



Commercial Lines Underwriting - Auto

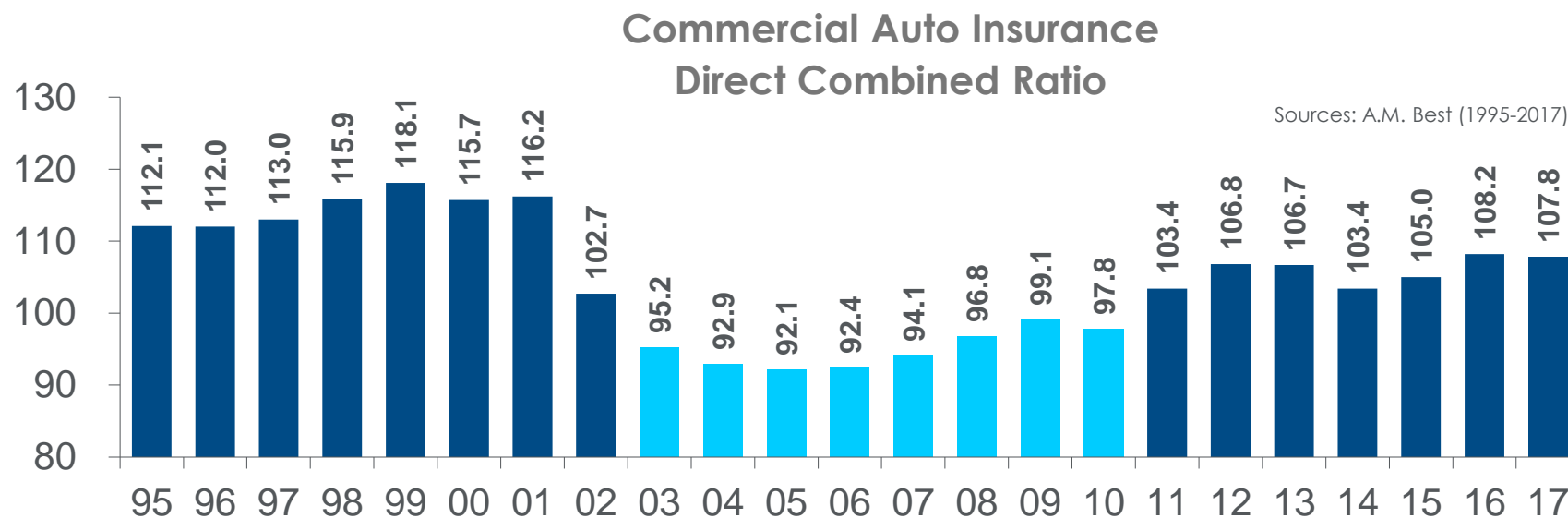
Diane Injic, Product Director, Commercial Auto

