

CAS RPM Seminar Commercial Auto

March 2018



VEHICLE INSURANCE SOLUTIONS

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Premium Leakage



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Premium Leakage Study: RADIUS

- Local radius trucks
 - Makes up about 80% of vehicles in statistical data reported to ISO
- Sample size: 179,000 vehicles
- Each vehicle sighted at least once




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Pricing Impact on a Single Truck

- Loss costs increase by ~ **30%** when trucks are operated more than 50 miles from garage location
- Estimated premium leakage per vehicle due to local radius misclassification: **\$625***



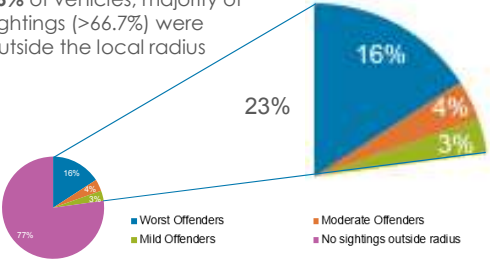
* Estimated average policy premium (all coverages combined): \$2,100

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Overall Findings

- **23%** of vehicles sighted at least once outside the local radius
- **16%** of vehicles, majority of sightings (>66.7%) were outside the local radius




■ Worst Offenders ■ Moderate Offenders
■ Mild Offenders ■ No sightings outside radius

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What does this mean in aggregate?

- If 16% of locally rated vehicles are misclassified, that's **\$1.1 billion** per year in leakage!
- Over a four year time period, the industry is at risk of giving up **\$4.4 billion!**



<https://www.verisk.com/insurance/campaigns/recapturing-billions-in-commercial-auto-premium-leakage/>

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Analytics ?



VEI Insurance Solutions

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Analytic Maturity in Commercial Auto

In your own judgment, has your company achieved a "best practices" level of analytic maturity in Commercial Auto Pricing?

- Yes
- No

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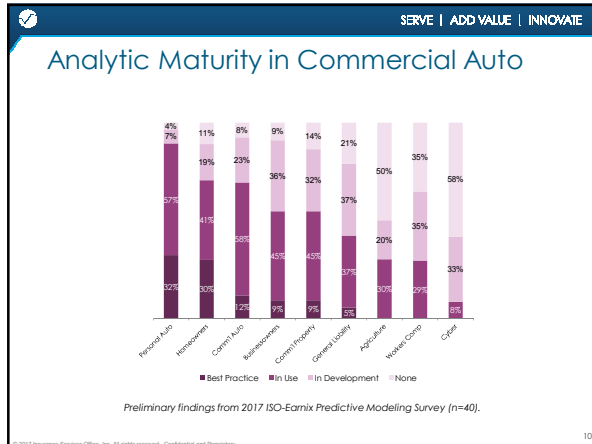
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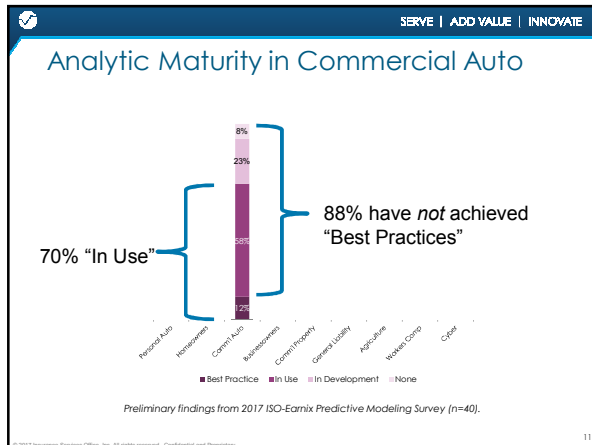
Analytic Maturity in Commercial Auto

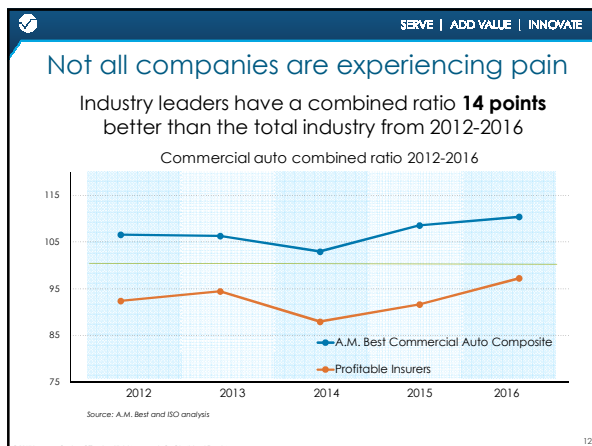
What percentage of the industry do you think has achieved a "best practices" level of analytic maturity in Commercial Auto Pricing?

