



New Wine in Old Wineskins? Accelerating New Product Introduction

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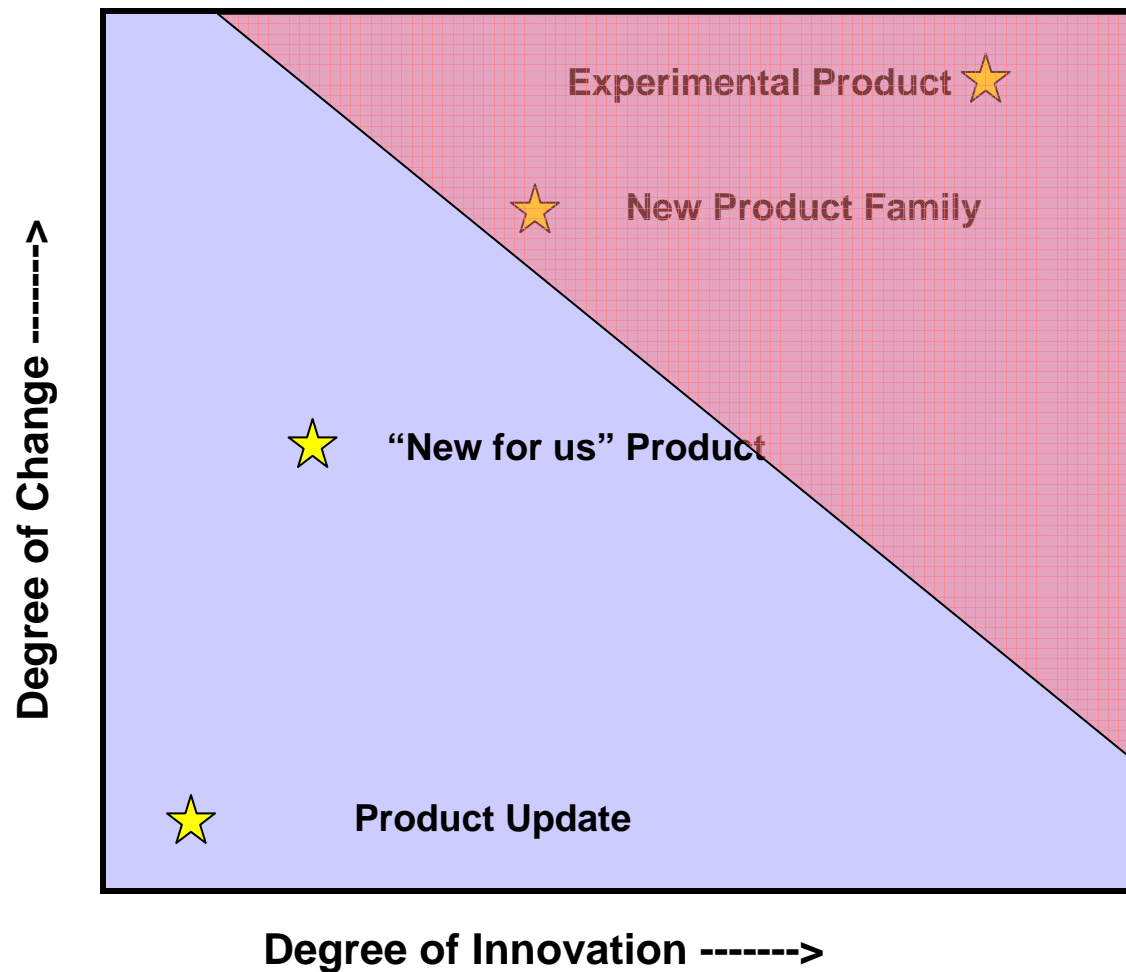
New Wine in Old Wineskins?

- **Background of the metaphor**
- **Agenda**
 - What is “new wine” **product development**?
 - What are appropriate **product implementation strategies** for “new wine” products?

Some Commentary on Products

- **“It’s all about the product”**
 - Carlos Ghosn, CEO Nissan
- **“We all sell the same stuff”**
 - Countless Insurance professionals
- **However, even in insurance, we sometimes go beyond the “same stuff”**

New Products - A Conceptual View



What is a “New Wine” Product?

- **Let’s face it - “New Product Development” covers a lot of ground**
- **For this discussion, products high on change / innovation continuum we will call “new wine” products**

“New Wine” Products - Perceived Problems

- **Executive management thinks they take too long to introduce**
- **New products sometimes do not pay off - leaving behind the cost of wasted effort**

