



# C-30: Commercial Lines Underwriting – Auto

CARe Seminar, June 4, 2019  
Bermuda

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ISO

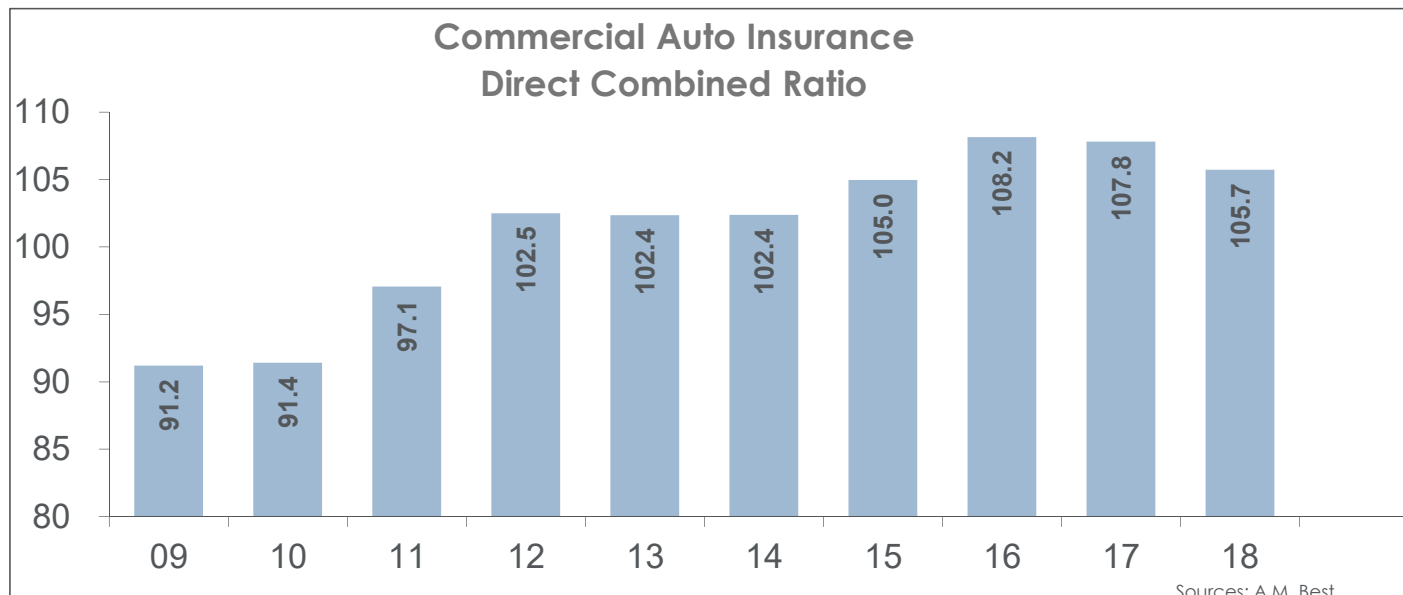
SERVE | ADD VALUE | INNOVATE





## Commercial Auto Insurance is tough business!

- **105.7** Combined ratio in 2018 (AMB), **>102** since 2012
- 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