- 0-10%
- 10-20%
- 20-40%
- 40-60%
- 60-100%

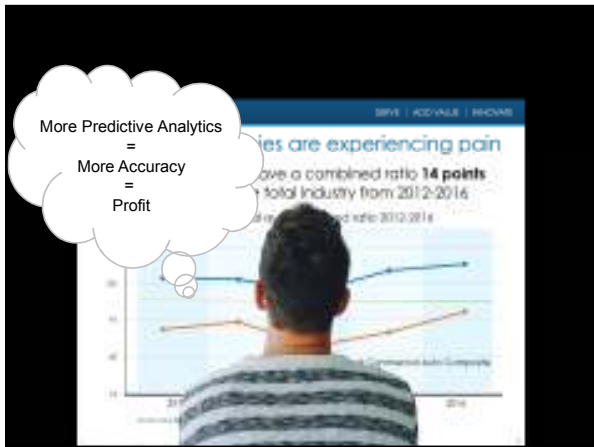
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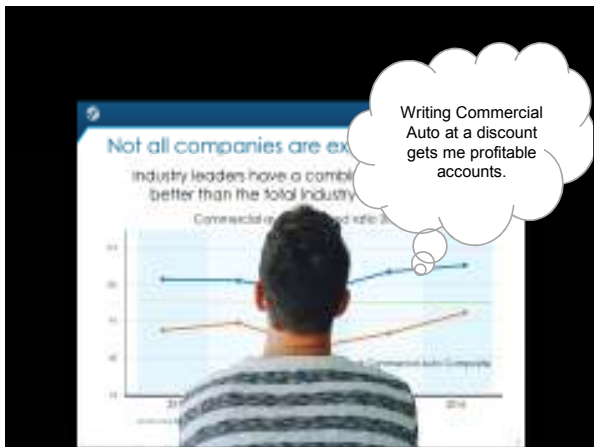