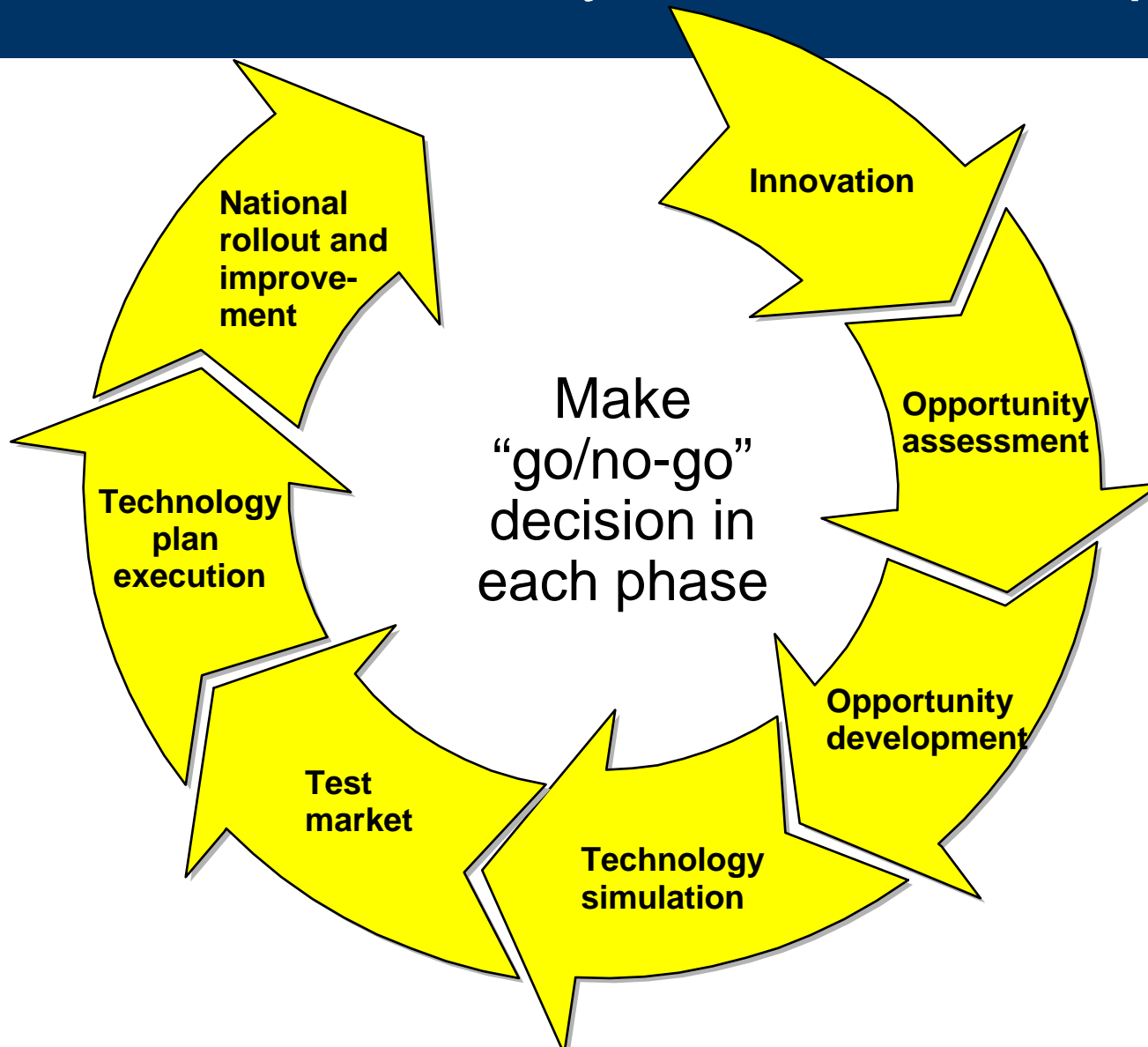
New Wine Products - Innovation often outside the mainstream

- **Example - Critical Illness Insurance (CII)**
 - **Developed by Dr. Marius Barnard in early 1980's**
 - **South African Heart Transplant pioneer (with his brother, Christiaan Barnard)**
 - **Realized that although heart transplants could extend lives, financial implications often greatly reduced quality of remaining life**
 - **Pays benefit when specific critical illness are diagnosed and/or treated**

Case Study - MetLife Critical Illness Insurance (CII)

- **Prompted by decision in 2Q2003 to explore supplementary health market**
- **LOTS of research in 2H2003**
 - **Consumers, Employers, Agents, Brokers, Consultants, Actuaries**

New Product Lifecycle - Planned Approach



Case Study - MetLife CII

- **Decision in early 2004 to develop a lump sum Critical Illness Insurance product**
- **Pays lump sum to insured upon proof of diagnosis of a covered critical illness**
 - Money can be used at discretion of insured
- **Decision made in May 2004 to implement**
- **IT Team was assembled in June 2004**
 - MetLife, Patni, various vendor consultants

MetLife CII - a “New Wine” Product

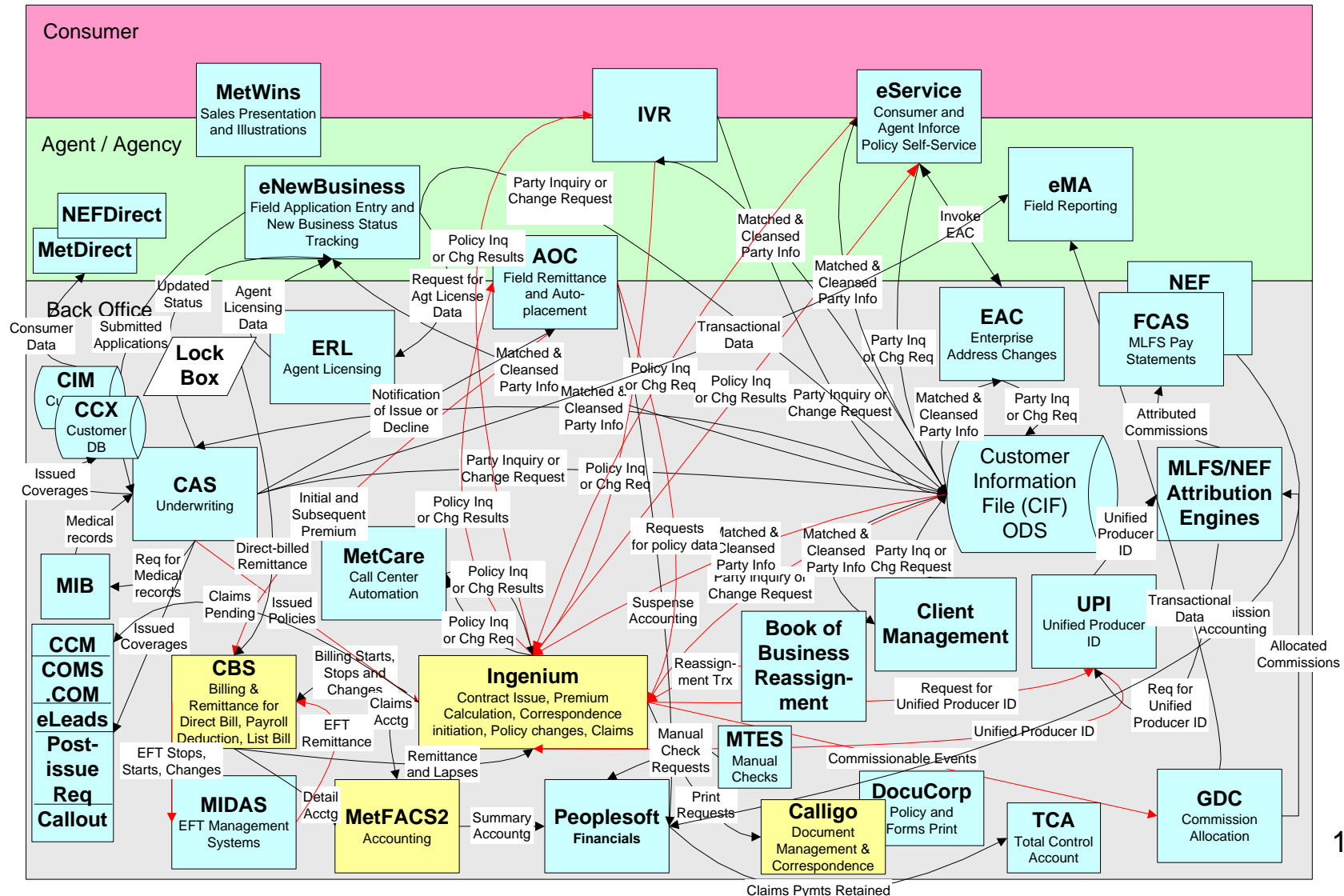
- **Innovation - Moderate**
 - **A few other US companies sell lump-sum CII**
 - **Not much good incidence / claims data**
- **Change - Very High**
 - **Product housed in Institutional, but distributed in both Institutional and Individual channels**
 - **Full, rapid integration with institutional and individual systems**

