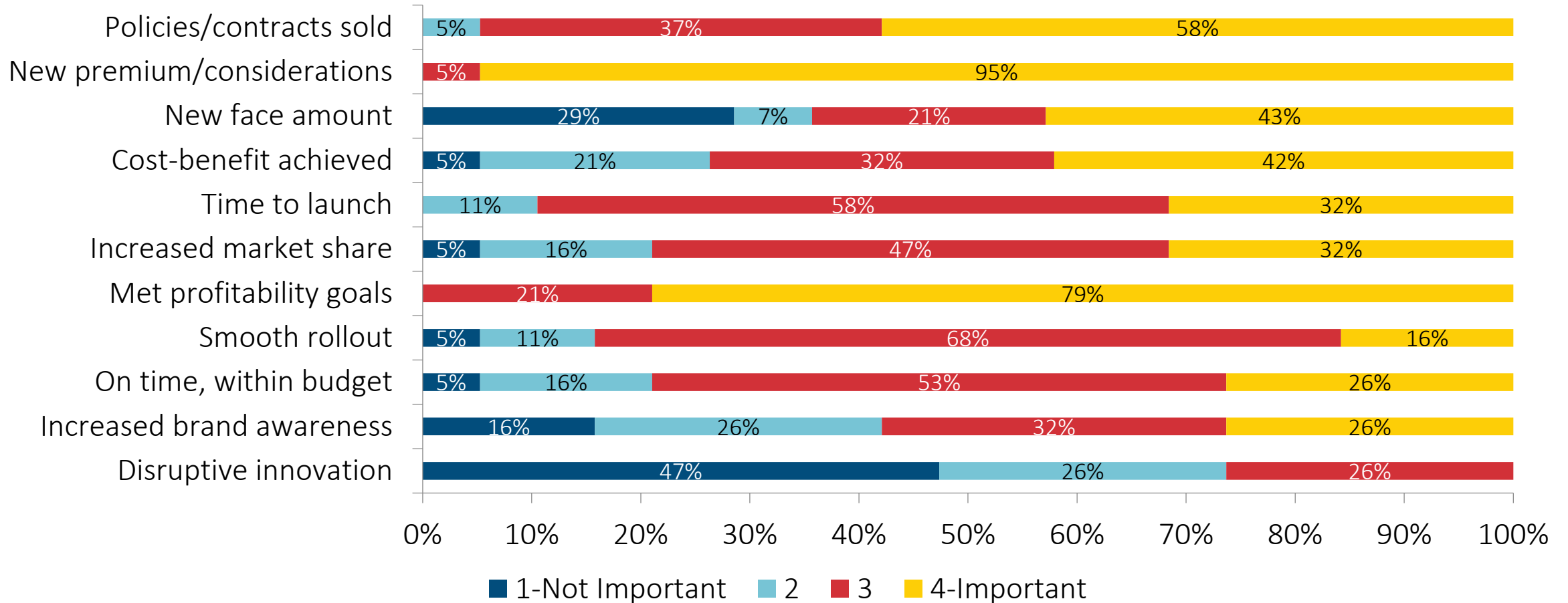
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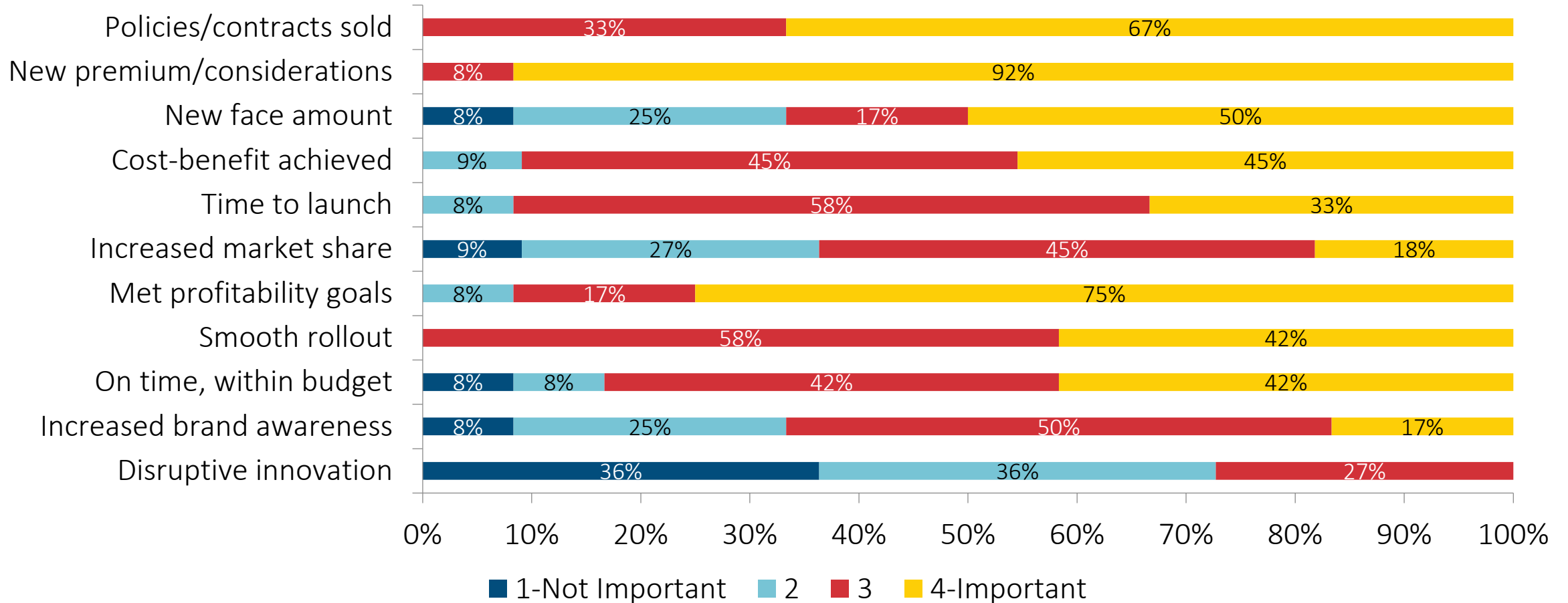
