



WHEN SPEED TO MARKET MATTERS

We have all been surprised at the speed and breadth of recent financial and economic changes. Many segments of the life insurance market were deeply affected starting in the late summer of 2008. Within weeks of the first evidence of the changes, John Hancock actuaries proposed product responses to be launched at the beginning of 2009. These changes have now been successfully launched and are key to maintaining our leading position in life insurance sales in 2009.

This is just one example of the importance of product development speed in many of the markets actuaries serve today. When is speed to market important? What role can actuaries play in enhancing speed to market?

Speed to market always helps, but its importance varies with the nature of the market. For example, drug companies routinely patent all their products, and a drug company may enjoy years of monopoly profits if it develops a breakthrough drug. In such an environment, occasionally losing a few months to delays would not alone make the company uncompetitive. Spending time to ensure that the new drug is a major advance over alternatives is more important.

Also, consider life insurance companies that sell exclusively through captive career sales people. These companies compete based primarily on the breadth and quality of their sales force and perceived company characteristics such as quality, not on small product differences. For these companies, a delay in a new product may cause some disappointment, but it is unlikely to sink total sales for the year.

In open markets with no patent protection, where many companies must compete for each sale, each company strives to differentiate through product, but can only do so for as long as it takes competitors to catch up. In such a market, one of the few sustainable advantages is the institutional capacity to consistently create and deliver quality products faster than the competition.

Here at John Hancock, our life insurance business is sold primarily through brokers, and we operate in an open, competitive environment. Our response has been to build one of the most respected product development capabilities in the country, with speed to market as a focus. It is considered a core competency of the organization.

Actuaries can play an important role in enhancing speed to market capabilities, for two main reasons. Actuaries tend to be analytical, and ensuring high quality with speed requires a very scientific approach to designing the product development process. It also requires an in-depth and broad knowledge of the technical requirements for developing new products, and product actuaries are amongst the few who have this background. At John Hancock, actuaries have been drivers in the creation and design of our current capabilities.

In the right markets, actuaries are well placed to create and sustain a key competitive advantage of their company – a superior speed to market.

*Contribution from Daragh O'Sullivan, FSA, MAAA
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CAREER BUZZ

Actuaries play a central role in all of our businesses at John Hancock. We take the professional development of our actuaries very seriously, and they hold a variety of important roles within our organization. Actuaries can work in their area of interest, ranging from positions as financial actuaries to pricing actuaries to actuaries interested in general management. They are found in departments including life insurance, long term care, wealth management and reinsurance. Many actuaries hold senior officer positions throughout the organization. John Hancock's success as a financial service provider depends on the actuarial areas to assure the financial stability of the company.

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NOTES FROM SENIOR MANAGEMENT



Actuary Connect interviewed Steve Finch, FCIA. Steve is Executive Vice President of John Hancock Life Insurance. In this role, Steve oversees all aspects of the management of the Life Insurance business of John Hancock's US Insurance division. Steve joined John Hancock's parent company, Manulife, 16 years ago and has been a part of the US Life Insurance business since 1999.

How important is John Hancock's speed to market and why?

The life insurance industry is so competitive these days. Companies are fighting over a tenth of percent in market share, so products need to constantly evolve to fit with the sales concepts. If the products do not reflect the sales concept then people won't buy. Companies must constantly stay on top of market trends, so as core sales concepts shift the emphasis can be placed on different emerging markets and our products can be sharpened to zero in on those sales opportunities.

Many are focused on the short-term, but the long-term opportunities are abundant. Life insurance products provide great value to consumers, and they are great long-term savings vehicles. The fastest growing age segment is over 65, and they still need products for wealth transfer.

What unique roles do actuaries play in our product development and company?

At John Hancock, actuaries are highly valued. The Company views product development as a core competency; therefore actuaries in the product development areas are in the spotlight. Being active in these business critical functions provides exposure; this creates many opportunities for actuaries to grow into general management and senior technical roles.

How has exposure to product development helped you?

You tend to get a good perspective on the overall business. You get to see what is core to our success because everything goes through the product area. Additionally, by pairing with the distribution channels, I am better able to understand how product is being sold. This includes understanding the clients' needs and how to fill those desires with product that will sell. The real challenge is narrowing down the feedback to focus on markets to compete in. By continually gaining market intelligence, we can uncover the underlying need.

How have the company's culture and actuarial community helped your career?

John Hancock is a prudent company that is very financially focused. Actuaries with strong technical skills and a market focus are valued. Because the culture is such, we put a lot of effort into recruiting and developing great actuaries through initiatives such as the Actuary Development Program. The key thing is that if we do not have good actuaries at all levels, then the business will suffer. I need skilled actuaries to support me or my job gets a lot harder.

What advice would you give to Actuaries?

Always take jobs that you are going to be passionate about; you will find more success there. Also try to diversify your exposure – successful actuaries have seen different businesses, risks and have taken different roles.