MetLife CII - a “New Wine” Product

- **Risk Factors**

- **Market research said that people would buy if they understood it**
 - **But product not well understood by consumers, employers, distributors**
- **MetLife is a large, complex organization**
 - **Supported by a complex array of processes and systems**

MetLife CII - Complex Cross-Silo Integration



“New Wine” Products, Summarized

- **High in innovation and/or change**
- **Risky, considered problematic by executive management**
- **MetLife’s CII is a good example**

- **Now let’s move on to implementation strategies...**

“New Wine” Product Implementation - Conceptual Models

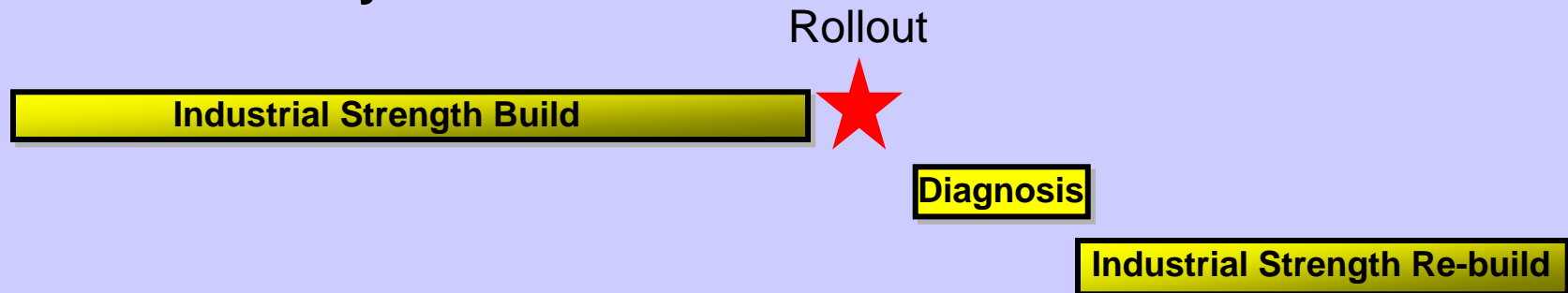
- **“Fast Fail”**
 - Do not fully build out until in-market testing has proved the concept
 - Get to market quickly, then build out infrastructure when we know what will succeed
- **“Build it and they will come”**
 - Assume it is going to succeed
 - Fully build out infrastructure before introducing