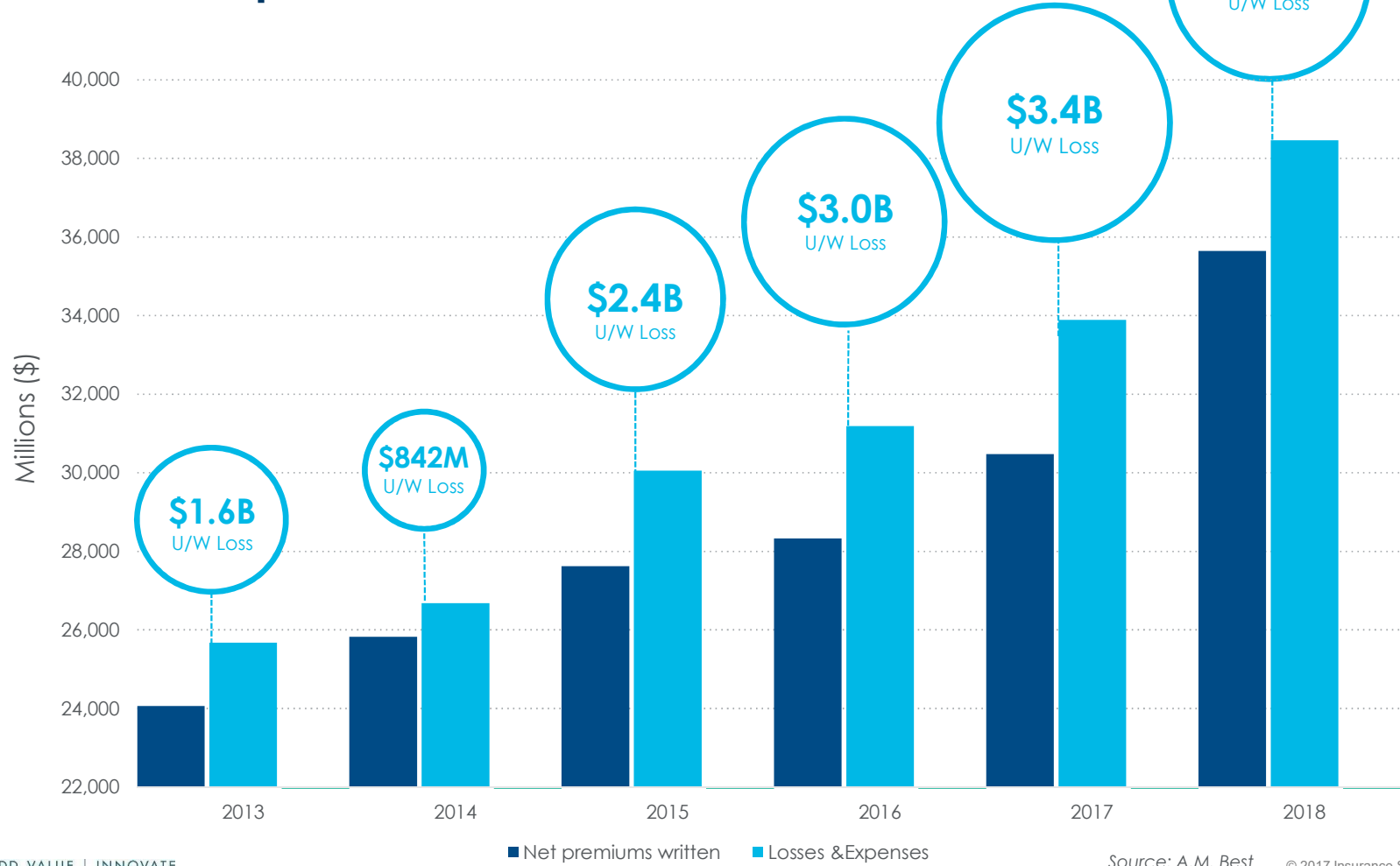
**27% of crashes** involved drivers distracted by mobile devices



