INSURANCE

NEW PRODUCT DEVELOPMENT GUIDE

An End-to-End Approach

Created By

Innovation Insurance Group
Preface

Every major change in the world began with a single creative thought.

The New Product Development Reference Guide (“Guide”) was developed as a tool to be used by any company wishing to create a corporate structure for the development of new (from the slightly enhanced to the new to the market) products. It is written as if the reader is a profit center leader or a company executive who is interested in furthering the successful development and launch of new products in his/her company or division.

This Guide is not meant to be a set of fixed rules but rather provide a roadmap for customization by a particular company based on its own culture, history and policies. Innovation Insurance Group can provide assistance in this endeavor, if desired.

More documents helpful to the innovation process can be found at http://www.innovationinsurancegroup.com/innovation.html

Ty R. Sagalow
President
Innovation Insurance Group
About the Author

Mr. Sagalow is currently President of Innovation Insurance Group, a consulting firm specializing in the creation of new and enhanced products for the insurance industry. Mr. Sagalow has been in senior positions in the insurance industry for over 30 years. He is the most widely known individual in insurance commercial product development industry today. Among his various positions are President of Product Development Worldwide (General Insurance) for American International Group where he spent 25 years of his career, Chief Innovation Officer for Zurich North America and Tower Group of Companies. Outside of new product development, Mr. Sagalow has held the positions of Chief Underwriting Officer and General Counsel for AIG Executive Liability (formerly known as National Union) and Chief Operating Officer of AIG eBusiness Risk Solutions.

Mr. Sagalow has been credited with adding literally billions of dollars to the industry’s top line in new and enhanced products. Among the products that Mr. Sagalow is credited with introducing into the insurance marketplace are Network Security and Privacy Insurance (also known as Cyber Insurance), Reputation Insurance and the modern form of Directors and Officers Insurance. Mr. Sagalow is a frequent speaker and author of specialized insurance products and new product development.

More information of Mr. Sagalow and his company can be found at the company web site:

www.innovationinsurancegroup.com
## Table of Contents

**CHAPTER 1:** SUMMARY OF CHAPTERS

**CHAPTER 2:** PRINCIPLES OF INNOVATION

- 2.1 Why Innovate? The only Credible Response to Commoditization, Margin Pressure, and Growth
- 2.2 When? Before Necessitated by Crisis or Decline
- 2.3 Who? The Leader Led Visibly and Explicitly
- 2.4 How? Start with Innovation Strategic Agenda, “Smart Failure”
- 2.5 How? The Aligned Resources, Processes, and Values
- 2.6 The Result: Measurements
- 2.7 Conclusion

**CHAPTER 3:** WORKING WITH A CENTRALIZED PRODUCT DEVELOPMENT DIVISION

- 3.1 Overview
- 3.2 Mission Statement
- 3.3 Services and Expertise
- 3.4 Tracking and Managing Innovation
- 3.5 New Product Website (intranet and internet)

**CHAPTER 4:** ROADMAP TO CREATIVITY

- 4.1 Creating a Culture of Creativity
- 4.2 New Product Directors
- 4.3 Product Innovation Council
4.4 New Product Champion
4.5 Product Development Process
4.6 New Product Award Program
4.7 Specific New Product Goals

CHAPTER 5: GENERATING IDEAS
5.1 Types of New Products
5.2 Trend Identification
5.3 Identifying New Product Ideas
5.4 Forums

CHAPTER 6: EVALUATING IDEAS
6.1 Quick Idea Assessment
6.2 Further Review
6.3 Demand Assessment / Idea Validation
6.4 Underwriting Assessment
6.5 Distribution Assessment
6.6 Five-Year Top-Line Production
6.7 Preliminary Analysis Conclusion Memorandum
6.8 Approval

CHAPTER 7: DESIGNING THE PRODUCT IDEA
7.1 Forming a Development Team
7.2 Developing a Project Plan
7.3 New Product Development Budget Plan
7.4 Drafting a Policy Form Summary
7.5 Five-Year Proforma Financials
7.6 Operations and Systems Planning
7.7 Regulatory Assessment Approval and State Filings (Where Applicable)
7.8 Reinsurance Assessment
7.9 Third-Party Submissions
7.10 New Product Proposal
7.11 Approval

CHAPTER 8: DEVELOPING THE FINAL PRODUCT
8.1 Policy Form
8.2 Rating Tool
8.3 Application
8.4 Underwriting Guidelines
8.5 Updating Five-Year Proforma Financials
8.6 Quote and Binder Letters
8.7 Marketing and Training
8.8 Operations and Systems

CHAPTER 9: IDEA AND PRODUCT VALIDATION
9.1 Broker / Insured New Product Survey
9.2 Broker / Insured Focus Groups
CHAPTER 10: OPERATIONS /SYSTEMS PLANNING

10.1 Underwriting Platform
10.2 Operations Overview
10.3 Systems Training

CHAPTER 11: MARKETING YOUR PRODUCT

11.1 Branding Your Product
11.2 Intellectual Property Protection
11.3 Marketing Campaign
11.4 Distribution Plan
11.5 Training

CHAPTER 12: COMPLIANCE AND APPROVAL

12.1 Introduction to Compliance
12.2 New Product Development Process Checklist
12.3 Approval Checklist
   12.3.1 Divisional President/Profit Center Head
   12.3.2 Profit Center Counsel
   12.3.3 Actuary
   12.3.4 Underwriting Officer or Equivalent
   12.3.5 Financial Officer
   12.3.6 Compliance Officer
12.3.7 Claims Executive
12.3.8 Corporate Communications/Marketing Executive
12.3.9 Operations and Systems Executive
12.3.10 Complex Transaction Review Committee
12.3.11 Reinsurance (Catastrophic Loss Assessment)

CHAPTER 13: LAUNCHING YOUR PRODUCT

13.1 Regulatory Filing
13.2 Launch Event
13.3 Underwriting Training
13.4 Internal Sales Training (Region/Country)
13.5 The Road Show
13.6 Risk Manager Seminars

CHAPTER 14: MONITORING YOUR PRODUCT’S SUCCESS

14.1 Tracking Premium/Revenue
14.2 Operations Issues
14.3 Product Performance Review
EXHIBITS

Exhibit A  Product Development Task List
Exhibit B  Quick Idea Assessment
Exhibit C  Five-Year Top-Line Production Evaluation
Exhibit D  Preliminary Analysis Conclusion Memorandum
Exhibit E  Product Development Team Member List
Exhibit F  New Product Project Plan
Exhibit G  Policy Form Summary
Exhibit H  Initial Idea Submission Policy and Agreement
Exhibit I  Non-Disclosure Agreement
Exhibit J  New Product Proposal Memorandum
Exhibit K  Five-Year Proforma Financial Spreadsheet
Exhibit L  Strategic Marketing and Distribution Plan
Exhibit M  Tactical Marketing Plan
Exhibit N  New Product Development Process Checklist
Exhibit O  Approval Checklist