New Wine Product Implementation - Conceptual Models

Fast Fail



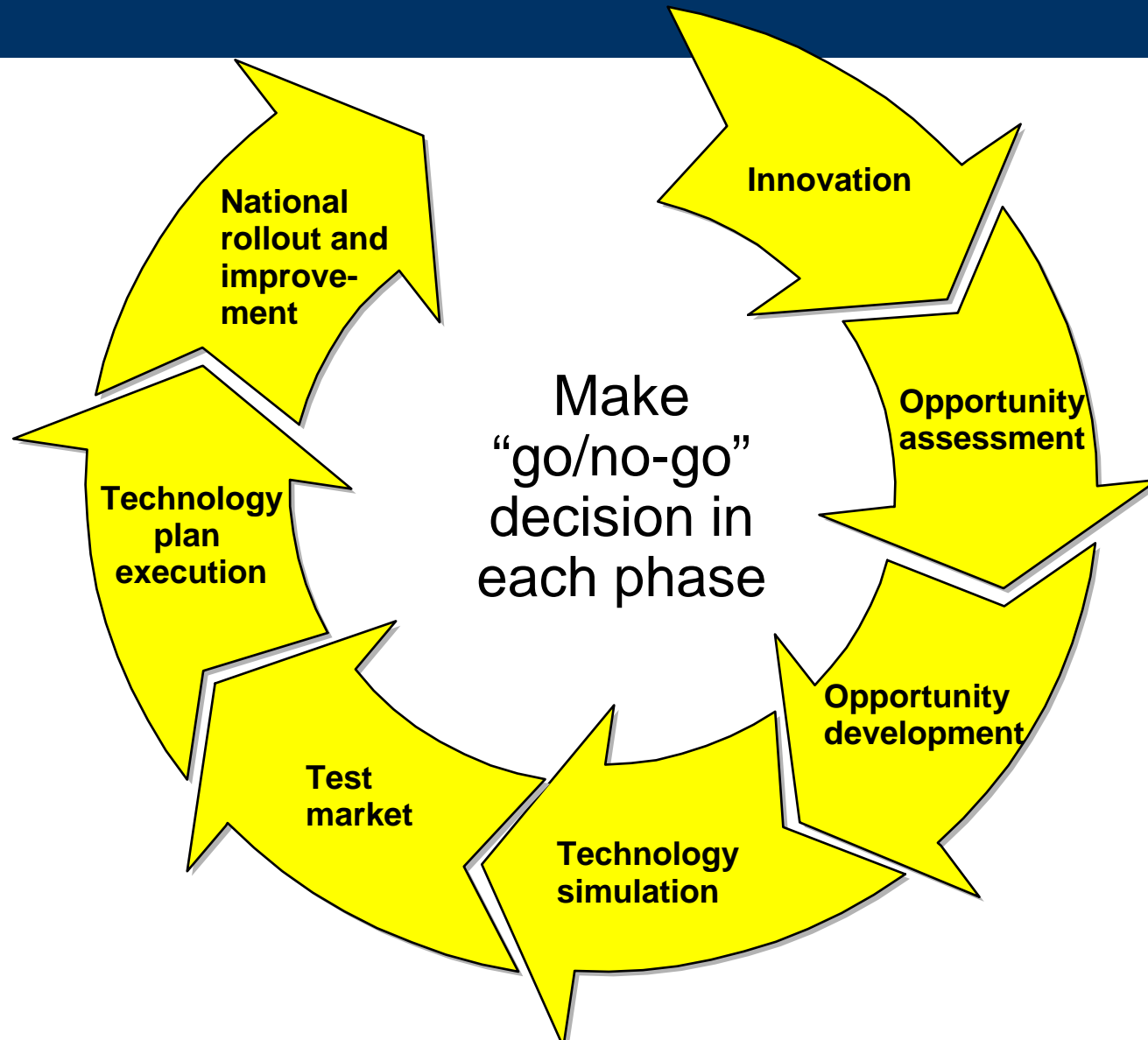
Build it and they will come



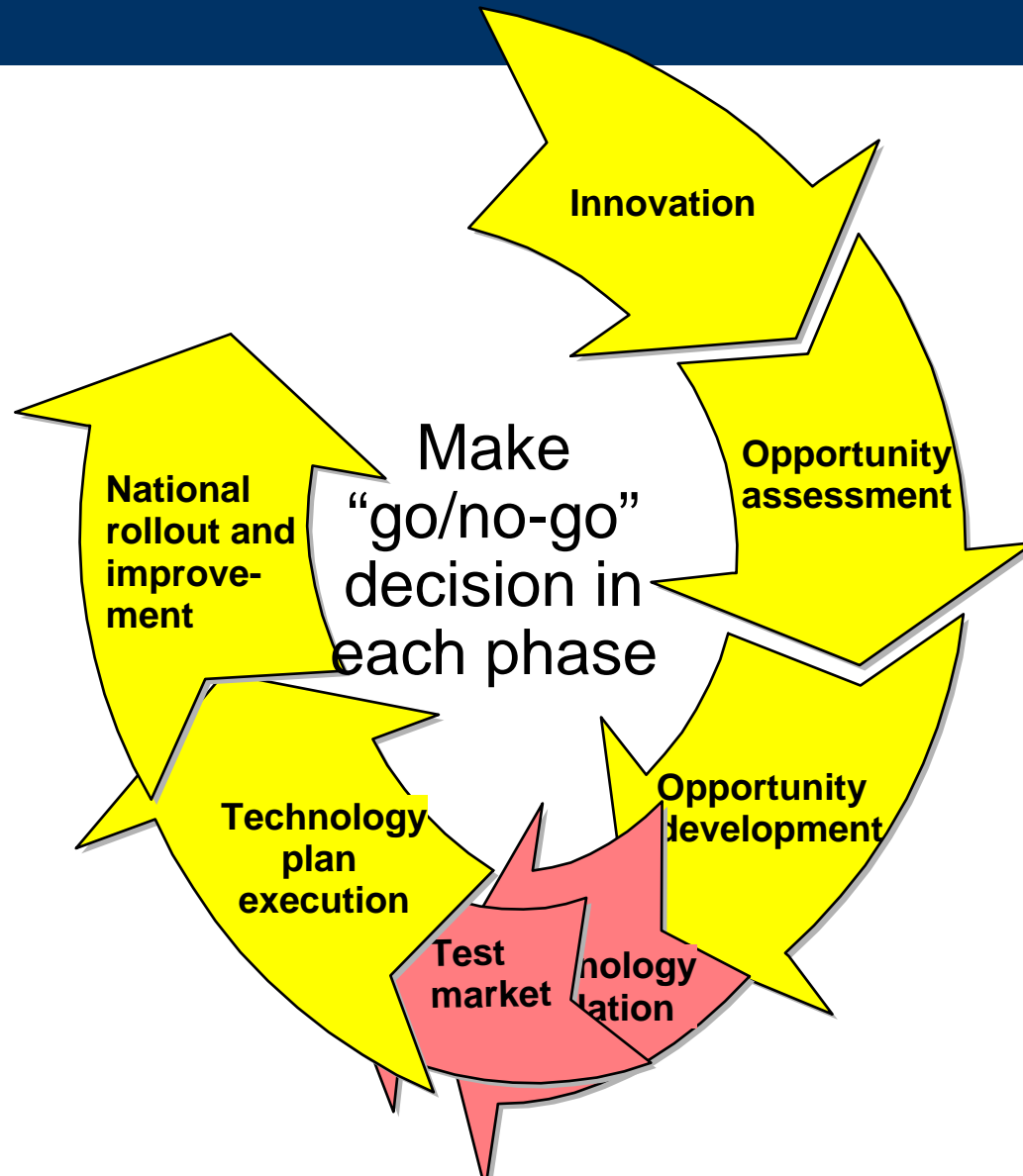
Case Study - MetLife CEO's Challenge for CII

- **Limit the period of pilot activity**
- **Keep the pilot limited to a few agencies**
- **Begin full rollout in 1Q2005**
- **“Show what MetLife is capable of”**