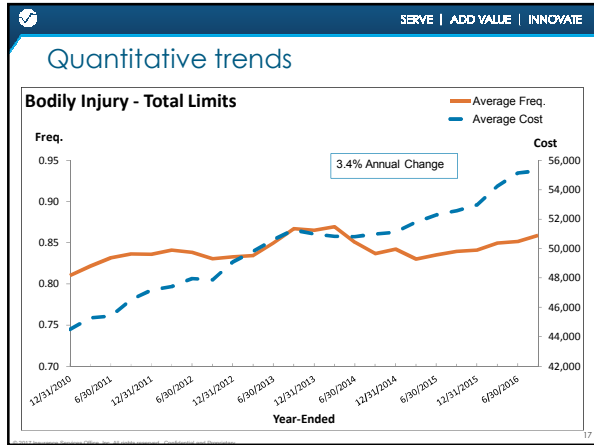


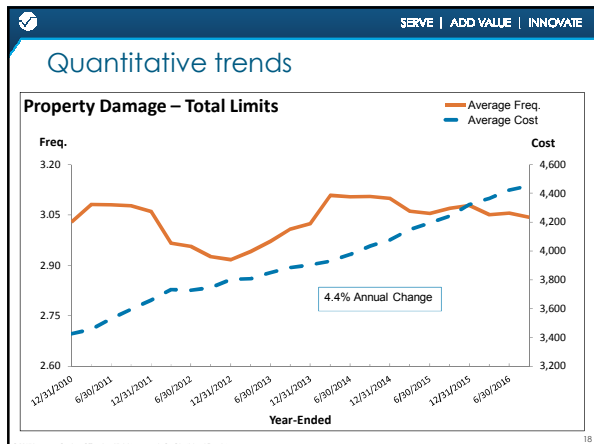
Overall Experience

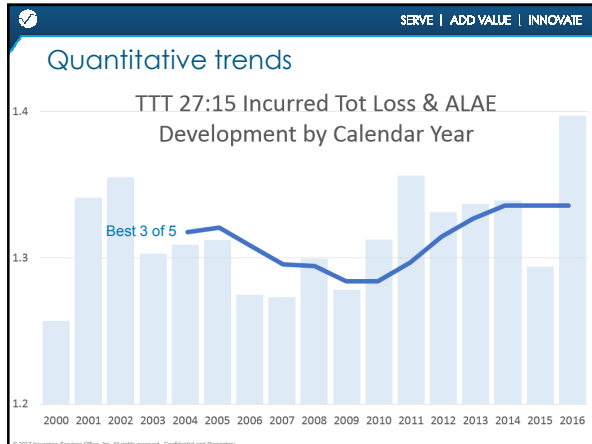


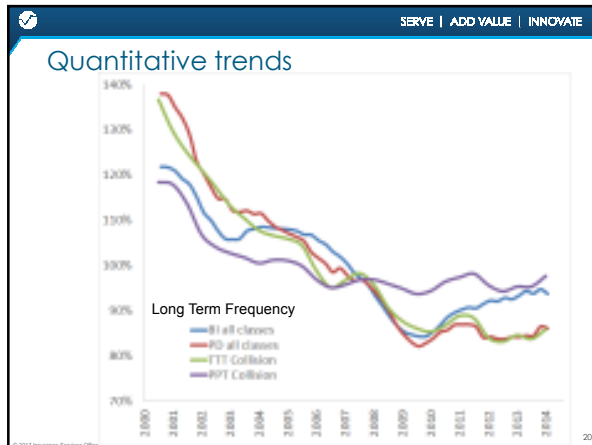
Voltek Insurance Solutions

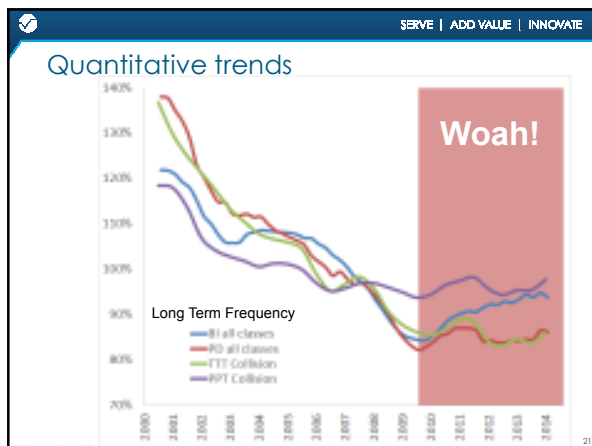
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ISO Optional Class Plan



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Optional Class Plan

	Current Class Plan	New Optional Class Plan	
Deduplicative Changes	Trailer Secondary Factors	Secondary factors do not apply to Trailers	Multiplicative secondary factors will now apply to Trailers ¹
	Trucks, Tractors, and Trailers Primary and Secondary Factors	Added together	Multipled along with most other factors ²
	Service and Utility Trailer Liability	Coverage automatically provided	A less cost option being provided by the risk
	Trucks, Tractors, and Trailers Physical Damage (New Factor)	Same for Collision and Comprehensive	Factor will be coverage ³
	Trucks, Tractors, and Trailers Secondary Factors	Same for Liability, Collision and Comprehensive	Factor will be coverage ⁴
	Mobile Equipment Tugles Primary Factors	Same for Liability, Collision, and Comprehensive	Factor will be coverage

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Optional Class Plan

	Current Class Plan	New Optional Class Plan	
Vehicle Age, Weight, Gross Vehicle Weight, and Trailer Capacity	Rating by Vehicle Age	Customize for 10 model year and all other vehicles are cellular	Differentiate individual years through a three category (0-10) model year and other
	Original Cost less 100% or Market Amount Rating	Linear increments ratings for vehicles over \$50K	<ul style="list-style-type: none"> + Linear increments ratings removed for vehicles over \$50K + More robust insurable, such a category of \$500K or greater
	Physical Damage	Age and GCW Factors are separate	<ul style="list-style-type: none"> + The Age and GCW Factors combined into a single Vehicle Factor that differs by Age and Price + The Collision Vehicle Factor will be affected by Trucks that for Trucks and Tugles Factors
	Physical Damage Catastrophic Element Factor	Subtracted from the GCW Factor	Subtracted from the Vehicle Price Factor