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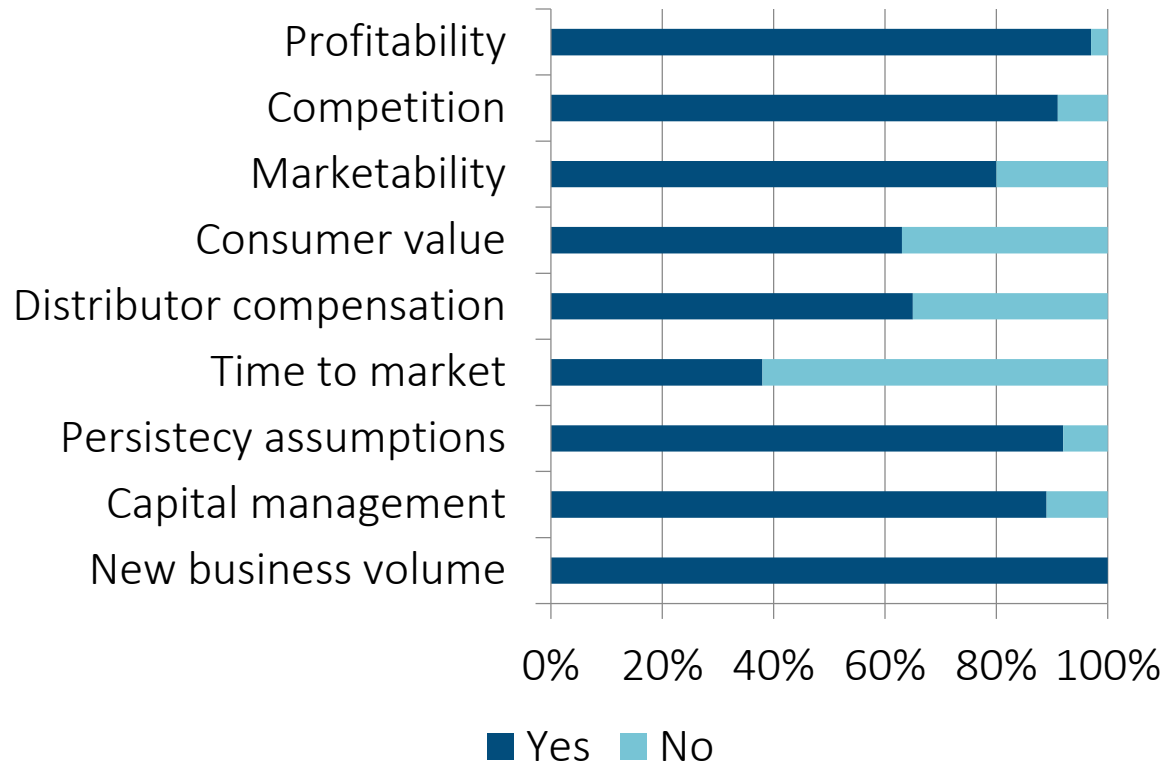