MetLife CII Introduction - Planned Approach



MetLife CII Introduction - Actual Approach



Conceptual Models of MetLife CII

Individual

Build

Test

Rollout

Industrial Strength Build



Institutional

Industrial Strength Build

Rollout

Test



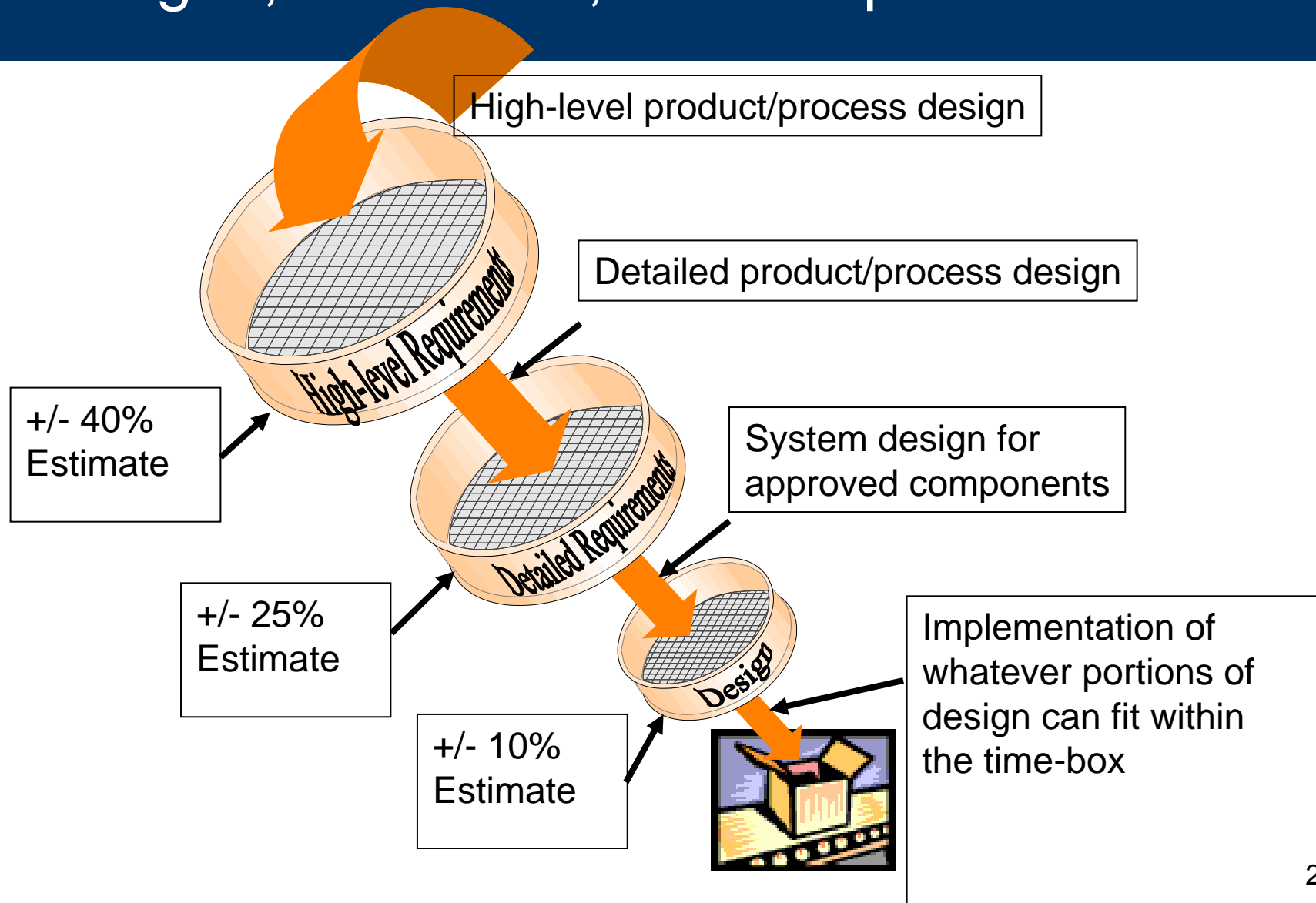
MetLife CII Product Introduction Results

- **Product development completed 7/2004**
- **Began product implementation in 6/2004 - with some assumptions**
- **Began pilot with limited automation for Individual business in 9/2004**
- **Began institutional test in 10/2004 - full rollout followed shortly**
- **Began IB “industrial strength” rollout in 3/2005**