SERVE | ADD VALUE | INNOVATE



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





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

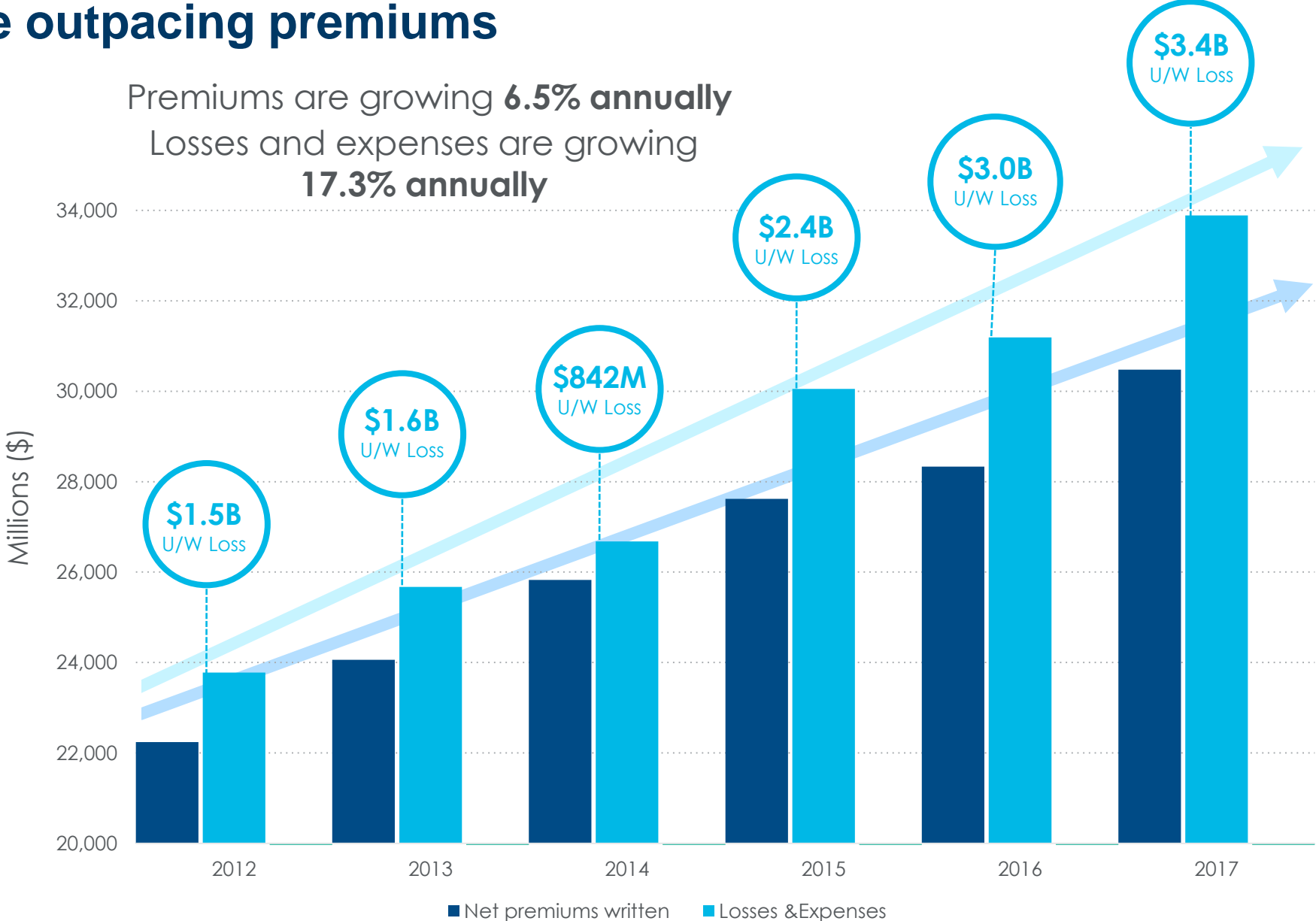


Loss severity per claim was up **nearly 40%** between 2009 and 2017



Losses are outpacing premiums

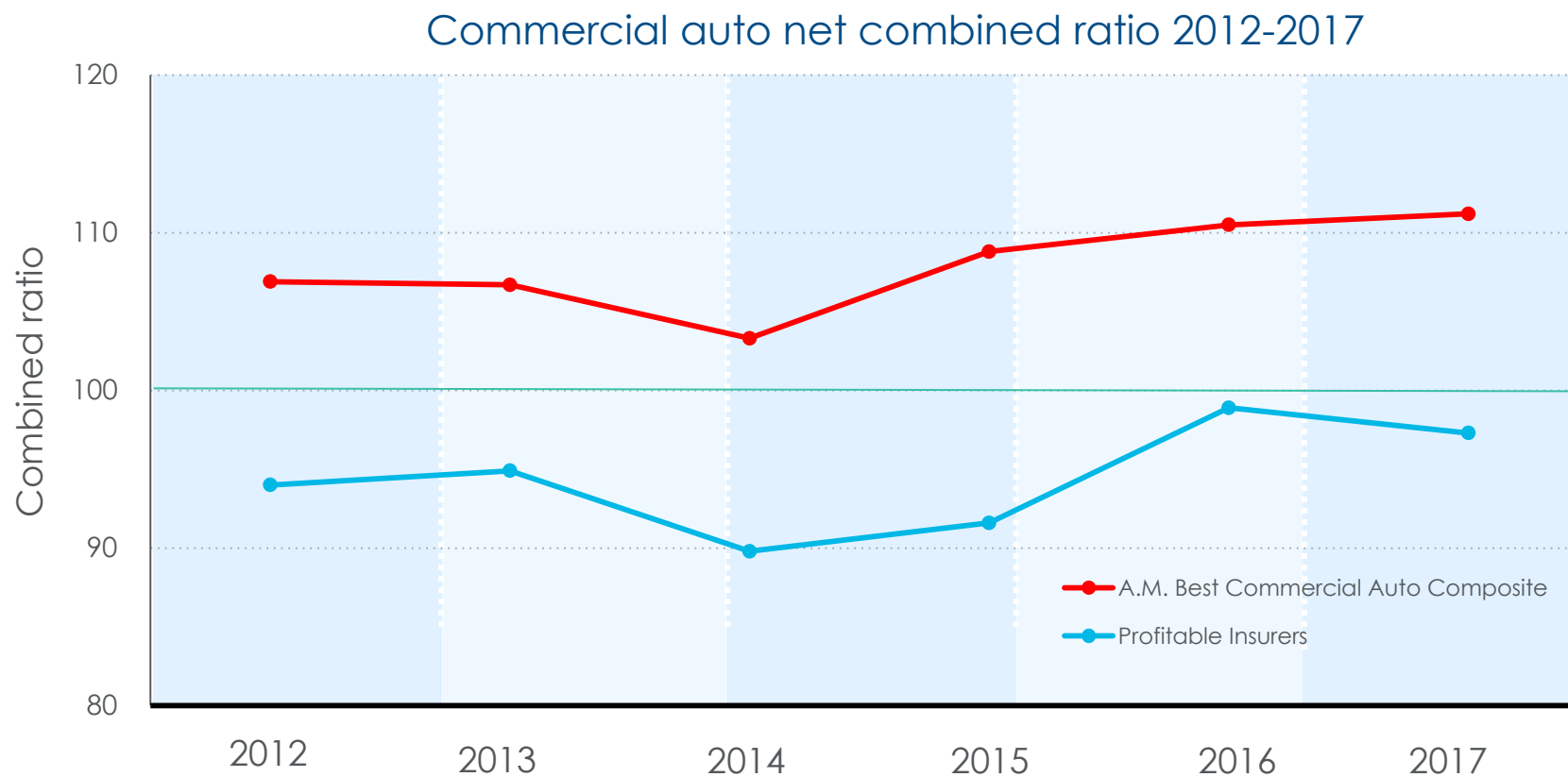
Premiums are growing **6.5% annually**
Losses and expenses are growing **17.3% annually**





Not all companies are experiencing pain

Industry leaders have a combined ratio **13.5 points** better than the total industry from 2012-2017



Source: A.M. Best and ISO analysis



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





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

APPLICATION FORM

TYPE OF MORTGAGE, PLEASE CHECK ONE
1. Home Purchase 2. Home Completion 3. Home Equity 4. Home Improvements

PERSONAL INFORMATION

Applicant: _____
Current Address: _____
How Long Resided? _____
Mortgage Name: _____
How Long Resided? _____
First Name: _____