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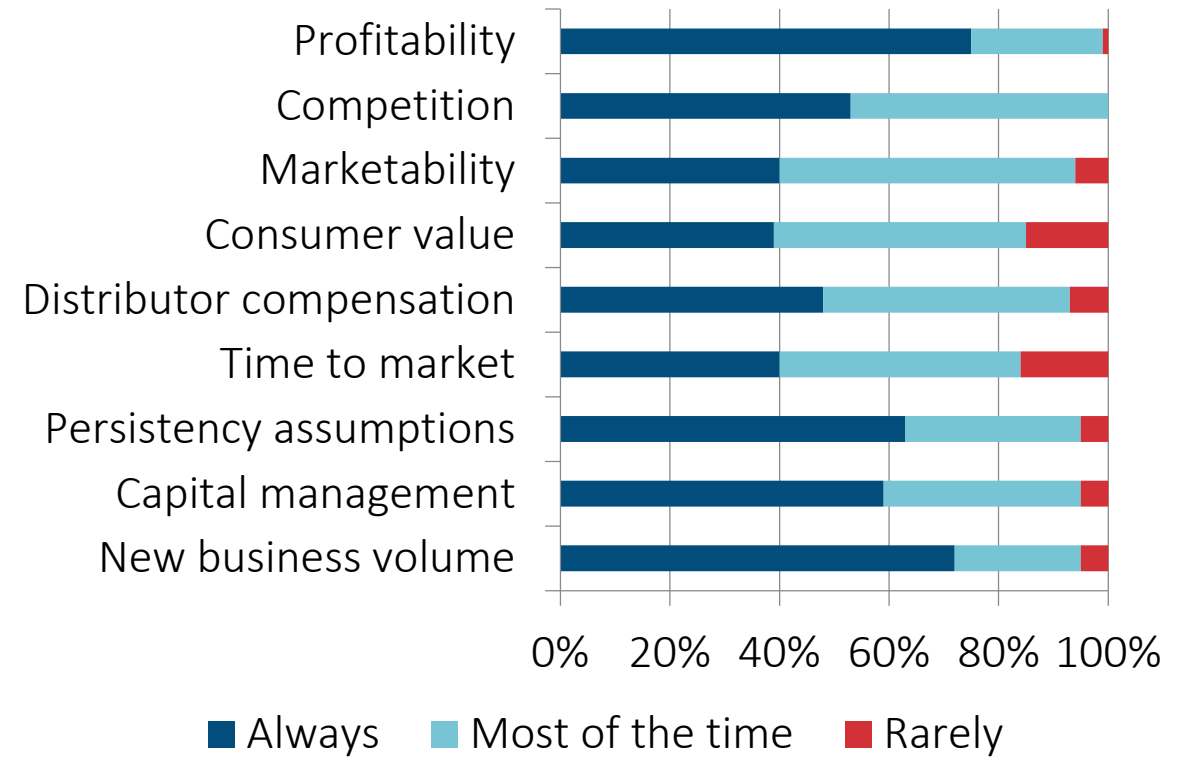


