

Product Management Case Study

What makes Effective Product Management Process?



Safety National
Casualty Corporation

Product Management Case Study

The Product:

The steps involved in developing a product to eventually manage



Safety National
Casualty Corporation

Product Management Case Study

What is involved in the development of a product?

- Identify a Niche
- Consumer Research
- Marketing Research
- Internal Buy-in
- Pricing Research
- System Development



Safety National
Casualty Corporation

Product Management Case Study

Identify a Niche:

- Is there an unmet need?
- Is it insurable?



Safety National
Casualty Corporation

Product Management Case Study

Consumer Research:

- Who is the likely buyer of this product?
- Is there enough mass within this group?
- What type of characteristics define the product?
 - Geography
 - Economic
 - Social



Safety National
Casualty Corporation

Product Management Case Study

Marketing Research:

Building on the Niche Identification & Consumer Research you need to define

- Distribution Mechanism(s)
- Marketing Objectives
- Media Selection



Safety National
Casualty Corporation

Product Management Case Study

Buy-In:

- Senior Management
- All functional areas
 - Underwriting
 - Processing
 - Actuarial
 - Claims
 - Sales



Safety National
Casualty Corporation

Product Management Case Study

Pricing Research:

- Product Price = Frequency times Severity times Production Costs
- What sources are available
 - Governmental Agencies
 - Statistical Bureaus
 - Associations
 - Competitors



Safety National
Casualty Corporation

Product Management Case Study

System Development:

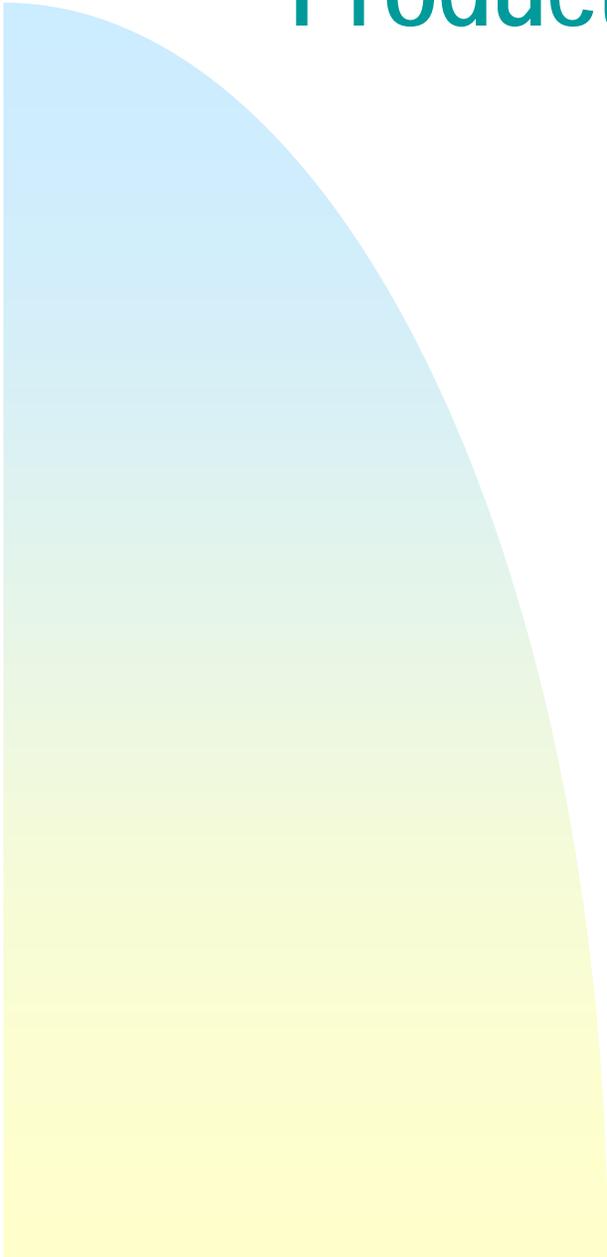
- Rating & Policy Issuance
- Information for Monitoring



Safety National
Casualty Corporation

Product Management Case Study

Part 2



Product Management Case Study

Develop overall strategy and performance targets

Set execution targets and manage execution

Analyze results and implement changes

Product Management Case Study

Develop overall strategy:

- Learn about your market directly
(e.g., visits to market, discussions with agents)



and through research (e.g., rate filings, PCI data, DOI reports, DMV)



Product Management Case Study

Develop overall strategy:

- Near term, medium term, long term goals e.g., products to offer, target market share or position in market, target combined ratio, desired growth profile, agent distribution



Product Management Case Study

Develop overall strategy:

- Key success factors to achieve goals e.g., in depth understanding of regulations, broad distribution, superior product segmentation, tight underwriting
- Risk mitigation strategy e.g., CAT exposure, reinsurance.
- Special initiatives e.g., cost cutting measures