Last Name: _____
Middle Name: _____
Date of Birth: _____
Social Security: _____
Employment: _____
Occupation: _____
Business: _____
Telephone: _____

VEHICLE DESCRIPTION AGENCY CUSTOMER ID: _____

VEHICLE TYPE		SYM / AGE	COMP / OTC SYM	COLL SYM
PP	SPEC	COML		

GARAGING ADDRESS: STREET (Required in KY) _____ CITY _____ COUNTY _____ STATE _____ ZIP _____

LIC STATE _____ TERR _____ GVV / GCW _____ CLASS _____ SIC _____ FACTOR _____ SEAT CP _____ RADIUS _____ FARTHEST TERMINAL _____ COST NEW \$ _____

USE: PLEASURE COMM'L FOR HIRE CHECK COVERAGES ADD'L NO-FAULT UNDRINS MOTOR TOWING & LABOR SPEC C OF L F LSP RENT REIMB DEDUCTIBLES ACV COMP / OTC SPEC C OF L
FARM RETAIL SERVICE LIAB NO-FAULT MED PAY UNINS MOTOR FTW FT COLL FG AA STAMT \$ _____ \$ _____ COLL _____

DRIVE TO WORK / SCHOOL: < 15 MILES 15 MILES + NET VEH DRIVER

VEH # _____ YEAR _____ MAKE _____ BODY TYPE _____ VEHICLE TYPE _____ SYM / AGE _____ COMP / OTC SYM _____ COLL SYM _____
MODEL: _____ V.I.N.: _____ PP _____ SPEC _____ COML _____

