

# C-30: Commercial Lines Underwriting – Auto

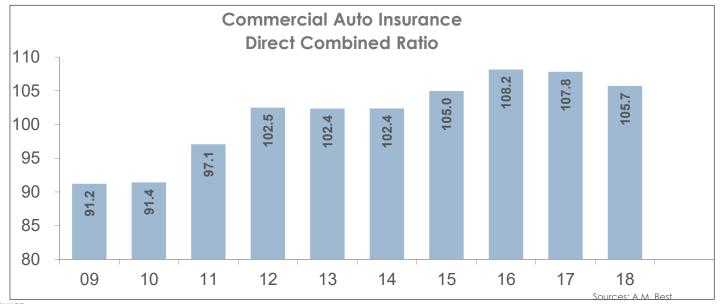
### CARe Seminar, June 4, 2019 Bermuda

Elliot Burn, FCAS, MAAA Vice President & Head of Actuarial and Data Products ISO



### **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



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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



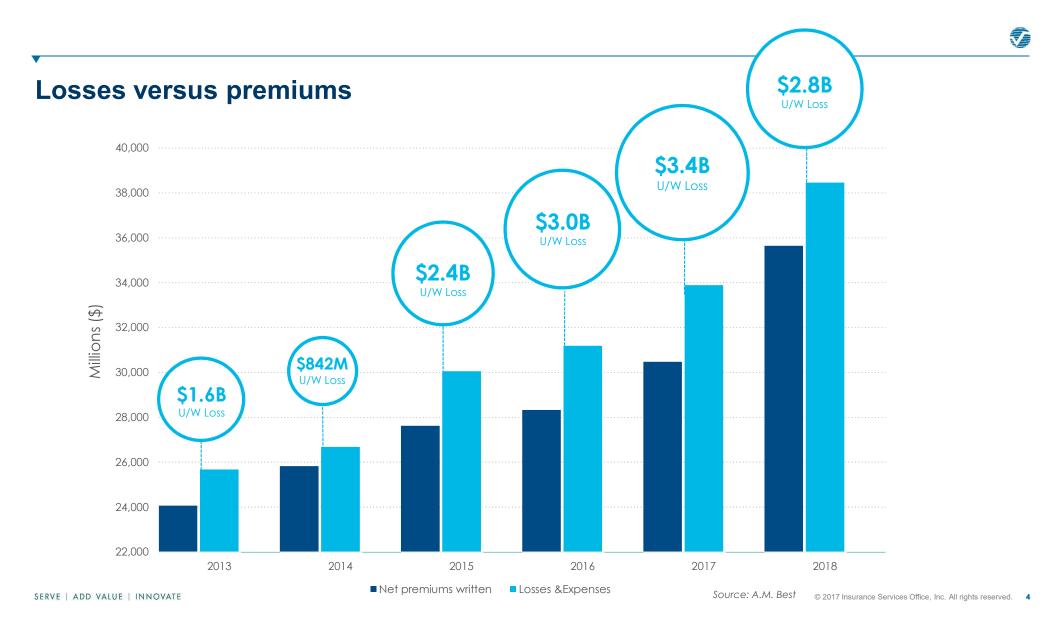
The need for as many as **50,000 drivers** is producing a glut of inexperienced drivers



27% of crashes involved drivers distracted by mobile devices

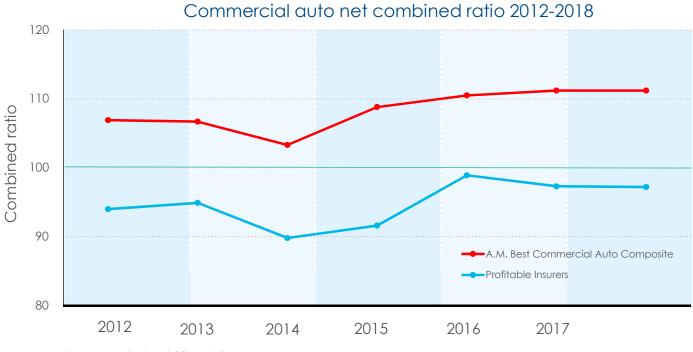


Loss severity per claim was up over 30% between 2012 and 2018



#### 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

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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

