Penn River Blog: The Product Developers Dilemma

Part 3: The "End Product"

With ProductHub, as much as 35% of the product development process can be improved through better communication, transparency, and testing automation

The Product Developers Dilemma: The End Product

This blog post, **Part 3: The "End Product",** we discuss what happens when (finally!) agreement has been reached on the product design.

A lot has happened to get to this place, but an interesting question must be asked. *Where exactly are your product rules defined?*

Some Facts

According to recent survey from McKinsey & Company on product development process:

- Just over **40%** of companies viewed *calculation engine consistency* as weak or poor
- Just under **70%** of companies viewed *technologically sound* capabilities as weak or poor
- **12%** of companies believe they have a process that delivers strong product innovation

Most CIO's and Product Developers are concerned about the proliferation of product rules in various systems, which is why we ask*, where exactly are those product rules captured?*

How We Got Here

We finally got here!

As we learned in our segment, *Herding Cats*, product developers kicked of the process and created various committees crossing many functional areas of the organization. Teams comprised of representatives from areas such as pricing, filing, legal, distribution, compliance, service, and IT were formed and finally agreed on what finally became the *end product*.

So how exactly is the product documented? Well, it is quite typical that product actuaries and sometimes the finance organization, has developed custom built spreadsheets that capture **the calculations** used during the discovery phase [HINT: these spreadsheets are used later to test the output from the administration system]. A **spec package** is built, usually in Microsoft Word, that details the product, features, and benefits [Another HINT: there are often multiple *versions* of this document].

So, the team is now ready to execute. This is the exciting moment because all parts of the organization ramp up to prepare for launch.

Where Rules Typically Reside

One of the biggest concerns is where the product rules reside. Unfortunately, most L&A companies do not have a real *Gold Copy* of the product rules [HINT: this is problematic for audits and regulator inquiries].

If the rules are not put in one place, then where exactly do they reside? Many places. The product rules are coded by the technology organization in the policy administration system, the illustrations system, the eApp

systems, digital platforms, and sometimes in the policy printing systems. If these product rules are distributed into so many places, what are the odds that they are all coded correctly in each of these various places? Very slim, and hence the problem that will likely manifest itself down the line.

Back to what we said earlier, how do you test to make sure the calculations are correct?
Answer: the actuarial spreadsheets.

Why This Matters

The biggest reason this matters is that problems do not manifest themselves right away. There may be a hint of a problem if a client calls the call center after receiving a statement, or maybe an illustration does not quite look right, or a problem may surface when a *day 2* project is being worked on a year down the line. Even worse, a regulator may come calling and you realize the product rules are not harmonized.

We believe that finding a way to create a system of record, or a *gold copy* of the product rules is an important part of any modernization effort.

Combating the Silos

Our next blog post, **Part 4: Combating the Silos,** will address what happens once the product design proceeds to the next phase – implementation. In this Blog we discuss the testing challenges – catching defects, policy administration (PAS) systems, illustrations, eApp, digitizing the product, applications, communications, marketing material, distribution readiness, service - updating the knowledge database, Day 2's, PPfA's, and a number of different activities.

Product Rules – Creating a *Gold Copy*

Life and Annuity companies are in an intensely competitive market. The supporting technology at most life companies are often legacy, with multiple policy administration platforms, and with natural built in process efficiencies.

We believe that embracing **process efficiency** is paramount, and where **digitizing the product development process** with leading edge tools will substantially improve efficiency and make the all-important user experience better, while achieving as much as 30% time to market and 25% cost savings opportunity.

40%
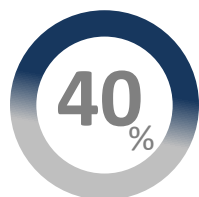
life & annuity company improvements in the product development process

Believe that calculation engine <u>consistency</u> as weak or poor

Source: McKinsey & Company

Unifying the product rules and creating a *gold copy* will go a long way in modernization of Life and Annuity company technologies.