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A modern fable

The Actuary and the Marketers

by Don Jackson

"I got a problem," the marketer said as he entered the actuary's office.

"Okay, but the competition does the same thing."

"Sorry to hear it. How can I help?" the actuary responded.

"Cash values, don't forget about the cash values."

"You know this graded benefit life product we've spent the last nine months developing"

"The competition has that feature, too."

"Deed I do."

"I just got off of MarketIQ and Comperemedia doing a competitive comparison of the rates, and we're about twenty percent higher at every age."

"You know," said the actuary, "people who want this kind of coverage really don't shop around for it. We're giving them a quality product. We're a big company that's been in business for eighty years. And we have a nationally recognized brand."

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"Well, the product is guaranteed issue."

"I know, but so is the competition."

"Okay, but you know rates are calculated age-last-birthday, and we built in rate stability—they never increase."

"Yeah, but so is the competition."

"Well, we also guaranteed that the face amount will never decrease."



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“So what you are saying is they will pay more for our product even though it is exactly the same as the others in the marketplace?”

“Sure.”

“I got a problem with that reasoning.”

“Why?”

“Because I’m selling this graded benefit life product direct to the consumer using television and direct mail. And my market is not dumb. They know what is out there, and we haven’t created a value that will outweigh the lower rates charged by our competitors.”

“Well, we gave our agents a similar product and they did okay with it. Now, we can’t give you guys lower rates. You know the guarantee issue business means we have to account for anti-selection.”

“Isn’t the grading period supposed to cover that?”

“Yes, but we’re a quality company so we can get away with charging more.”

“It makes me uncomfortable,” said the marketer, “to go into the marketplace with higher rates. So, I think we’re going to have to test it before committing a lot of marketing dollars.”

“Test it? I don’t know. The guys in finance have you budgeted for 5 million in new annualized premium from this product.”

“It wouldn’t be right not to test it.”

“Oh. If the premiums were lower would you have to test it?”

“Yes, but we’d have a better chance of it working.”



“Okay. Let’s lower the premiums twenty percent and see what happens.”

Face it...it’s a fable.

If actuaries did what marketers wanted—especially in the price department—marketers would be dancing on table tops.

As far as new product development is concerned, the marketer and the actuary are partners. Neither can work in a vacuum. It is the marketer’s job to give the actuary as much information about the product as the marketer wants—complete with competitive data.

It’s the actuary’s job to ask the marketer the right questions. And the first question to ask is “how much can the market afford to pay for the product?” That question leads to competitive research.

And competitive research leads to competitive products.

And that obviates the need for fables. 📄



Don Jackson, is chairman of the JOG Group, Ltd. in Middletown, DE. He can be reached at don.jackson@jog.ltd.com.