International Survey*: Does your company regularly monitor the following design considerations post product launch?

Savings Products



Those that said Yes, how often?

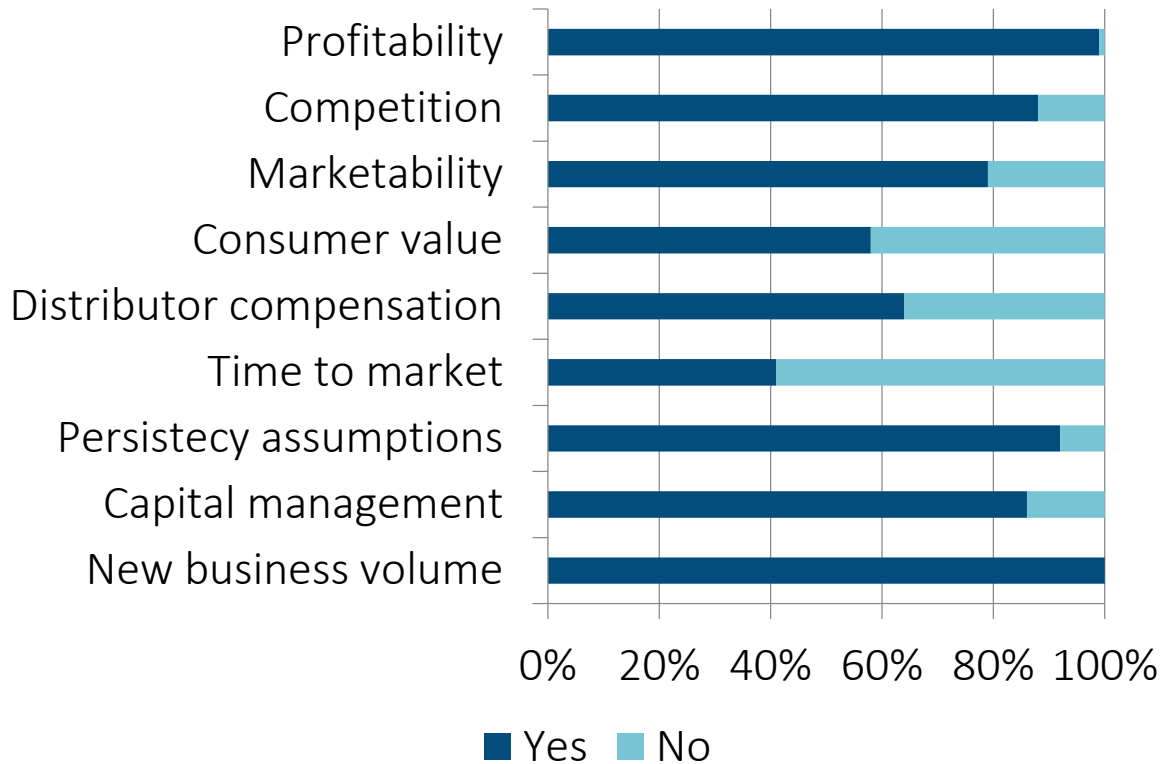


Interviews Comments on Monitoring

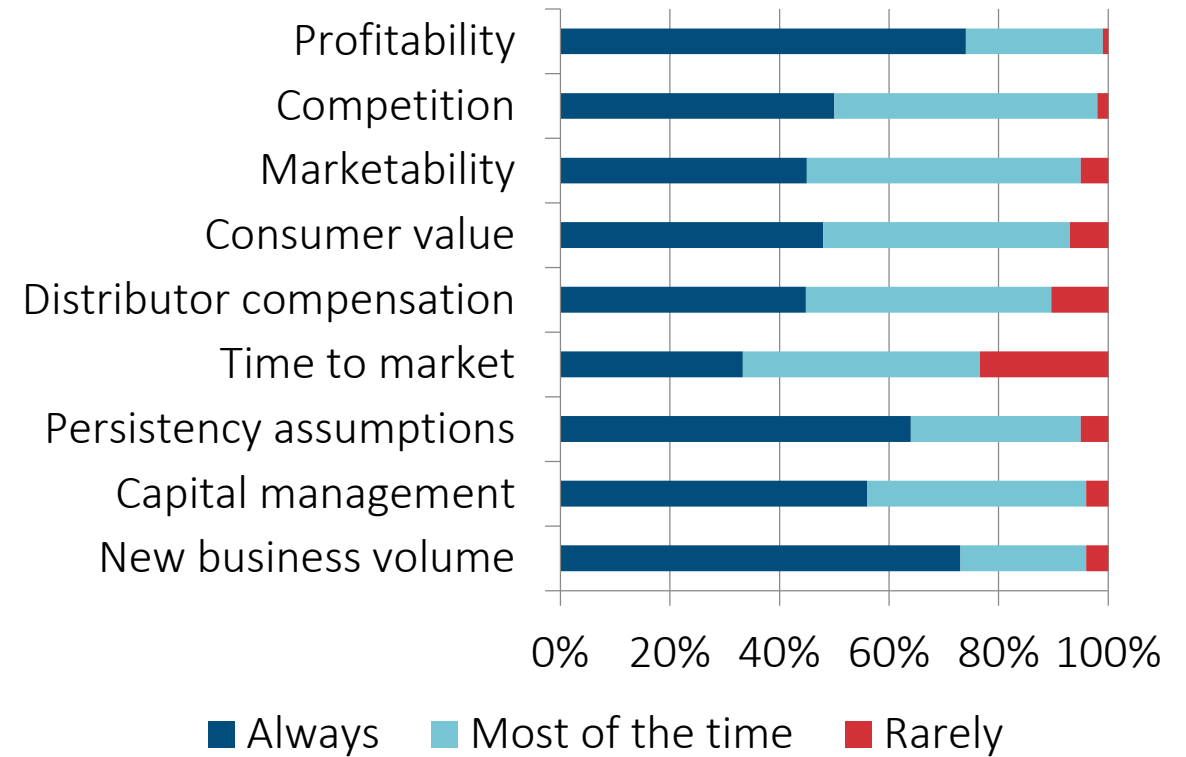
- The profitability monitoring we have is a report every quarter along with the FICO (Financial Accounting and Controlling). That's coming out every quarter.
- In general, we do tend to look at present value of statutory profits.
- We monitor our profitability of all of our products. So we know where we stand from a distribution of business and reserving standpoint all the time.