Loss severity per claim was up **over 30%** between 2012 and 2018



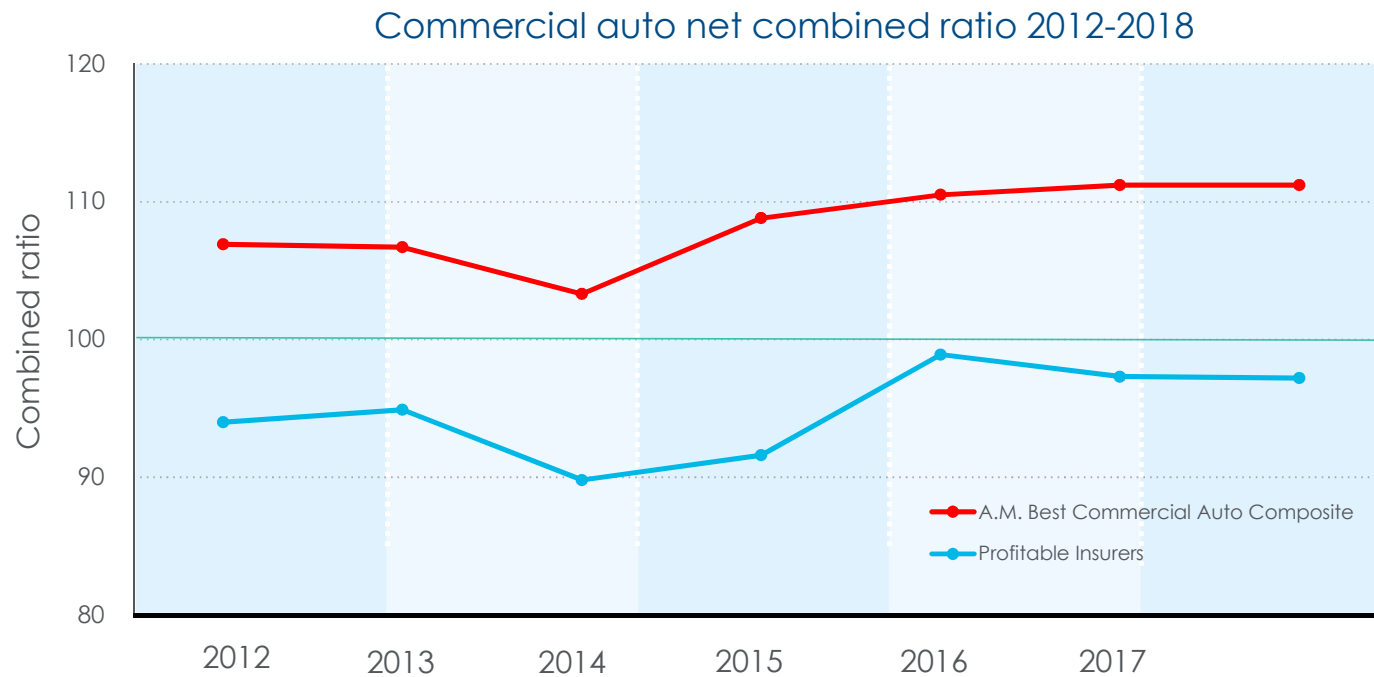
## Losses versus premiums





## Not all companies are experiencing pain

Industry leaders have a combined ratio **13.1 points** better than the total industry from 2012-2018

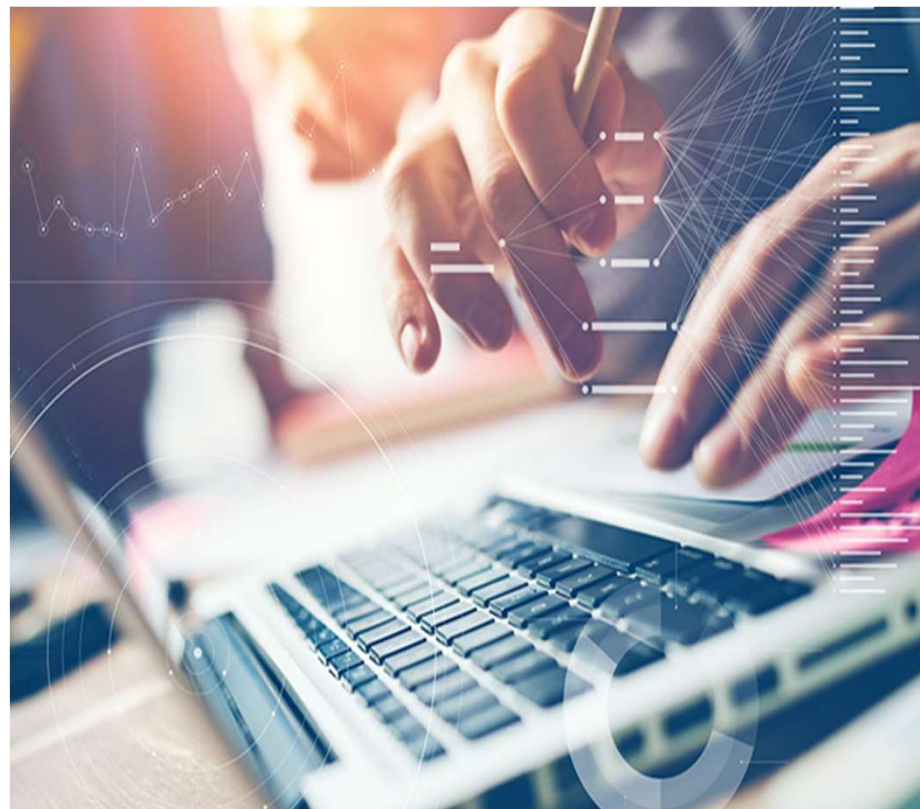


Source: A.M. Best and ISO analysis



## 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  
 Home Purchase  Home Construction  Home Refinance

**PERSONAL INFORMATION**

Applicant: \_\_\_\_\_  
Current Address: \_\_\_\_\_  
Licenses:  Driver  Other: \_\_\_\_\_  
E-mail: \_\_\_\_\_  
Previous Address: \_\_\_\_\_  
Applicant Joint Applicant Relations: \_\_\_\_\_

