

PGDM-IBM, 2017-19

Sub.: New Product Development

Paper Code: INS-401

Trimester-IV, End Term Examinations: September-2018

Time Allowed : 2½ hrs.

Roll No.: \_\_\_\_\_

Marks: 50

**Instruction:** Students are required to write Roll No. On every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. Of Questions to attempt	Marks	Marks
A	3out of 5 (Short Questions)	5 marks each	3*5 = 15
B	2out of 3 (Long Questions)	10 marks each	2*10 = 20
C	Compulsory Case Study	15 marks	15

**Section-A**

- A1. What are factors favouring a large vs. small sample size for concept testing?
- A2. List and briefly describe different types of customer needs.
- A3. What are different types of new products? How do they differ in terms of risks and associated costs?
- A4. Describe the activities required for product introduction.
- A5. Describe typical activities of product monitoring, evaluation and feedback.

**Section-B**

- B1. (a) List and describe each stage in the opportunity identification process.  
(b) Take your own example and show how consumer insight in the product category chosen by you may be utilized to develop a product concept according to a typical product concept structure.
- B2. (a) Discuss the risks associated with launching of new product.  
(b) Explain the importance of product mix and differentiate it from a product portfolio.
- B3. (a) Discuss important financial factors in product design for life insurance and annuities, including company expenses, the costs of benefits and investment earnings.  
(b) Describe modelling and testing for technical product design and explain how actuaries can improve the financial results of product model,

**Section-C**

**Case Study Compulsory:-**

Despite the fact that the general insurance business in India has been growing at a healthy rate of over 16 per cent annually between 20015-16 and 2017-18, its penetration level is just 0.60 per cent of India's GDP against world average of 2.14 per cent, as per a joint research paper released by CRISIL and ASSOCHAM.

The major challenges in the general insurance segment are –

1. low awareness and willingness among customers;
2. low penetration in smaller cities and rural areas; and

3. lack of a robust distribution models beyond tier I cities

**Problem**

Majority of insurance products are sold through agents and it is seen as a 'push' product by the customers. Many a times, products are pushed by the distributors without explaining the benefits and limitations of the policy, leading to high dissatisfaction ratio amongst the customers.

IRDA is in the process of making guidelines for 'mono line' insurance agents. These insurance agents will be authorized to sell one simple insurance product and will undergo training. Post training these agents will get policy documents that are very simple and easy to understand. The forms will be pre-underwritten and preferably a one page document. This move may lead to improve understanding and simplifying the insurance process.

**Problem**

The policies which exist in the markets today are complex and difficult to understand even for a financially literate person. The policy document runs to several pages, and is full of legal jargon beyond the comprehension of ordinary people.

Insurance needs to be positioned and perceived as a more 'humane subject.' For e.g. IRDA's initiative on standardizing definitions for Critical Illness will benefit the customers and will find a better acceptance among the insurance buyers. They will no longer be confused about the benefits and exclusions about the illness in the health insurance policy.

**Problem**

Insurance is a legal contract between an average person and the insurance company. Most of the insurance policies are drafted by the insurance companies and the same is accepted by the insured as it is without any negotiation or discussion. The insured does not have any say in establishing the terms and condition of policy and has to adhere to policy terms as drawn by the insurer.

Simplification and usage of local language to explain the insurance covers with policy literature can bring comfort to the policy holders. It will help buyers accept the terms and conditions with clear understanding of the benefits and the exclusions.

**Problem**

Complicated claim settlement processes pose a problem to the existing customers and act as a major deterrent to the prospective customers. The intent of the insurance policy may not be clearly understood in the policy document for a simple insured. Instead of being a source of comfort in a crisis situation, the claim settlement process should not become an additional source of trouble to an already bothersome situation. The very purpose of insurance stands defeated.

Clarity in language, easy operations and friendly approach by the insurers is the need of the hour. Moving forward, insurers will need to focus on customizing products and improving customer experience in order to grow profitably.

There is an inherent need for simplification and better information, which would help customers to build product understanding and take greater control of the purchase process.

Question 1: Devise an insurance product for home insurance which properly takes into account of Limitations 1 and 2. Give a broad framework of the suggested product inclusive of all factors to overcome the Limitations.

Question 2: Devise an improved claims settlement procedure and process for settling of health insurance claims which gets over the Limitations 3 and 4. Give a broad framework of the improved procedure to overcome the Limitations

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