GARAGING ADDRESS: STREET (Required in KY) _____ CITY _____ COUNTY _____ STATE _____ ZIP _____

LIC STATE _____ TERR _____ GVV / GCW _____ CLASS _____ SIC _____ FACTOR _____ SEAT CP _____ RADIUS _____ FARTHEST TERMINAL _____ COST NEW \$ _____

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FARM RETAIL SERVICE LIAB NO-FAULT MED PAY UNINS MOTOR FTW FT COLL FG AA STAMT \$ _____ \$ _____ COLL _____

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FARM RETAIL SERVICE LIAB NO-FAULT MED PAY UNINS MOTOR FTW FT COLL FG AA STAMT \$ _____ \$ _____ COLL _____

DRIVE TO WORK / SCHOOL: < 15 MILES 15 MILES + NET VEH DRIVER

VEH # _____ YEAR _____ MAKE _____ BODY TYPE _____ VEHICLE TYPE _____ SYM / AGE _____ COMP / OTC SYM _____ COLL SYM _____
MODEL: _____ V.I.N.: _____ PP _____ SPEC _____ COML _____



Underwriting trends to improve profitability

 Speed

 Accuracy

VEHICLE DESCRIPTION ACORD 129 attached for additional vehicles AGENCY CUSTOMER ID: _____

VEH #	YEAR	MAKE	MODEL	BODY TYPE	V.I.N.	VEHICLE TYPE	SYM / AGE	COMP / OTC SYM	COLL SYM
1	2016	Ford	E2500	Van	1HGBH41JXMN109186	PP SPEC X COML			
GARAGING ADDRESS		STREET (Required in KY)		CITY		COUNTY		STATE	ZIP
		123 Main Street		Jacksonville		Duval		FL	38909
LIC STATE	TERR	GVW / GCW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL	
FL		9,000		1522				\$ 32,500	
USE	COMM'L	FOR HIRE	CHECK COVERAGES	ADD'L NO-FAULT	UNDRINS MOTOR	F	LSP	RENT REIMB	DEDUCTIBLES
	RETAIL		LIAB	MED PAY	TOWING & LABOR	FT	COMP/OTC	FG	AA
	SERVICE		NO-FAULT	UNINS MOTOR	SPEC C OF L	FTW	COLL		ST AMT
DRIVE TO WORK / SCHOOL		< 15 MILES	15 MILES +	NET VEH DR/CR:	TOTAL PREM: \$				
2	2007	Ford	E250	Passenger Van	1HTVU58K908654313	PP X SPEC COML			
GARAGING ADDRESS		STREET (Required in KY)		CITY		COUNTY		STATE	ZIP
		123 Main Street		Jacksonville		Duval		FL	38909
LIC STATE	TERR	GVW / GCW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL	
FL		7,500		1522		12		\$ 29,900	
USE	COMM'L	FOR HIRE	CHECK COVERAGES	ADD'L NO-FAULT	UNDRINS MOTOR	F	LSP	RENT REIMB	DEDUCTIBLES
	RETAIL		LIAB	MED PAY	TOWING & LABOR	FT	COMP/OTC	FG	AA
	SERVICE		NO-FAULT	UNINS MOTOR	SPEC C OF L	FTW	COLL		ST AMT
DRIVE TO WORK / SCHOOL		< 15 MILES	15 MILES +	NET VEH DR/CR:	TOTAL PREM: \$				
3	2010	Freightliner	Sprinter	Cargo Van	WDYPE7CC1A584879	PP SPEC X COML			
GARAGING ADDRESS		STREET (Required in KY)		CITY		COUNTY		STATE	ZIP
		123 Main Street		Atlanta		Fulton		GA	30339
LIC STATE	TERR	GVW / GCW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL	
GA		7,900		1522		n/a		\$ 33,900	
USE	COMM'L	FOR HIRE	CHECK COVERAGES	ADD'L NO-FAULT	UNDRINS MOTOR	F	LSP	RENT REIMB	DEDUCTIBLES
	RETAIL		LIAB	MED PAY	TOWING & LABOR	FT	COMP/OTC	FG	AA
	SERVICE		NO-FAULT	UNINS MOTOR	SPEC C OF L	FTW	COLL		ST AMT
DRIVE TO WORK / SCHOOL		< 15 MILES	15 MILES +	NET VEH DR/CR:	TOTAL PREM: \$				
4	2017	Audi	A4	Sport Auto	WAUENAG49HN018871	X PP SPEC COML			
GARAGING ADDRESS		STREET (Required in KY)		CITY		COUNTY		STATE	ZIP
		124 Foothill Rd		Jacksonville		Duval		FL	38909
LIC STATE	TERR	GVW / GCW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL	
				1522					