**EMPLOYMENT**

Current: \_\_\_\_\_  
Occupational Name of Employer: \_\_\_\_\_  
Address of Employer: \_\_\_\_\_  
Business: \_\_\_\_\_  
Length of time employed: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Please print business hours: \_\_\_\_\_

**VEHICLE DESCRIPTION** AGENCY CUSTOMER ID: \_\_\_\_\_

MODEL:	V.I.N.:	VEHICLE TYPE	SYM / AGE	COMP / OTC SYM	COLL SYM							
STREET (Required in KY)		CITY	COUNTY	STATE	ZIP							
LIC STATE	TERR	GWW / GCW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL	COST NEW			
USE	COMML	FOR HIRE	CHECK COVERAGES	ADDL NO-FAULT	UNDRINS MOTOR TOWING & LABOR SPEC C OF L	F	LSP	RENT REIMB	DEDUCTIBLES	ACV	COMP / OTC	SPEC C OF L
PLEASURE	RETAIL		LIAB NO-FAULT	MED PAY	UNINS MOTOR SPEC C OF L	FT	COMP / OTC	FG	AA	STAMT		
FARM	SERVICE					FTW	COLL					COLL
DRIVE TO WORK / SCHOOL	< 15 MILES	15 MILES +	NET VEH DRIVER	TOTAL PREM: \$								
VEH #	YEAR	MAKE:	BODY TYPE:	VEHICLE TYPE		SYM / AGE	COMP / OTC SYM	COLL SYM				
STREET (Required in KY)		CITY	COUNTY	STATE	ZIP							
LIC STATE	TERR	GWW / GCW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL	COST NEW			
USE	COMML	FOR HIRE	CHECK COVERAGES	ADDL NO-FAULT	UNDRINS MOTOR TOWING & LABOR SPEC C OF L	F	LSP	RENT REIMB	DEDUCTIBLES	ACV	COMP / OTC	SPEC C OF L
PLEASURE	RETAIL		LIAB NO-FAULT	MED PAY	UNINS MOTOR SPEC C OF L	FT	COMP / OTC	FG	AA	STAMT		
FARM	SERVICE					FTW	COLL					COLL
DRIVE TO WORK / SCHOOL	< 15 MILES	15 MILES +	NET VEH DRIVER	TOTAL PREM: \$								
VEH #	YEAR	MAKE:	BODY TYPE:	VEHICLE TYPE		SYM / AGE	COMP / OTC SYM	COLL SYM				
STREET (Required in KY)		CITY	COUNTY	STATE	ZIP							
LIC STATE	TERR	GWW / GCW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL	COST NEW			
USE	COMML	FOR HIRE	CHECK COVERAGES	ADDL NO-FAULT	UNDRINS MOTOR TOWING & LABOR SPEC C OF L	F	LSP	RENT REIMB	DEDUCTIBLES	ACV	COMP / OTC	SPEC C OF L
PLEASURE	RETAIL		LIAB NO-FAULT	MED PAY	UNINS MOTOR SPEC C OF L	FT	COMP / OTC	FG	AA	STAMT		
FARM	SERVICE					FTW	COLL					COLL
DRIVE TO WORK / SCHOOL	< 15 MILES	15 MILES +	NET VEH DRIVER	TOTAL PREM: \$								
VEH #	YEAR	MAKE:	BODY TYPE:	VEHICLE TYPE		SYM / AGE	COMP / OTC SYM	COLL SYM				