MetLife CII Product Introduction - Lessons Learned

- **Time-boxing is essential**

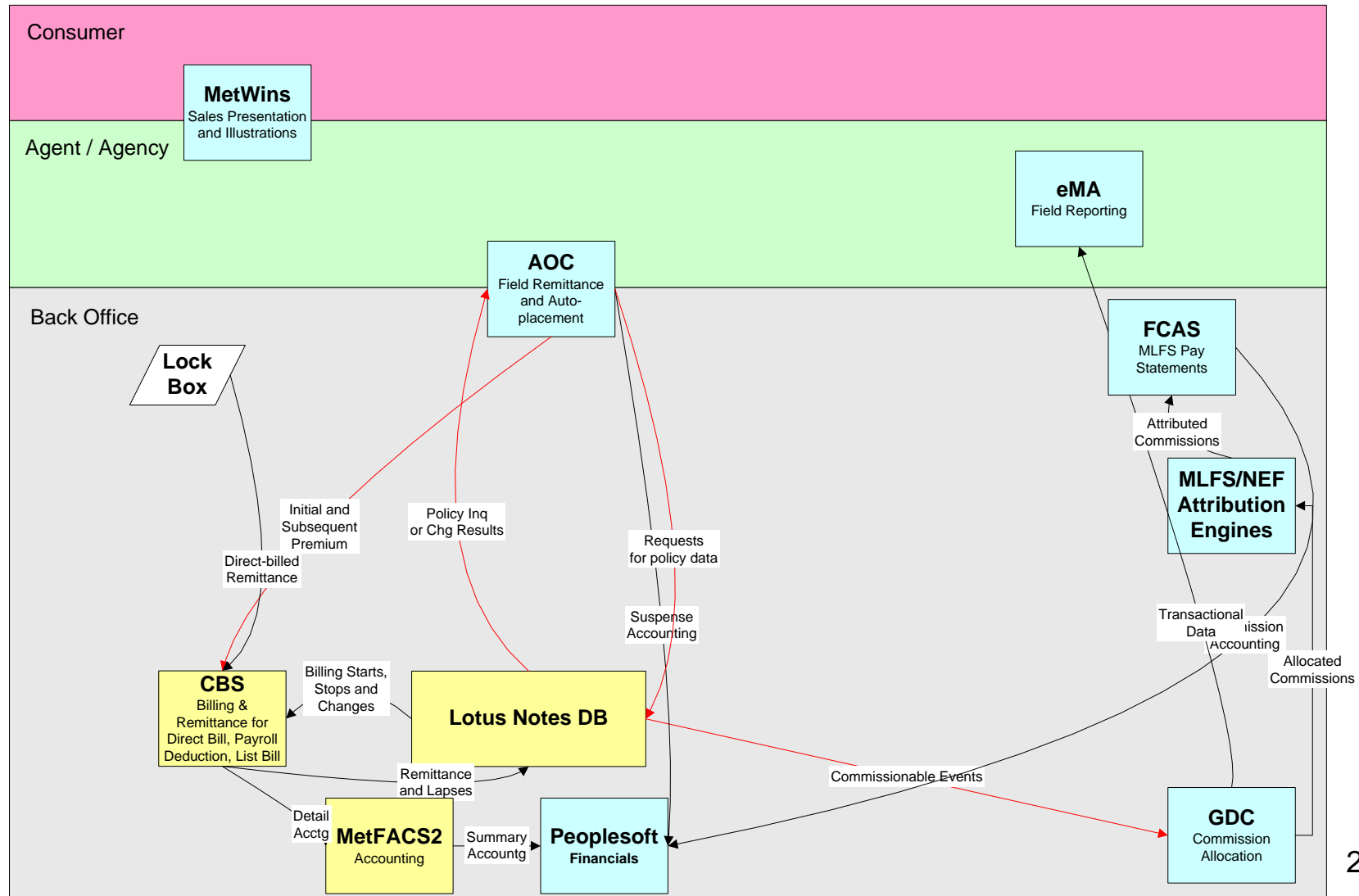
Stages, Estimates, and Scope Refinement



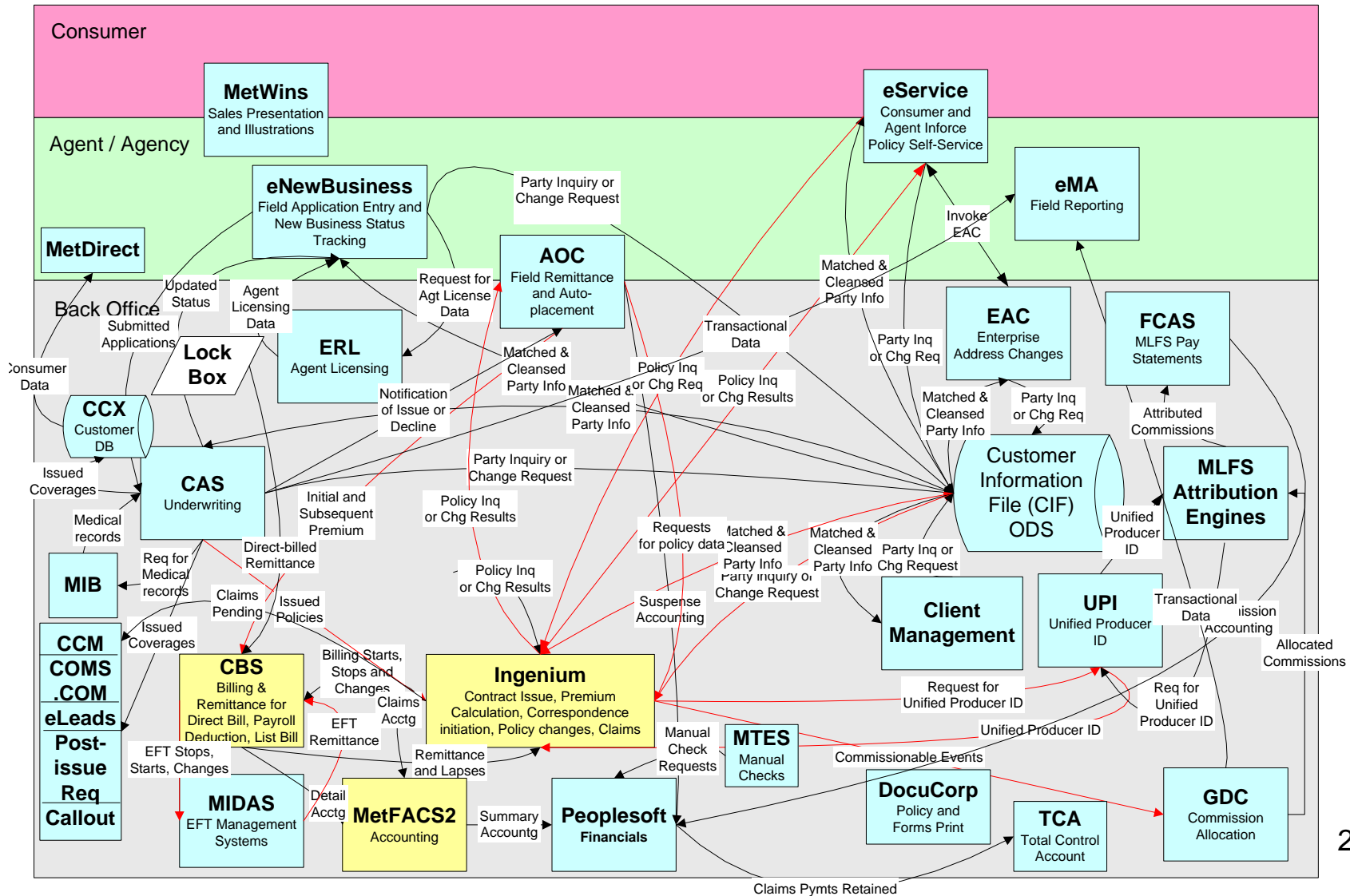
MetLife CII Product Introduction - Lessons Learned

- Time-boxing is essential
- **Tactical steps are inevitable, but they must move toward the strategic result**