Underwriting trends to improve profitability



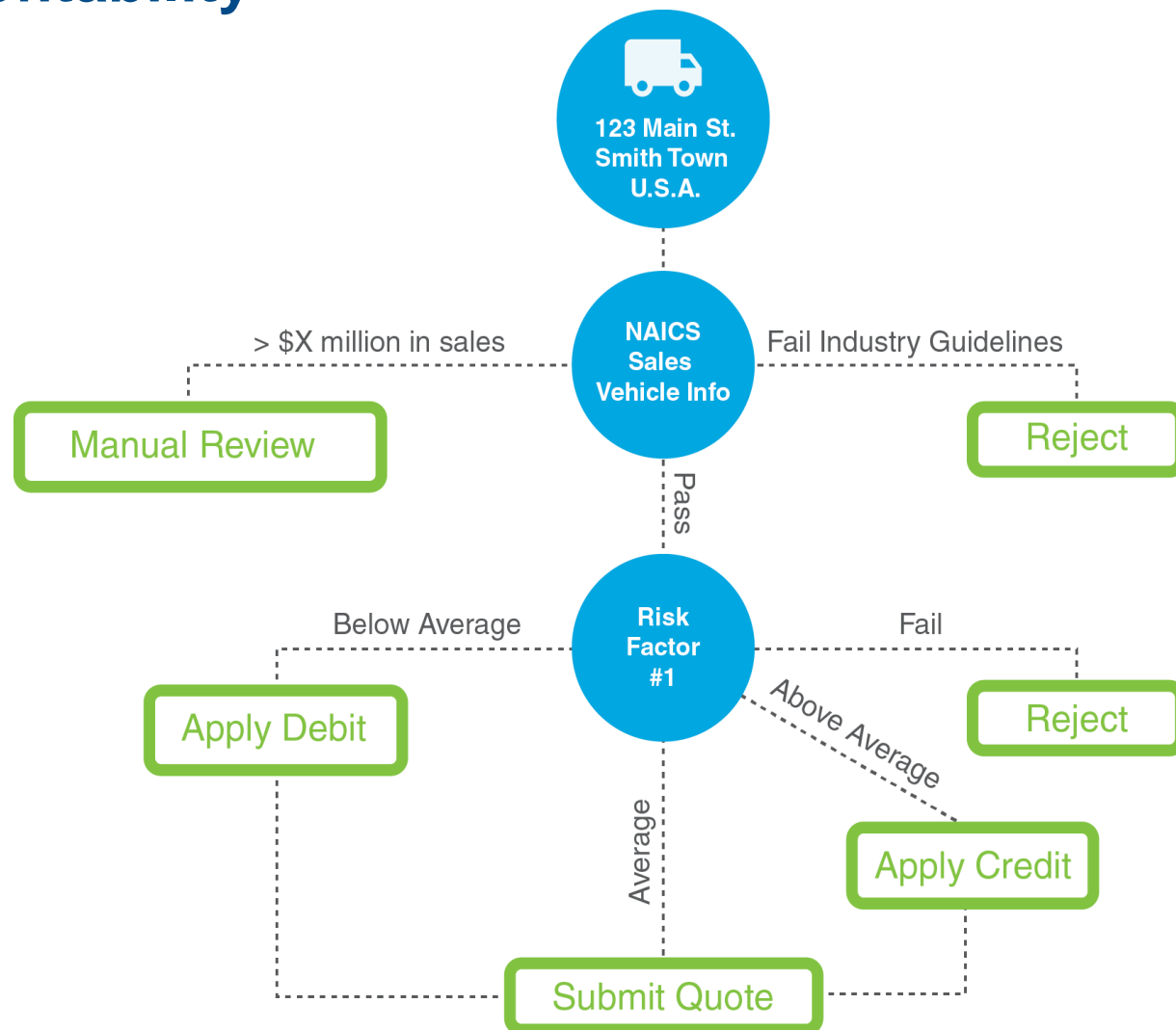
VEHICLE DESCRIPTION ACORD 129 attached for additional vehicles AGENCY CUSTOMER ID: _____

