

Product development update

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Agenda

Background

Industry themes

What's working

What's not working

Current industry initiatives

Moving toward the future

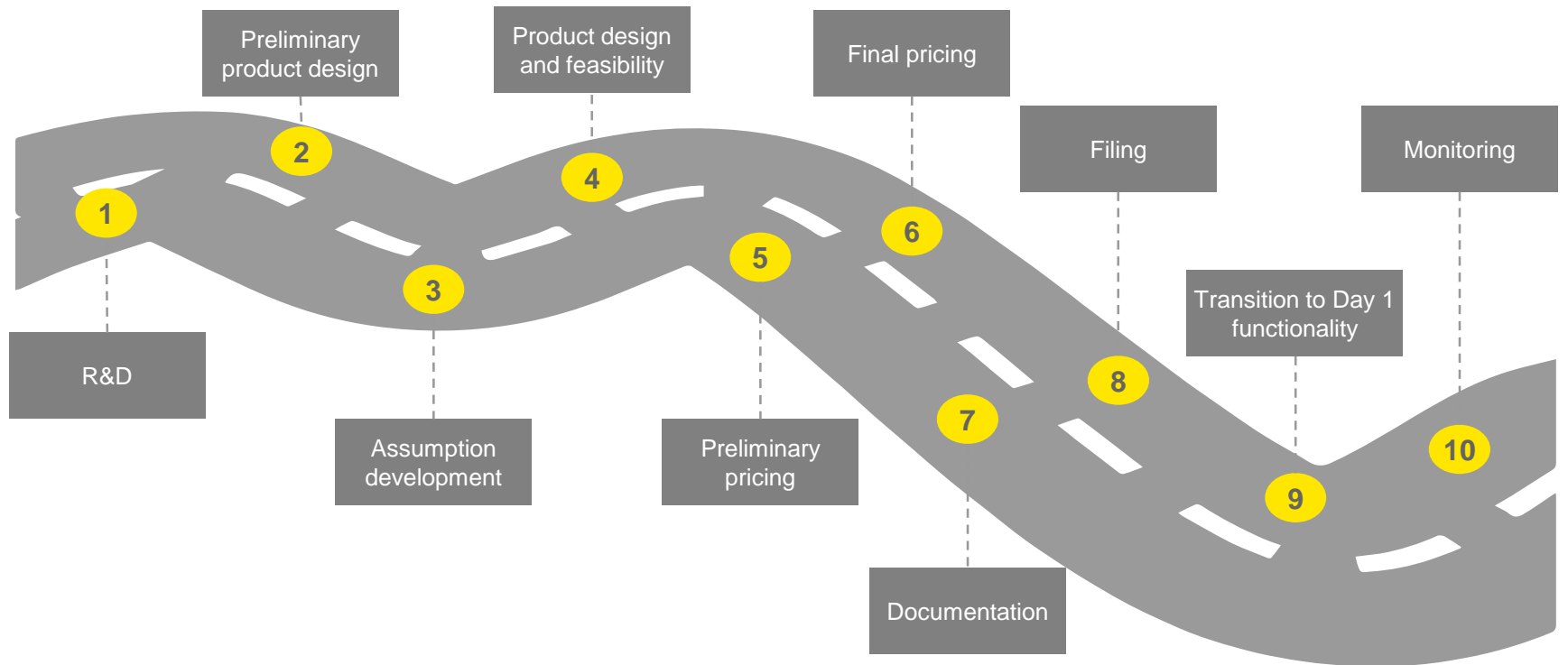
Background

Why talk about product development?