International Survey*: Does your company regularly monitor the following design considerations post product launch?

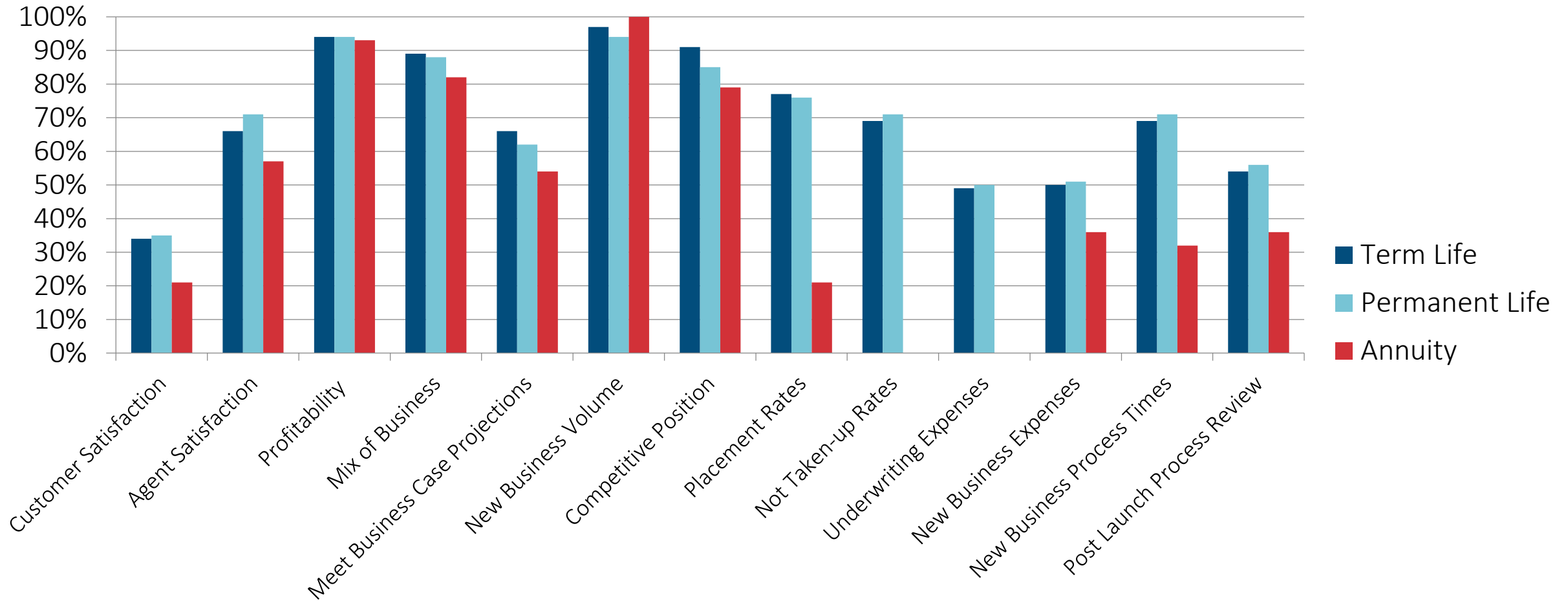
Risk Products



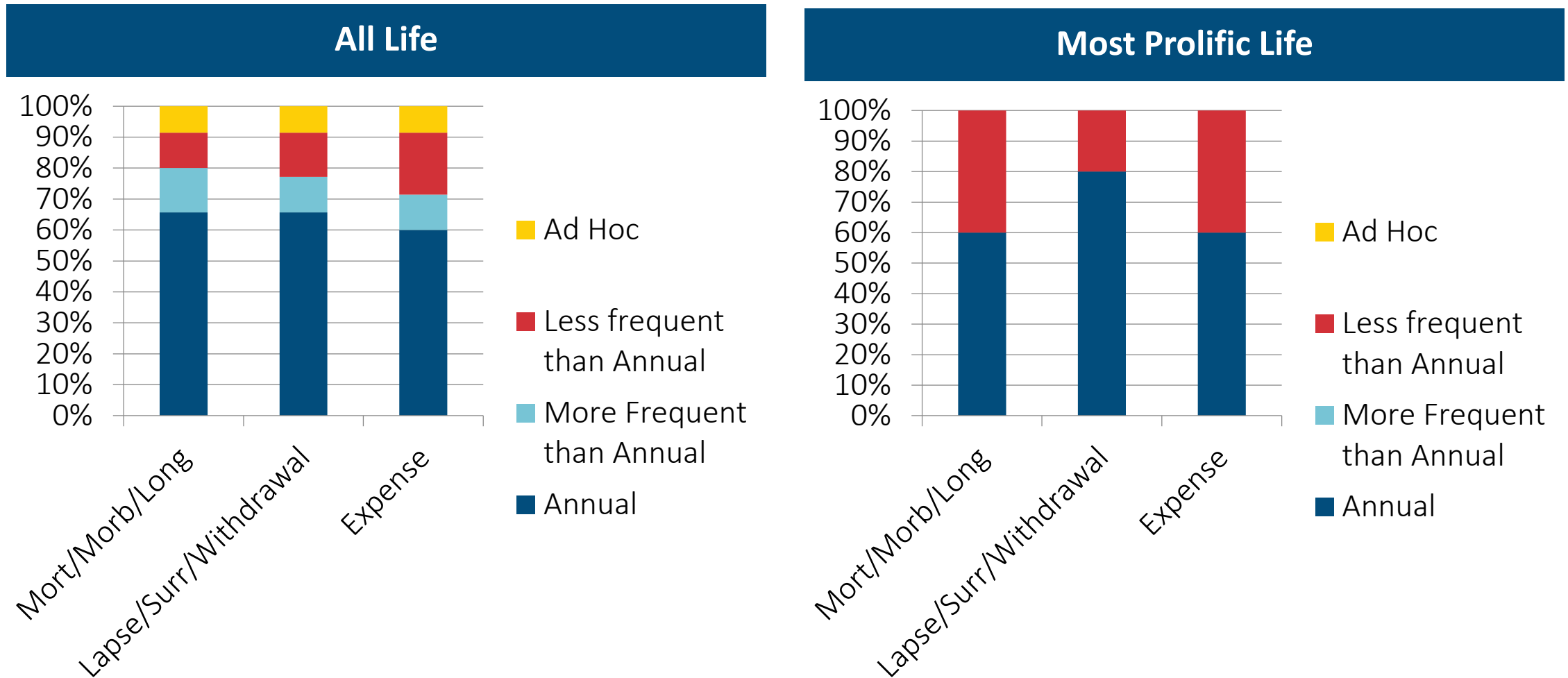
Those that said Yes, how often?



J4: After a product launches, which of the following areas are included in the monitoring process for each product line?