VEH #	YEAR	MAKE: Ford	MODEL: E2500	BODY TYPE: Van	V.I.N.: 1HGBH41JXMN109186	VEHICLE TYPE	SYM / AGE	COMP / OTC SYM	COLL SYM
1	2016	Ford	E2500	Van	1HGBH41JXMN109186	PP SPEC X COML			
GARAGING ADDRESS		STREET (Required in KY)		CITY		COUNTY		STATE	ZIP
		123 Main Street		Jacksonville		Duval		FL	38909
LIC STATE	TERR	GVW / GCW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL	
FL		9,000		1522				\$ 32,500	
USE		COMMIT		Trim Description		XL		Plate Type	
<input type="checkbox"/> PLEASURE		<input type="checkbox"/> RETAIL		Drive Type		AWD		Lease Indicator	
<input type="checkbox"/> FARM		<input type="checkbox"/> SERVICE		Registration Date		20180703		Branded Title	
DRIVE TO WORK / SCHOOL		< 15 M		Plate Number		BHU8790		Last Recorded Mileage	
								Commercial	
								N	
								Severe Brand	
								12,890	
VEH #	YEAR	MAKE: F	MODEL: E250	BODY TYPE: Cargo Van	V.I.N.: 1HTVU58K908654313	VEHICLE TYPE	SYM / AGE	COMP / OTC SYM	COLL SYM
2	2007	F	E250	Cargo Van	1HTVU58K908654313	PP X SPEC COML			
GARAGING ADDRESS		STREET (Required in KY)		CITY		COUNTY		STATE	ZIP
		123 Main Street		Jacksonville		Duval		FL	38909
LIC STATE	TERR	GVW / GCW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL	
FL									
USE		COMMIT		Trim Description		XLT		Plate Type	
<input type="checkbox"/> PLEASURE		<input type="checkbox"/> RETAIL		Drive Type		FWD		Lease Indicator	
<input type="checkbox"/> FARM		<input type="checkbox"/> SERVICE		Registration Date		20160918		Branded Title	
DRIVE TO WORK / SCHOOL		< 15 M		Plate Number		JJO090		Last Recorded Mileage	
								Regular	
								N	
								No Brands	
								167,009	
VEH #	YEAR	MAKE: Freightliner	MODEL: Sprinter	BODY TYPE: Cargo Van	V.I.N.: WDYPE7CC1A584879	VEHICLE TYPE	SYM / AGE	COMP / OTC SYM	COLL SYM
3	2010	Freightliner	Sprinter	Cargo Van	WDYPE7CC1A584879	PP SPEC X COML			
GARAGING ADDRESS		STREET (Required in KY)		CITY		COUNTY		STATE	ZIP
		123 Main S							
LIC STATE	TERR	GVW / GCW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL	
GA									
USE		COMMIT		Trim Description		AWD		Plate Type	
<input type="checkbox"/> PLEASURE		<input type="checkbox"/> RETAIL		Drive Type		20160425		Lease Indicator	
<input type="checkbox"/> FARM		<input type="checkbox"/> SERVICE		Registration Date		999090		Branded Title	
DRIVE TO WORK / SCHOOL		< 15 MILES		Plate Number				Last Recorded Mileage	
								Commercial	
								N	
								No Brands	
								56,778	
VEH #	YEAR	MAKE: A	MODEL:	BODY TYPE:	V.I.N.:	VEHICLE TYPE	SYM / AGE	COMP / OTC SYM	COLL SYM
4	2017	A							
GARAGING ADDRESS		STREET (Required in KY)		CITY		COUNTY		STATE	ZIP
		124 Foot							
LIC STATE	TERR	GVW / GCW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL	
USE		COMMIT		Trim Description		Sport		Plate Type	
<input type="checkbox"/> PLEASURE		<input type="checkbox"/> RETAIL		Drive Type		RWD		Lease Indicator	
<input type="checkbox"/> FARM		<input type="checkbox"/> SERVICE		Registration Date		19990913		Branded Title	
DRIVE TO WORK / SCHOOL		< 15 MILES		Plate Number		FFY990		Last Recorded Mileage	
								Regular	
								Y	
								No Brands	
								7	



Underwriting trends to improve profitability

Straight-through underwriting





Underwriting trends to improve profitability

Improved
Agent/UW
Experience



The Focus on Data



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



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.)