# Underwriting trends to improve profitability

 Speed

 Accuracy

AGENCY CUSTOMER ID: \_\_\_\_\_

VEHICLE DESCRIPTION															ACORD 129 attached for additional vehicles																											
VEH #	1	YEAR	2016	MAKE:	Ford	BODY TYPE:	Van	VEHICLE TYPE		SYM / AGE		COMP / OTC SYM		COLL SYM		STREET (Required in KY)	CITY	COUNTY	STATE	ZIP	G/VW / G/CW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL	COST NEW														
GARAGING ADDRESS	123 Main Street			Jacksonville			Duval			FL			38909			9,000			1522									\$ 32,500														
LIC STATE	FL																																									
USE	FARM			SERVICE			RETAIL			FOR HIRE			CHECK COVERAGES			ADD'L NO-FAULT			UNDRINS MOTOR TOWING & LABOR SPEC C OF L			F			LSP COMP/OTC			RENT REIMB FG			DEDUCTIBLES			ACV			COMP/OTC			SPEC C OF L		
DRIVE TO WORK / SCHOOL	< 15 MILES			15 MILES +			NET VEH DR/CR:																											TOTAL PREM: \$								
VEH #	2	YEAR	2007	MAKE:	Ford	BODY TYPE:	Passenger Van	VEHICLE TYPE		SYM / AGE		COMP / OTC SYM		COLL SYM		STREET (Required in KY)	CITY	COUNTY	STATE	ZIP	G/VW / G/CW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL	COST NEW														
GARAGING ADDRESS	123 Main Street			Jacksonville			Duval			FL			38909			7,500			1522			12									\$ 29,900											
LIC STATE	FL																																									
USE	FARM			SERVICE			RETAIL			FOR HIRE			CHECK COVERAGES			ADD'L NO-FAULT			UNDRINS MOTOR TOWING & LABOR SPEC C OF L			F			LSP COMP/OTC			RENT REIMB FG			DEDUCTIBLES			ACV			COMP/OTC			SPEC C OF L		
DRIVE TO WORK / SCHOOL	< 15 MILES			15 MILES +			NET VEH DR/CR:																											TOTAL PREM: \$								
VEH #	3	YEAR	2010	MAKE:	Freightliner	BODY TYPE:	Cargo Van	VEHICLE TYPE		SYM / AGE		COMP / OTC SYM		COLL SYM		STREET (Required in KY)	CITY	COUNTY	STATE	ZIP	G/VW / G/CW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL	COST NEW														
GARAGING ADDRESS	123 Main Street			Atlanta			Fulton			GA			30339			7,900			1522			n/a									\$ 33,900											
LIC STATE	GA																																									
USE	FARM			SERVICE			RETAIL			FOR HIRE			CHECK COVERAGES			ADD'L NO-FAULT			UNDRINS MOTOR TOWING & LABOR SPEC C OF L			F			LSP COMP/OTC			RENT REIMB FG			DEDUCTIBLES			ACV			COMP/OTC			SPEC C OF L		
DRIVE TO WORK / SCHOOL	< 15 MILES			15 MILES +			NET VEH DR/CR:																											TOTAL PREM: \$								
VEH #	4	YEAR	2017	MAKE:	Audi	BODY TYPE:	Sport Auto	VEHICLE TYPE		SYM / AGE		COMP / OTC SYM		COLL SYM		STREET (Required in KY)	CITY	COUNTY	STATE	ZIP	G/VW / G/CW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL	COST NEW														
GARAGING ADDRESS	124 Foothill Rd			Jacksonville			Duval			FL			38909																													
LIC STATE	FL																																									
USE	FARM			SERVICE			RETAIL			FOR HIRE			CHECK COVERAGES			ADD'L NO-FAULT			UNDRINS MOTOR TOWING & LABOR SPEC C OF L			F			LSP COMP/OTC			RENT REIMB FG			DEDUCTIBLES			ACV			COMP/OTC			SPEC C OF L		
DRIVE TO WORK / SCHOOL	< 15 MILES			15 MILES +			NET VEH DR/CR:																											TOTAL PREM: \$								