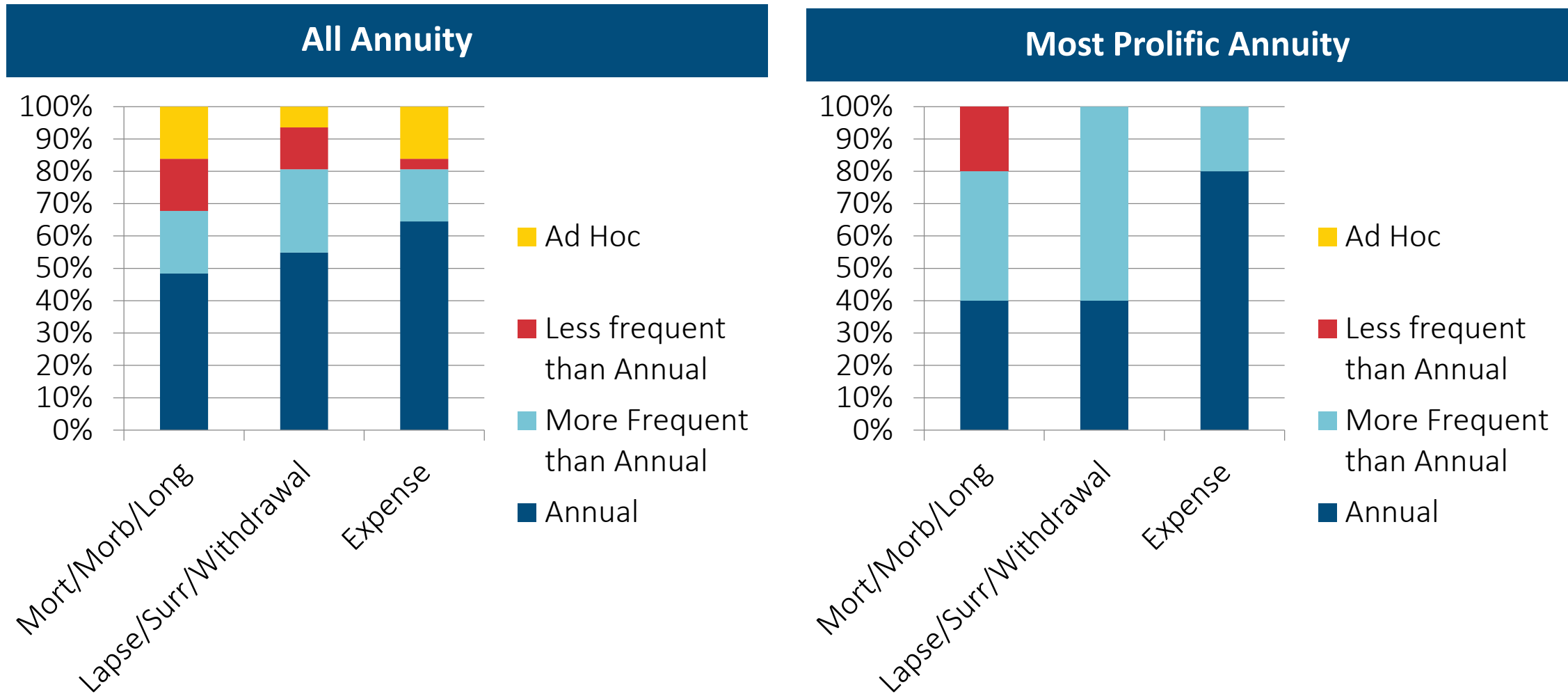
J5-7: How often do you generate/review experience studies for mortality, persistency and expense?



Most Life companies will run studies at least annually.