Product Management Case Study

Set business performance targets:

- State/product Volume
(e.g., \$Written Premium)
and Profitability
(e.g., target Combined Ratio)



- Detail the volume drivers e.g., new business counts, cancellation rates, retention rates, average premiums, counts of policies in force
- Detail the profitability drivers e.g., Loss ratio, LAE ratio, Expense ratio

Product Management Case Study

Develop overall strategy and performance targets

Set execution targets and manage execution

Analyze results and implement changes

Product Management Case Study

Set execution targets:

➤ Distribution performance e.g., number of agents appointed, number of agents quoting, agent productivity, productivity of commission spend



➤ Marketing/sales force performance e.g., number and type of agent visits, what promotions to run, expected volume lift per visit or per promotion



Product Management Case Study

Set execution targets:

- Customer service performance e.g., call volume per representative, average call time, average wait time, % compliance with procedures, impact on customer retention
- Claims performance e.g., target customer response times, target days to close PD and Collision claims



Product Management Case Study

Set execution targets:

- Pricing enhancement e.g., rate update schedule, new product introduction, anticipated rate need
- IT spend performance e.g., cost per rate revision, payback from projects



Product Management Case Study

Manage execution:

- Focusing each functional area on the activities to execute
- Ensuring activities are consistent with strategy e.g., tightening underwriting might conflict with overall strategy to improve retention
- Ensuring activities are properly completed. Often difficult to achieve



**This is often the
most challenging
area**

Product Management Case Study

Monitor performance:

- Volume vs. plan (e.g., new business production, policy life)
- Profitability vs. target (e.g., indications, loss development, fee revenue, expenses)
- Mix of business
- Customer satisfaction vs. target
- Competitive gaps (e.g., new features, rate changes) and opportunities (e.g., underserved markets, ease of use enhancements)

Product Management Case Study

Develop overall strategy and performance targets

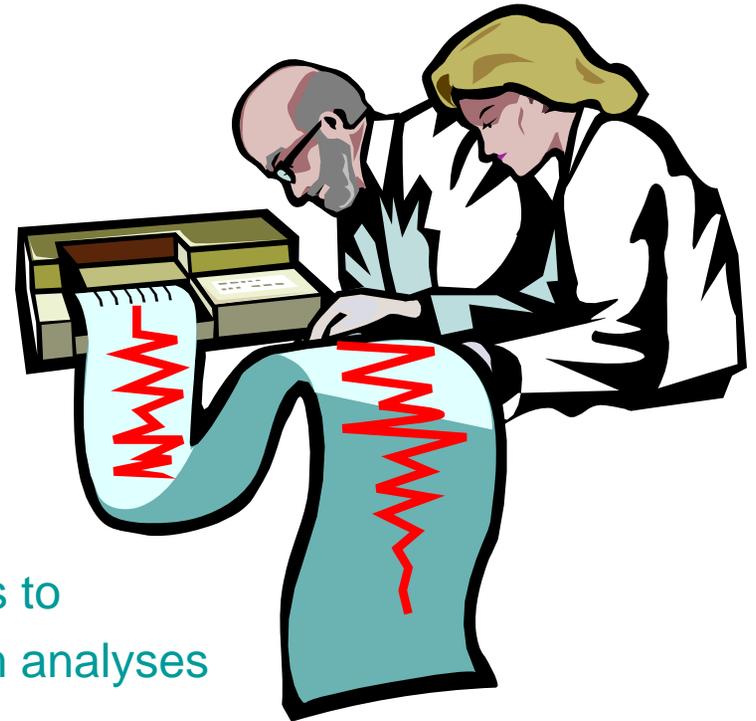
Set execution targets and manage execution

Analyze results and implement changes

Product Management Case Study

Analyze results:

- Need to have reliable data readily available e.g., ability to review loss ratio by business segments.
- Build support staff with technical skills to extract data from systems and perform analyses
- Draw on expertise across the business to improve the quality of analysis e.g., include finance department on review of “bad debt”



Product Management Case Study

Use fact based analysis to drive recommended changes:

- Use facts from analysis to drive decisions. Take into account “intangibles” but generally place less weight on these.
- Need to know what can be implemented. Need a good understanding of regulatory constraints, market situation, IT capabilities
- Drive the decision making process - “sell your recommendations to the business leaders ”



Product Management Case Study

Implement changes:

- Implement rate changes including selecting rates, obtaining regulatory approval
- Implement policy/form changes including coordinating changes across Claims/Legal/Product/Marketing, and obtaining regulatory approval
- Lead or support marketing activities including promotion design, agent visit strategy

Product Management Case Study

Periodic update of strategy and key tactics:

- Is the strategy working?
- Move to the next stage in the strategy?
- What's the next big idea?



Other “Maintenance” items:

- Regulatory e.g., Market Conduct Exams
- Resource management e.g., Recruiting, Training