MetLife CII - Individual Business Pilot



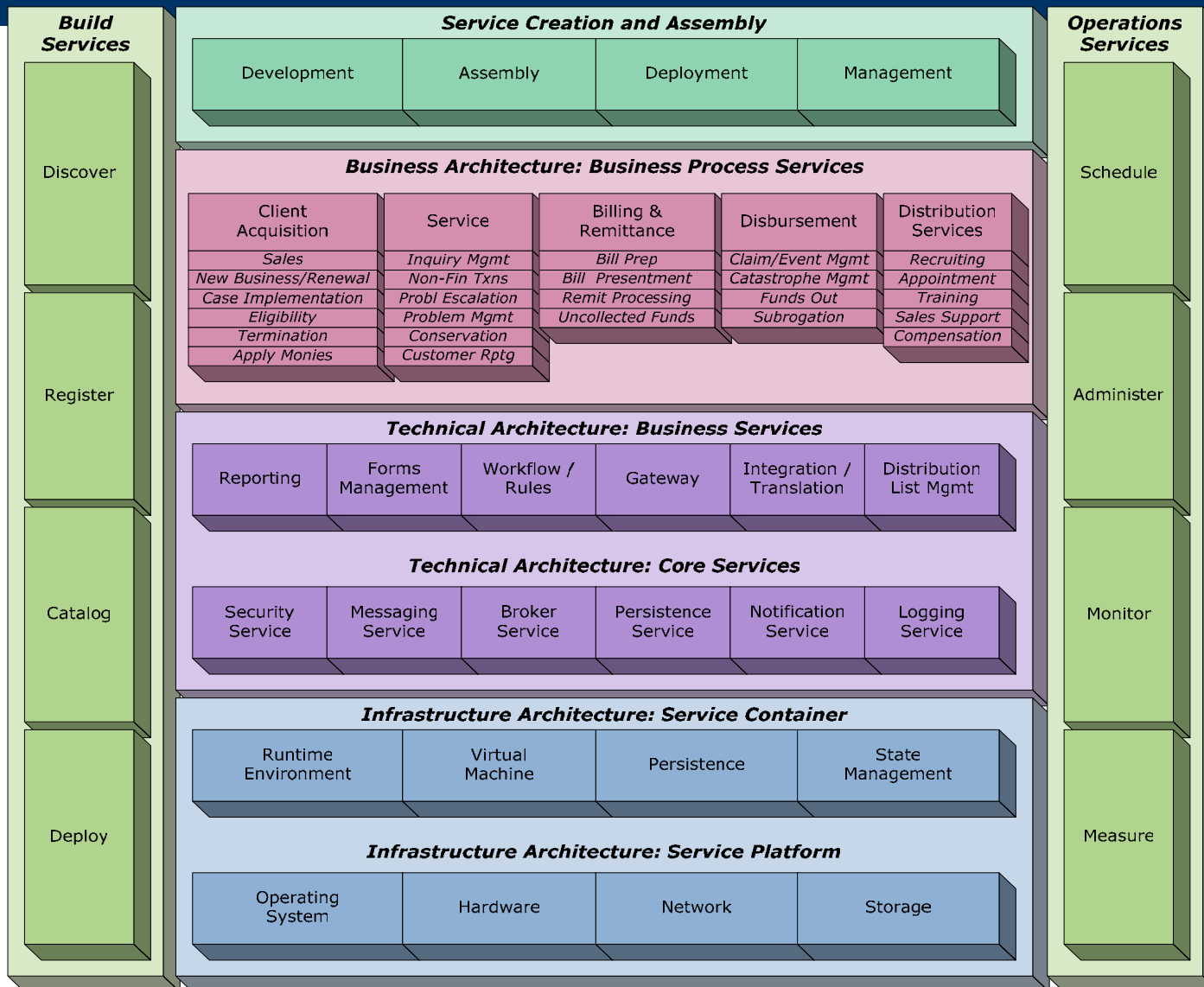
MetLife CII - March 2005 Full Implementation



MetLife CII Product Introduction - Lessons Learned

- Time-boxing is essential
- Tactical steps are inevitable, but they must move toward the strategic result
- **Having a standards-based, well-architected environment saves a lot of time**