- ▶ New regulations and technologies are disrupting the insurance industry
- ▶ Customer demographics are changing
- ▶ Customer expectations have risen to new levels
- ▶ The life insurance industry is behind most others in keeping up with these changes

Generic product life cycle process

Governance



Industry themes



Governance

- ▶ Investments in governance have resulted in major improvements in recent years
- ▶ Some companies are facing issues such as:
 - ▶ Cumbersome governance process
 - ▶ Multiple committees with the same members

Continuous improvement

- ▶ Companies have been continuously improving in the steps of the product development process, but the process itself has not changed

Speed to market

- ▶ Despite the focus on improving the process, the speed to market for most life insurance companies hasn't improved in the past 10 years

Digitalization

- ▶ The industry is on a digitalization journey. Life insurers are working toward digitalizing all aspects of the customer experience

What's working

Organizational structure

- ▶ Most companies are maintaining a team structure divided by product line rather than using the pooled-resources approach
- ▶ They are consistent in their use of innovation teams, which typically are housed outside of the product teams

Improvements in state filing

- ▶ State filing historically has been a major pain point in the process, but companies have made efforts to reduce the drain on implementation resources

Day 1 items

- ▶ While the process hasn't gotten much faster, we've seen companies accomplishing more before launch, rather than pushing through products that aren't ready

People

- ▶ The way people do work has not changed
- ▶ Companies feel like they have the right skill sets involved in the process, but they may need to realign resources to better utilize those skills

What's not working

Technology

- ▶ Legacy systems are not agile enough to react to a fast-changing environment
- ▶ Most companies identify this as a weakness in the process
- ▶ Technology resource demands outstrip supply and create a bottleneck in the process

Day 2 items

- ▶ While companies have acknowledged they are leaving less day two items on the table at launch, it is taking them longer, on average, to complete those day two activities



**Product
development
process**

Speed to market

- ▶ Speed to market has not improved in the last decade
- ▶ The speed depends on the tolerance for day two items

Model handoff process

- ▶ This is identified as a weak point for some companies due to inconsistencies and inefficient processes
- ▶ Different modeling platforms cause issues

Innovation

- ▶ Customers generally are dissatisfied with the innovation in insurance compared with other industries

Current industry initiatives

Regulatory changes

- ▶ Regulatory changes can always have an impact on product development
- ▶ Insurers currently are facing the challenges presented by PBR, IFRS 17 and other changes

Governance

- ▶ Governance continues to be a focus as insurers work to fine-tune the appropriate level of governance and controls to fit their specific needs

Digitalization

- ▶ Life insurers are investing in digitalizing the start-to-finish customer experience
- ▶ There are future opportunities to work with tech start-ups to design specialized products and unique customer experience tailored to a specific target market

Omnichannel

- ▶ Many companies offer similar types of products, but compensation structure varies by channel
- ▶ The trend is toward specializing more and catering product design and customer experience to the end consumer

Moving toward the future

What does omnichannel mean?

Omnichannel is a cross-channel business model that companies use to improve their customer experience whereby companies are able to reach their customers through apps, online, by phone, in person, etc.

An omnichannel approach requires a deeper understanding of your customers and their needs

- ▶ Will require significant improvements in technology
- ▶ Need to gather more customer input or work with someone who will
- ▶ Need to stop treating the distribution channel as the client and focus on the end consumer



Moving toward the future

Direct to consumer

- ▶ Direct to consumer is becoming the new norm in other industries
- ▶ Customers expect the same types of experiences with insurers as they do any other company
- ▶ Some insurance companies are beginning to offer “on-demand” or “build-your-own” coverage

Predictive analytics

- ▶ Only about 25%* of companies have reported using predictive analytics in the product development process
- ▶ Generally, it is being used in underwriting, targeted marketing and assumption setting
- ▶ Currently, predictive analytics is more common in property and casualty but is gaining momentum on the life side

**Understanding the Product Development Process of Life Insurance and Annuity Companies, LIMRA 2017*

Moving toward the future

Key takeaways to move toward the future successfully include:

- ▶ Change the way people work to break old habits
- ▶ Gather more real customer input or work with someone who will
- ▶ Focus on connecting to technology that will enable opportunity

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