Improved underwriting insights with verified data

Search criteria:

- IMT Landscaping
- Albert Collins

Avoid data entry errors

Identify vehicles missing from application

IMT Landscaping Inc., owned by Albert Collins					
Year/Make	Model	VIN	Registered Owner	Registered to the business?	On the application?
2010 United Express Line	UTL	459845DUHR89D4671	IMT Landscaping Inc.	Yes	No
2014 Ford	F350 Super Duty	J39HD35SGJO9JH675	IMT Landscaping	Yes	Yes
2014 Chevrolet	K2500 Heavy Duty	JLK048J404H4L3474	IMT & Sons Landscaping Inc.	Yes	Yes
2012 Moritz Inc.	DMP	D93045J110784JORF	IMT Landscaping Inc.	Yes	Yes
2013 Chevrolet	Corvette	DH4ASG6980LNMYT35	Albert B Collins	No	Yes

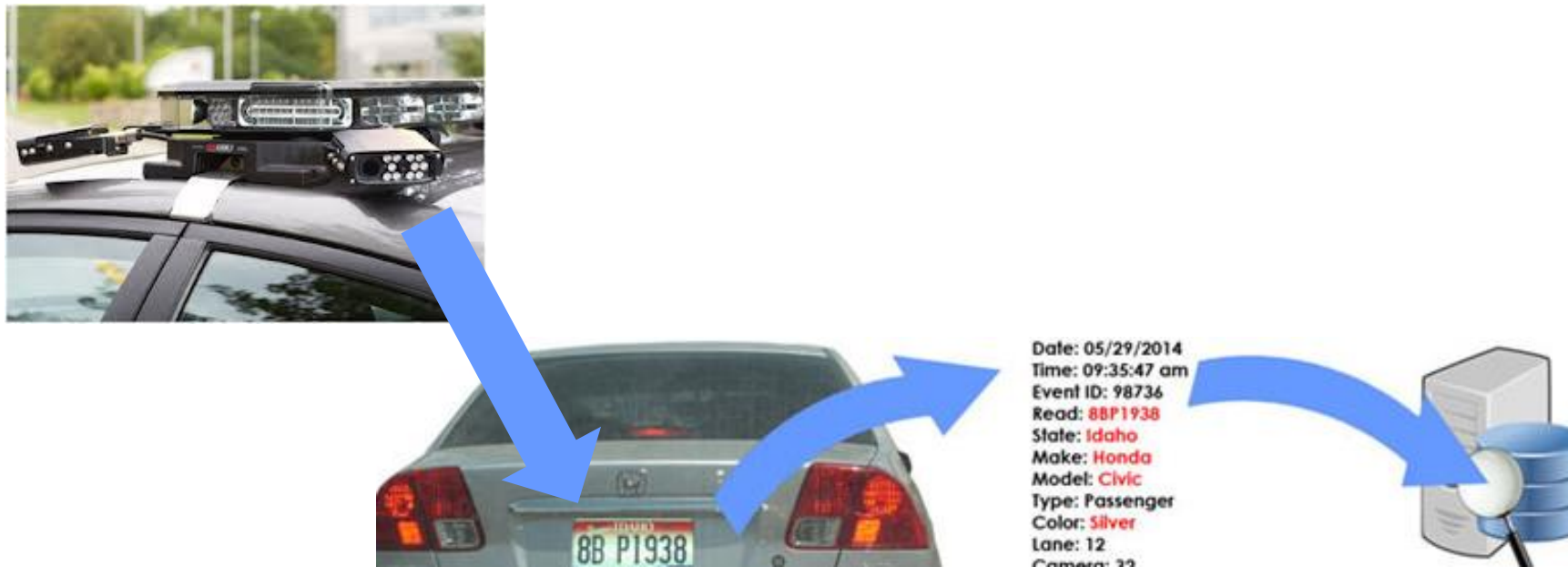