MetLife Institutional Reference Architecture

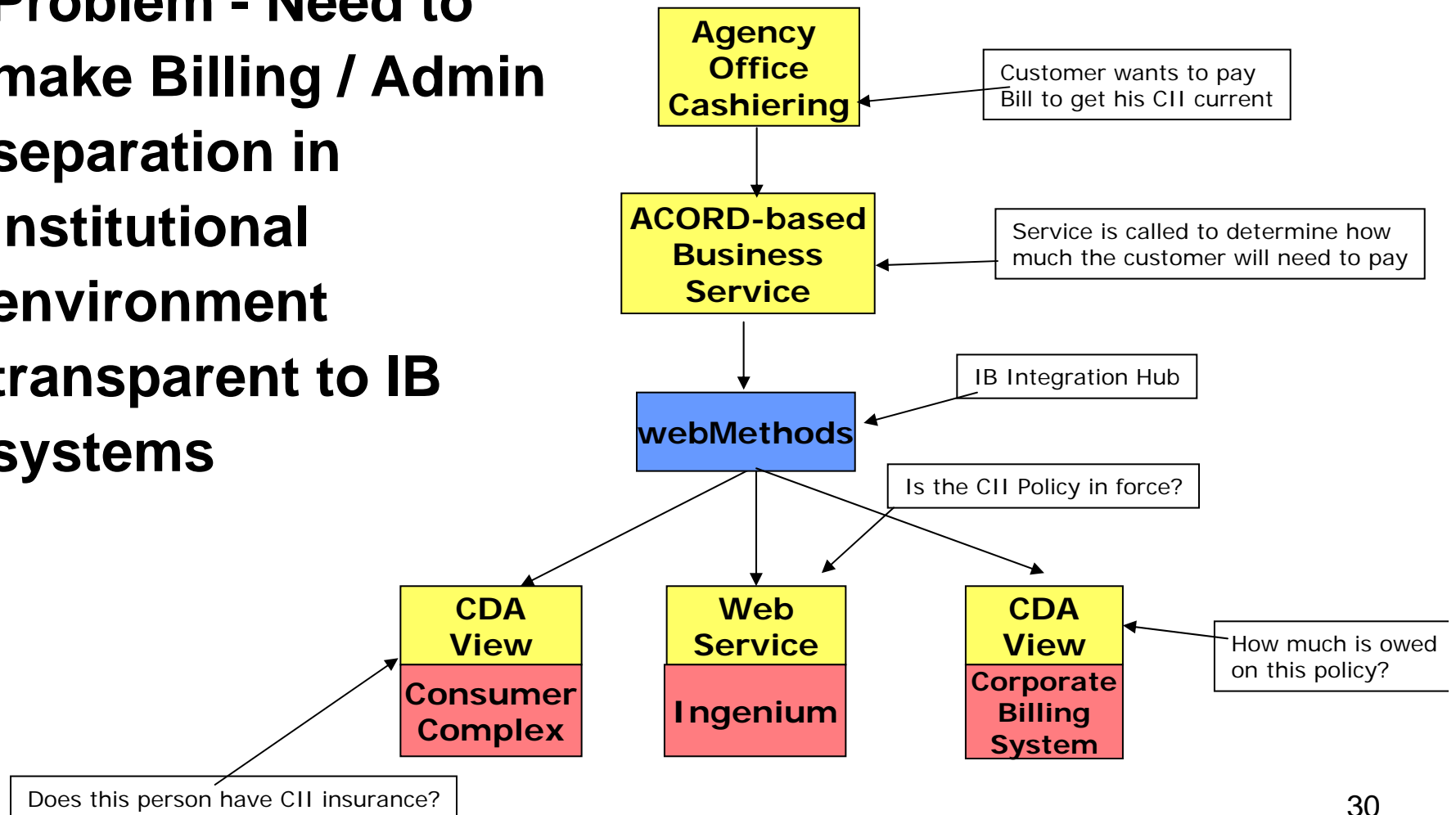


MetLife CII Product Introduction - Lessons Learned

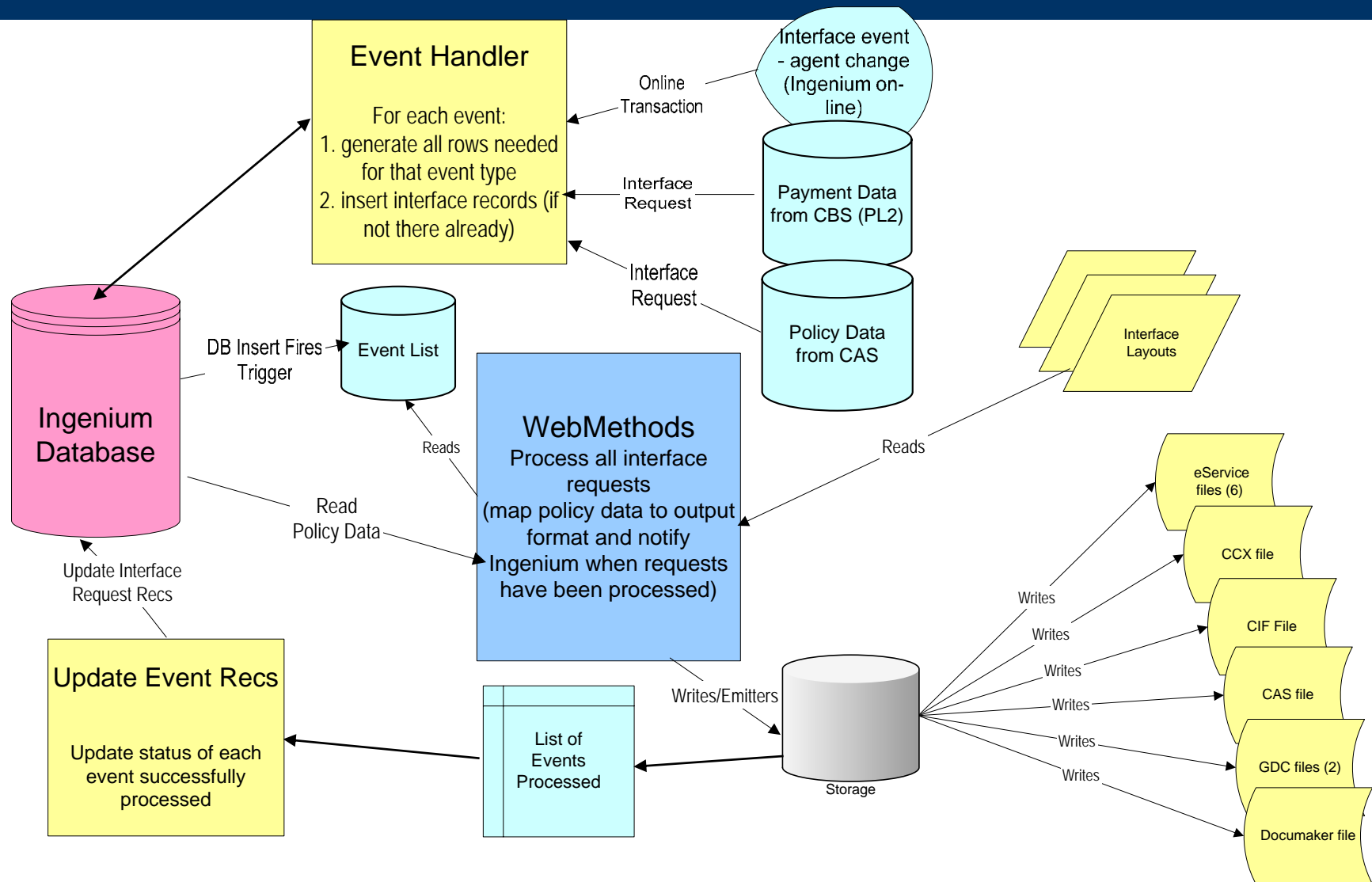
- **There isn't time to build a lot of new stuff**
 - **Reuse whatever possible**
 - **Integration technology can be a great time-saver**

CII Use of SOA Model

- **Problem - Need to make Billing / Admin separation in Institutional environment transparent to IB systems**



Ingenium / webMethods Batch Interface Architecture



MetLife CII Product Introduction - Lessons Learned

- There isn't time to build a lot of new stuff
 - Reuse whatever possible
 - Integration technology can be a great time-saver
- **Properly applied use of offshore consulting makes a big difference**
 - **Patni was essential to this project's success**
 - **Twice the amount of work in a day**
 - **Resources can be available when needed**

Presentation Summary

- **New product introductions that involve substantial innovation or change require special handling**
- **“Fast fail” approaches make the most sense, but the approach is not common in Insurance companies**

Presentation Summary

- **Where “fast fail” is not acceptable, best approach is a hybrid approach, with the following characteristics :**
 - **Time boxing**
 - **Build strategically via multiple tactical steps**
 - **A standards-based environment improves likelihood of success**
 - **Employ reuse, integration tools**
 - **A strong relationship with an offshore firm can be a big help**

Questions?