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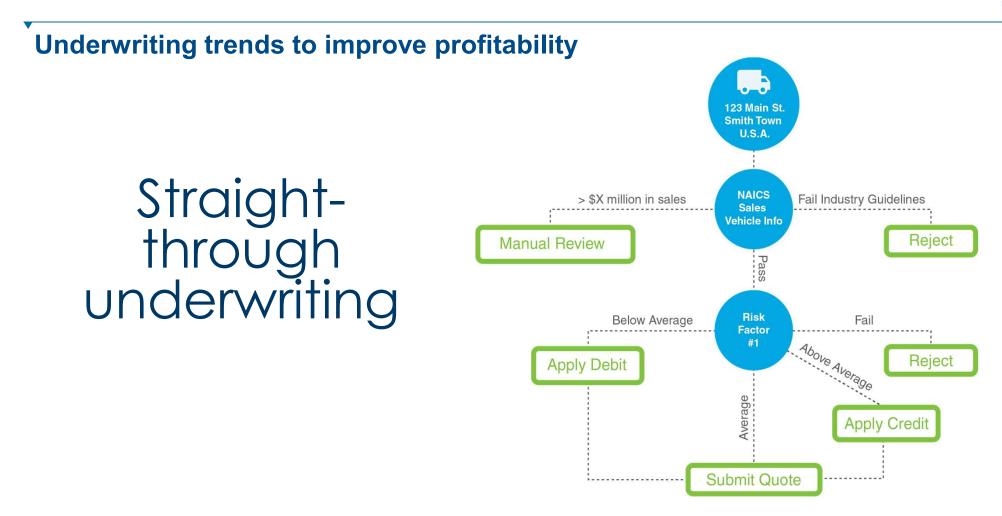
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### Underwriting trends to improve profitability

Clarity

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1	2016 MOD	EL: E	2500			BH41JXN	/N1091	86	PP SPEC X COML					
GARAGING	STREET (Re			CIT				COUNTY		ZIP				
ADDRESS	123 Ma	in St	reet	Ja	acksonville	sonville				FL 38909				
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### Underwriting trends to improve profitability

## Improved Agent/UW Experience



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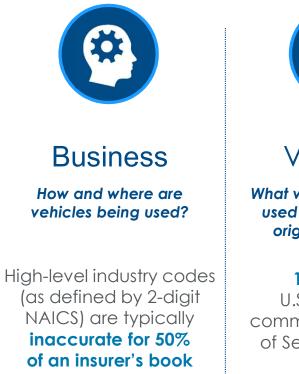
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## The Focus on Data



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

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





### 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	Outputs
	Key fields with 100% fill rate:
	VIN Number
	<ul><li>Year</li><li>Make</li></ul>
	<ul> <li>Model</li> </ul>
	<ul> <li>License plate (where applicable)</li> </ul>
Name	60+ other fields including:
Address	<ul> <li>Body type</li> <li>Antilock brakes</li> <li>Four-wheel drive (Y/N)</li> <li>Air bags</li> <li>Registered owner</li> <li>Name code (i.e. owner, lessor, lessee, lien holder, etc.)</li> <li>Branded designation (i.e. flood, junk,</li> </ul>
	<ul> <li>fire and hail damage, stolen, etc.)</li> <li>Plate type (i.e. official, exempt, form</li> </ul>

### 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		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 No	Yes							

Confirm vehicle characteristics

Distinguish cars most likely used for personal use V

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### **Risk segmentation** NAICS/SIC (Occupation information)

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



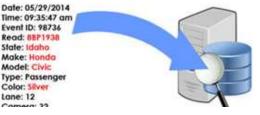
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### **Commercial Auto Visual Insight Data**

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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### In summary

# Risk verification and monitoring are crucial pieces to rate adequacy



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