# Underwriting trends to improve profitability



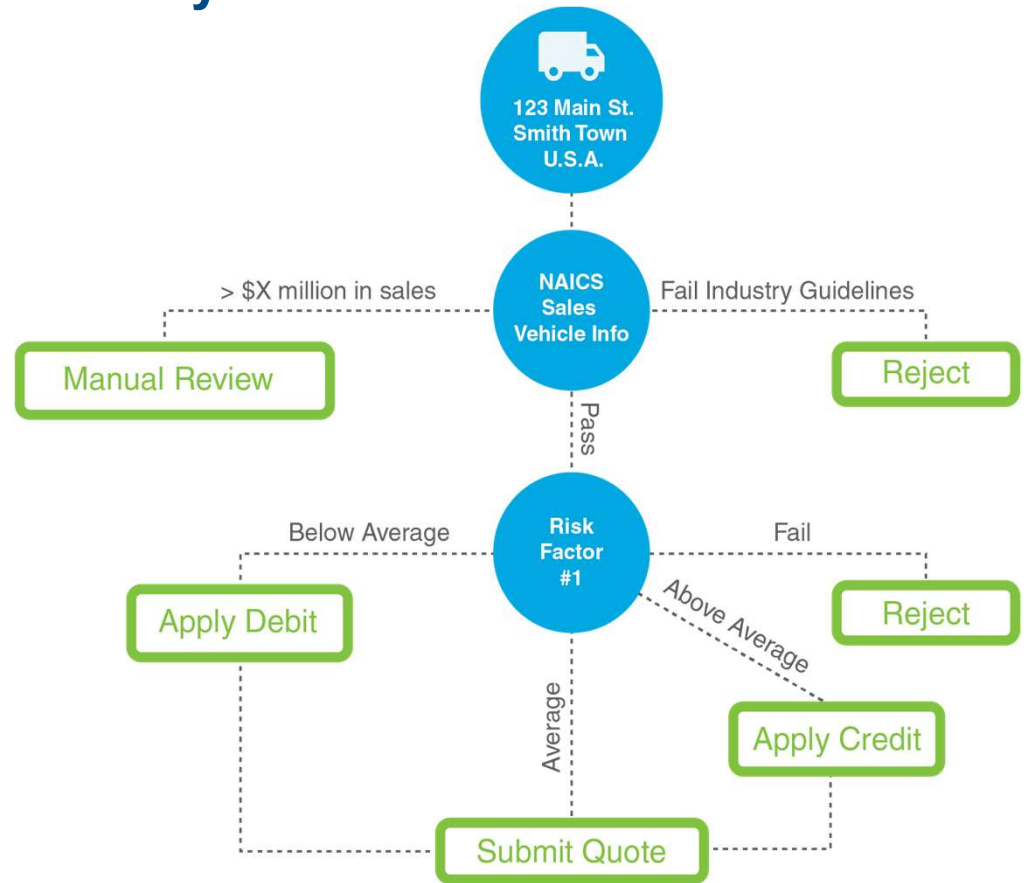
VEHICLE DESCRIPTION  ACORD 129 attached for additional vehicles AGENCY CUSTOMER ID: \_\_\_\_\_

VEH #	YEAR	MAKE	MODEL	BODY TYPE	VEHICLE TYPE	SYM / AGE	COMP / OTC SYM	COLL SYM
1	2016	Ford	E2500	Van				
GARAGING ADDRESS		STREET (Required in KY)		CITY	COUNTY	STATE	ZIP	
123 Main Street		123 Main Street		Jacksonville	Duval	FL	38909	
LIC STATE	TERR	GVW / GCW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL
FL		9,000		1522				COST NEW \$32,500
USE	PLEASURE	COMM	Trim Description		XL	Plate Type		Commercial
	FARM	RETAIL	Drive Type		AWD	Lease Indicator		N
DRIVE TO WORK / SCHOOL	< 15 M	SERVIC	Registration Date		20180703	Branded Title		Severe Brand
			Plate Number		BHU8790	Last Recorded Mileage		12,890
2	2007	Ford	E250	Van				
GARAGING ADDRESS		STREET (Required in KY)		CITY	COUNTY	STATE	ZIP	
123 Main Street		123 Main Street		Jacksonville	Duval	FL	38909	
LIC STATE	TERR	GVW / GCW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL
FL								
USE	PLEASURE	COMM	Trim Description		XLT	Plate Type		Regular
	FARM	RETAIL	Drive Type		FWD	Lease Indicator		N
DRIVE TO WORK / SCHOOL	< 15 M	SERVIC	Registration Date		20160918	Branded Title		No Brands
			Plate Number		JJO090	Last Recorded Mileage		167,009
3	2010	Freightliner	Sprinter	Cargo Van				
GARAGING ADDRESS		STREET (Required in KY)		CITY	COUNTY	STATE	ZIP	
123 Main Street		123 Main Street		Jacksonville	Duval	FL	38909	
LIC STATE	TERR	GVW / GCW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL
GA								
USE	PLEASURE	COMM	Trim Description		AWD	Plate Type		Commercial
	FARM	RETAIL	Drive Type		AWD	Lease Indicator		N
DRIVE TO WORK / SCHOOL	< 15 M	SERVIC	Registration Date		20160425	Branded Title		No Brands
			Plate Number		999090	Last Recorded Mileage		56,778
4	2017	Ford	F150	Pickup				
GARAGING ADDRESS		STREET (Required in KY)		CITY	COUNTY	STATE	ZIP	
124 Foot		124 Foot		Jacksonville	Duval	FL	38909	
LIC STATE	TERR	GVW / GCW	CLASS	SIC	FACTOR	SEAT CP	RADIUS	FARTHEST TERMINAL
FL								
USE	PLEASURE	COMM	Trim Description		Sport	Plate Type		Regular
	FARM	RETAIL	Drive Type		RWD	Lease Indicator		Y
DRIVE TO WORK / SCHOOL	< 15 M	SERVIC	Registration Date		19990913	Branded Title		No Brands
			Plate Number		FFY990	Last Recorded Mileage		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