None of the most prolific companies run studies more often than annually.

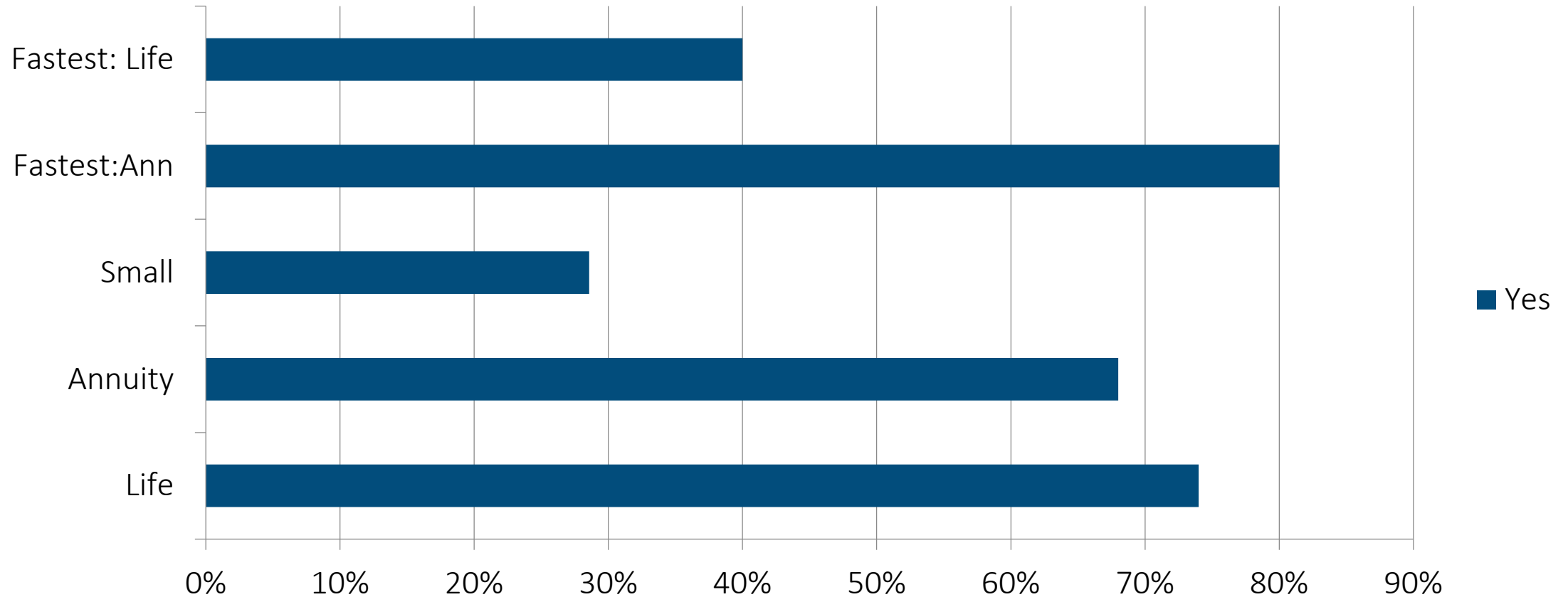
J5-7: How often do you generate/review experience studies for mortality, persistency and expense?



