

# Commercial Lines Underwriting - Auto

Diane Injic, Product Director, Commercial Auto

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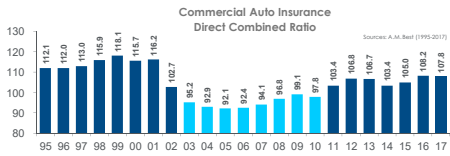
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### Commercial Auto Insurance is tough business!

- 108 Combined ratio in 2017 (AMB), >103 since 2011
- Pricing challenges present hurdles to profitability
- Lack of risk insight and data accuracy impact underwriting and rating



Year	Ratio
95	112.1
96	115.0
97	113.0
98	115.9
99	118.1
00	115.7
01	116.2
02	89.2
03	92.9
04	92.1
05	92.4
06	94.1
07	94.8
08	95.1
09	97.8
10	103.4
11	108.8
12	108.7
13	103.4
14	103.4
15	105.0
16	108.2
17	107.8

Scraper A.M. Best (1995-2017)

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### Trends driving higher losses

- More than **16 million** commercial vehicles are on the road today
- Miles driven were **up 6.5%** between February 2015 and February 2016
- The need for as many as **50,000 drivers** is producing a glut of inexperienced drivers
- **27% of crashes** involved drivers distracted by mobile devices
- Loss severity per claim was **up nearly 40%** between 2009 and 2017

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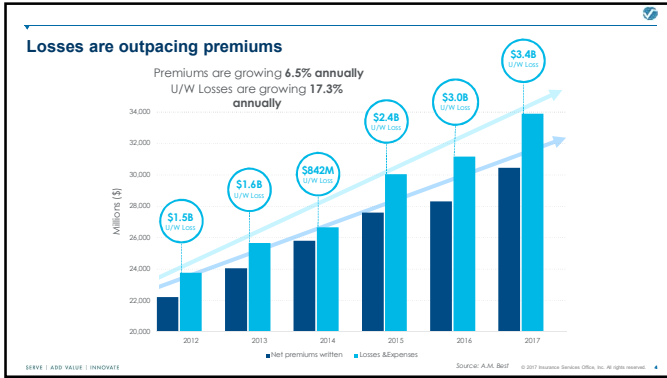
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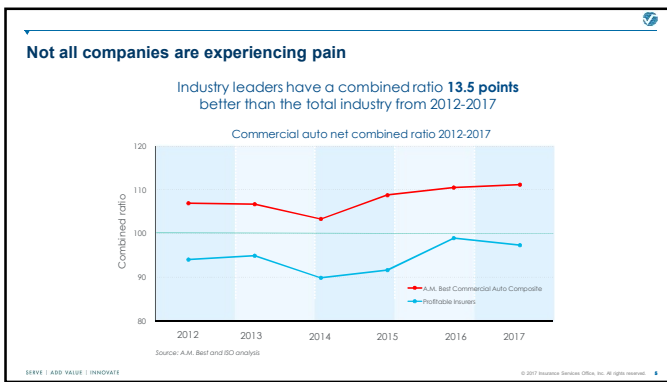
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### Common Underwriting Challenges

- Submission volumes are growing
- Market conditions and transparency creates pricing pressure
- Applications frequently have missing and inaccurate data
- Application to quote can be slow
- Package policies can complicate decision making

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How could *this* possibly lead to inaccurate information about a risk?

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Underwriting trends to improve profitability



VEHICLE DESCRIPTION		ACORD# (if attached for additional vehicles)		AGENCY CUSTOMER ID			VEHICLE TYPE		FIN. GR.	STP
VEH#	YEAR	MAKE	MODEL	TRK	VIN	PLATE	ST	VEH#	TYPE	FIN. GR.
181	2017	Ford	Focus	000001	1FT4J1GA4L1A2044079	000001	OH	181	Passenger Van	000001
182	2017	Ford	Focus	000002	1FT4J1GA4L1A2044080	000002	OH	182	Passenger Van	000002
183	2017	Ford	Focus	000003	1FT4J1GA4L1A2044081	000003	OH	183	Passenger Van	000003
184	2017	Ford	Focus	000004	1FT4J1GA4L1A2044082	000004	OH	184	Passenger Van	000004
185	2017	Ford	Focus	000005	1FT4J1GA4L1A2044083	000005	OH	185	Passenger Van	000005
186	2017	Ford	Focus	000006	1FT4J1GA4L1A2044084	000006	OH	186	Passenger Van	000006
187	2017	Ford	Focus	000007	1FT4J1GA4L1A2044085	000007	OH	187	Passenger Van	000007
188	2017	Ford	Focus	000008	1FT4J1GA4L1A2044086	000008	OH	188	Passenger Van	000008
189	2017	Ford	Focus	000009	1FT4J1GA4L1A2044087	000009	OH	189	Passenger Van	000009
190	2017	Ford	Focus	000010	1FT4J1GA4L1A2044088	000010	OH	190	Passenger Van	000010

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Underwriting trends to improve profitability



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183	2017	Ford	Focus	000003	1FT4J1GA4L1A2044081	000003	OH	183	Passenger Van	000003
184	2017	Ford	Focus	000004	1FT4J1GA4L1A2044082	000004	OH	184	Passenger Van	000004
185	2017	Ford	Focus	000005	1FT4J1GA4L1A2044083	000005	OH	185	Passenger Van	000005
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187	2017	Ford	Focus	000007	1FT4J1GA4L1A2044085	000007	OH	187	Passenger Van	000007
188	2017	Ford	Focus	000008	1FT4J1GA4L1A2044086	000008	OH	188	Passenger Van	000008
189	2017	Ford	Focus	000009	1FT4J1GA4L1A2044087	000009	OH	189	Passenger Van	000009
190	2017	Ford	Focus	000010	1FT4J1GA4L1A2044088	000010	OH	190	Passenger Van	000010