# Risk segmentation

## NAICS/SIC (Occupation information)

- Rating Element – Essential in premium calculation
- Example – NAICS code 23: Construction

Drywall Contractors  
NAICS - 238310



Highway, Bridge &  
Street Construction  
NAICS - 237310



Oil & Gas Pipeline  
NAICS – 237120



Site Preparation  
Contractors  
NAICS - 238910

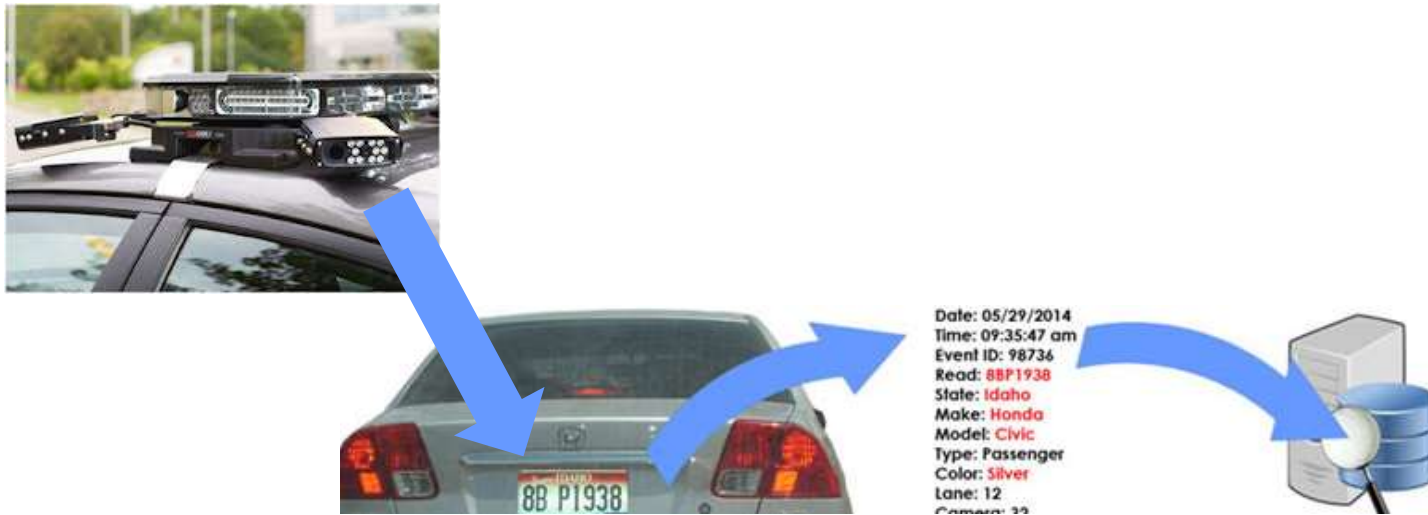






## Commercial Auto Visual Insight Data

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



## In summary

Risk verification and monitoring are crucial pieces to rate adequacy



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