Most prolific companies do not do ad hoc studies.

Mortality studies are less often run on annuities because that is not the main driver of profitability.

J8: Is the primary party responsible for product development incented to meet success measurement?



J9: In terms of final result from a product development process study, what type of information would be useful to you?

- ✓ Time frames and staging of PD process phases
- ✓ Segmentation by type of company
- ✓ Number and types of product launches
- ✓ Speed to market comparison
- ✓ Success metrics
- ✓ Sources of idea generation
- ✓ Staffing models: size and credentials/types
- ✓ Segmentation between U.S. and Canada
- ✓ Duration of product shelf life
- ✓ Dedicated resources
- ✓ Frequency of idea generation and concept feasibility
- ✓ Agent and customer satisfaction
- ✓ Resource allocation
- ✓ Challenges of product development

J9: All responses

- Improved product development. Shelf life. Factors impacting competitive position. Outsourced pieces of process. Weakest/strongest areas. PD life cycles. What are others doing? Bottlenecks.
- Sessions at LAS that focus on most significant weaknesses in PD processes and ways to improve weaknesses.
- Speed to market. Vendors used in Product Development. Team structure supporting Product Development.
- Companies procedures for idea generation and on going management of the process; we are revamping our process and adding resources in these areas.
- A summary of the responses. Break-outs by size of company and type of company would also be of value.
- Resources allocated to product development. Decision process on which product to focus.
- An understanding of the resources that companies allocate to product development. An understanding of the time frames and staging of product development activities.
- Results split by Canada/U.S. and company size.
- Customer satisfaction, agent satisfaction, greater sales data for not taken/incomplete/etc.
- A comparison of speed to market (i.e., the time from idea generation to product development complete) at various companies.
- Staffing levels. Implementation time: start to launch. Number of Product/Rider launches per year (on average). How do other companies measure success?
- Best practices for translating a "product design" into IT documents: specs, requirements, etc.
- Patentability
- Clear definition/delineation of the start and end points for the product development process.
- Staffing model, number of actuaries by credentials, timeframe of various PD process phases (e.g., from final product spec to launch).
- Who others consider best in class. Timeframes for various PD projects. Perceived strengths of companies.
- Speed to market statistics, external resources used to help product development, IT cost averages, best practices, identify benchmarks, emerging trends, day 2 common issues/best practice.
- Comparison of speed to market. Comparison of sources used for idea generation.
- Descriptions of best practices, which may or may not apply to our company.
- How companies are meeting the challenge of getting new products or riders to market on time, on budget and meeting sales expectations.
- Speed to market and shelf life for other small companies.
- Flow/Gantt chart. Participant LYT.
- We would like to know how many FTEs in a PD team for a company of our size. How much time is spent on the monitoring after the launch of a product?
- Obtaining industry data to benchmark ourselves with respect to PD processes, structure, dedicated resources etc.
- More insight on how others generate product ideas and deal with long system testing timeframes.
- Understanding other companies' time lines from beginning to end of the product process. What are some best practices companies follow?
- Benchmarking to our competitors.
- Speed to market after final product design (6 mo, 9 mo etc.). Resources by type of project and milestones. General industry strength/trouble areas.
- Interested in benchmarking our processes against others in the industry.

Participating Companies

- Accordia
- ALFA
- Allstate
- American Equity
- American Family
- Ameritas
- Assurity
- AXA
- BMO
- Co-operators
- CUNA
- Desjardins
- Farm Bureau
- First Investors
- Genworth
- Gerber
- Great American
- Guardian
- John Hancock
- Kansas City Life
- Lincoln
- Mass Mutual
- MetLife
- Midland/NACOLAH
- Mutual of Omaha
- Nationwide
- Northwestern Mutual
- OneAmerica
- Pacific Life
- Pekin Life
- Penn Mutual
- Principal
- Protective
- Securian
- SSQ
- Thrivent
- TIAA
- Transamerica
- Western & Southern



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