Confirm vehicle characteristics

Distinguish cars most likely used for personal use



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

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

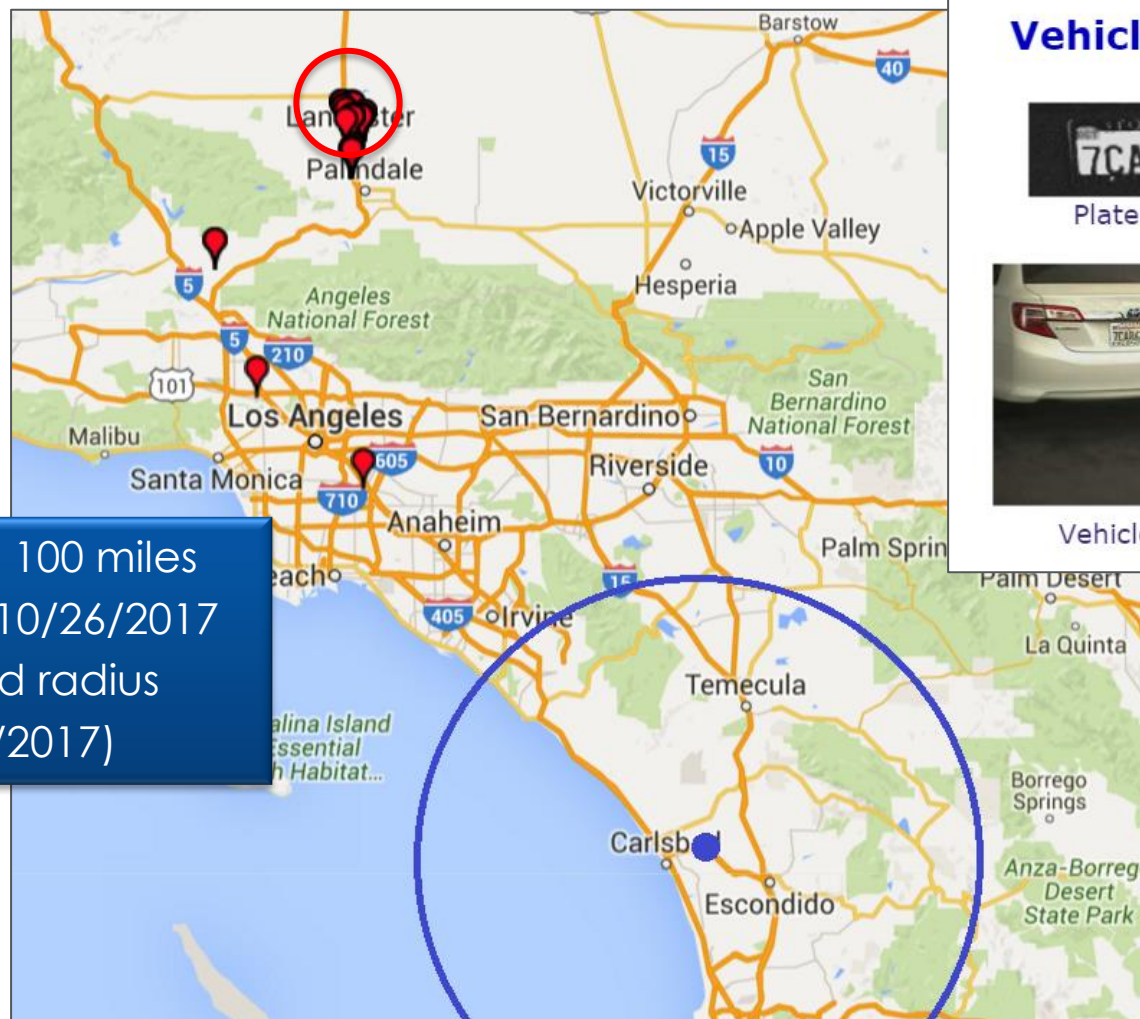
Summarized information by vehicle and location:

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



Investigative sample

Vehicle application with territory in San Diego County and 50 mile radius



Vehicle Data:



Plate Image



Vehicle Image

- Sighted more than 100 miles beyond radius on 10/26/2017
- 36 sightings beyond radius (12/9/2015 - 10/26/2017)



In summary

Risk verification and monitoring are crucial pieces to rate adequacy