VEH#	TRM Description	Plate Type	Commercial
181	AWD	Lease Indicator	N
181	Registration Date	20180703	Branded Title
181	Plate Number	BH48730	Last Recorded Mileage
181			12,890
VEH#	TRM Description	Plate Type	Regular
182	FWD	Lease Indicator	N
182	Registration Date	20180918	Branded Title
182	Plate Number	JJC9990	Last Recorded Mileage
182			57,509
VEH#	TRM Description	Plate Type	Commercial
183	AWD	Lease Indicator	N
183	Registration Date	20180425	Branded Title
183	Plate Number	9999990	Last Recorded Mileage
183			62,778
VEH#	TRM Description	Plate Type	Regular
184	RWD	Lease Indicator	Y
184	Registration Date	19990913	Branded Title
184	Plate Number	FFY990	Last Recorded Mileage
184			7

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Underwriting trends to improve profitability

# Straight-through underwriting

The flowchart illustrates the underwriting process starting with a truck icon and address: 123 Main St, Smith Town, U.S.A. It branches into three paths: 1) '> \$X million in sales' leading to 'Manual Review'; 2) 'NICS Rating Vehicle Info' leading to 'Fail Industry Guidelines' and 'Reject'; 3) 'Risk Factor #1' leading to 'Below Average' (Apply Debit), 'Average' (Submit Quote), and 'Above Average' (Apply Credit). A 'Fail' path also leads to 'Reject'.

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Underwriting trends to improve profitability

# Improved Agent/UW Experience

A photograph of a smiling man in a suit sitting at a desk with a laptop, his hands behind his head, representing an improved agent and underwriter experience.

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# The Focus on Data

The ISO logo is located in the bottom left corner of the slide.

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### Improve risk selection, pricing, and underwriting with comprehensive and verified data

It's critical for insurers to know their customers'...




**Business**  
*How and where are vehicles being used?*

High-level industry codes (as defined by 2-digit NAICS) are typically **inaccurate for 50% of an insurer's book**



**Vehicles**  
*What vehicles are being used and what's their original cost new?*

**12.9 million** U.S.-registered commercial trucks as of September 2016



**Drivers**  
*Who is driving the vehicles and what is their history?*

Truck drivers convicted of a violation are **65% more likely to be in a crash** than drivers with clean records

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### Vehicle Data via Commercial Auto Prefill

**Inputs**

Name  
Address

**Outputs**

**Key fields with 100% fill rate:**

- VIN Number
- Year
- Make
- Model
- License plate (where applicable)

**60+ other fields including:**

- Body type
- Antilock brakes
- Four-wheel drive (Y/N)
- Air bags
- Registered owner
- Name code (i.e. owner, lessor, lessee, lien holder, etc.)
- Branded designation (i.e. flood, junk, fire and hail damage, stolen, etc.)
- Plate type (i.e. official, exempt, form commercial, etc.)

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### Improved underwriting insights with verified data

Search criteria:  
 • IMT Landscaping  
 • Albert Collins

Avoid data entry errors

Identify vehicles missing from application

Year/Make	Model	VIN	Registered Owner	Registered to the business?	On the application?
2010 United Express Line	UTL	259845CUHR93C407	IMT Landscaping Inc.	Yes	No
2014 Ford	F350 Super Duty	30943035GJ09JH079	IMT Landscaping	Yes	Yes
2014 Chevrolet	K2500 Heavy Duty	3U7048J204H4L3478	IMT & Sons Landscaping Inc.	Yes	Yes
2012 <b>Meritz Inc.</b>	DUP	2B3545J110784J0R0	IMT Landscaping Inc.	Yes	Yes
2013 Chevrolet	Corvette	5N44AS28903NMM135	Albert B Collins	No	Yes

Confirm vehicle characteristics

Distinguish cars most likely used for personal use

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### Risk segmentation

Restaurants NAICS- 7225		Cyber Cafes NAICS - 72251403	
Hookah Lounge NAICS - 72251508		Luau NAICS - 72251112	

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### Commercial Auto Visual Insight Data

Underwriting insight to confirm application accuracy



DPPA permissible use required. Not FCRA/Cannot deny insurance or Claims.

- 30-50% coverage nationwide  
Not available in AR, NH, VT
- Over 150 million sightings per month
- Over 7 billion sightings in total
- Picture of the vehicle and license plate
- Latitude and longitude
- Date and time

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### Commercial Auto – Garaging and Radius Rating Data

Identify potential radius misrepresentation for each vehicle on a policy


Converts VIN to license plate

Detailed sighting analysis:

- Date / time stamp
- Lat / Long
- Radius class based on given garage location

Summarized information by vehicle and location:

- # sightings inside radius
- # sightings outside radius
- Analytics to identify vehicles with potential radius misrepresentation



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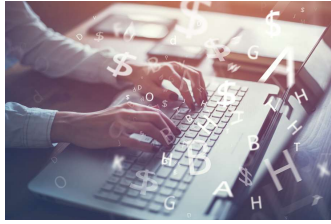
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In summary

Risk verification and monitoring are crucial pieces to rate adequacy



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