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Optional Class Plan

	Current Class Plan	New Optional Class Plan
First Factors	Only distinctions between C-4 and C-5 (C-4)	Will be replaced by First Sum Factors (See Below)
	Yes	Will consist of management differentiated by: <ul style="list-style-type: none"> • VEHICLE SIZE BY TRUCK, TRUCKS, AND TRUCKS EQUIPMENT • Vehicle Size and Business Use for Trucks and Truck Tractors/Trailers
New Factors	etc.	A re-architected factor based on the 2012 North American Industrial Classification System (NAICS) classification code with introduction of affected classes and coverages. ¹

1. First factors differ by the first four digits, but all six NAICS code digits will be used in the new rating plan.

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Optional Class Plan

- NAICS is highly predictive
 - Filed selections tempered significantly
- TTT Liability Indications:

Description	Indication
Agricultural, Forestry, Fishing, Hunting	1.5
Specialty Trade Contractors	1.1
Manufacturing	0.8
Trade, Transportation, and Warehousing	1.3
Truck Transportation	1.5
Telecommunications	0.2
Real Estate	0.6
Renting and Leasing Services	1.5
Educational Services	0.4
Arts, Entertainment, Recreation, Accommodation, Food Service	0.7
Religious, Grant-making, Civil, Professional	0.6
Public Administration	0.2


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Optional Class Plan

Insurance

NEWS | RESOURCES | SPECIALTY | RISK | ABOUT | CONTACT US

Agents struggling to find coverage for Cali couriers



LET'S TALK

Agents are struggling to find coverage for California couriers and are looking for help from their Bay Area agent.

Expert advice: importance of establishing liability coverage

How to establish liability coverage for your business.

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Lift Example: TTT Liability





Image source: <https://www.pexels.com/photo/dart-dartboard-game-precision-242494/>

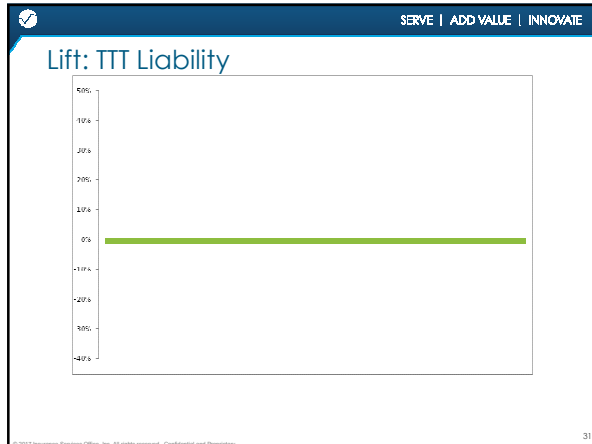
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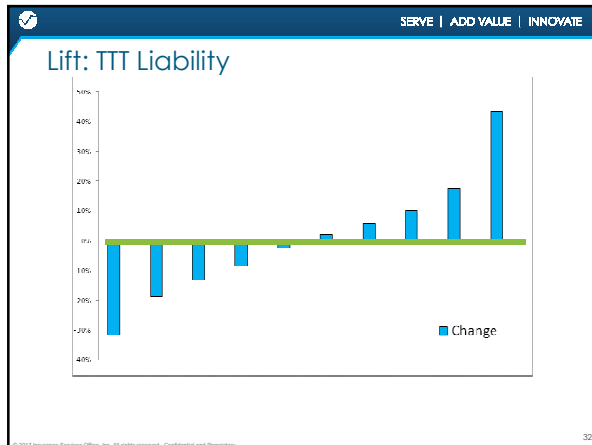
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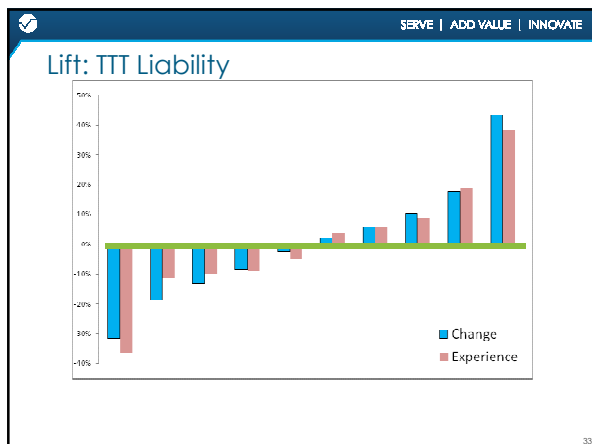
Lift: TTT Liability



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Filing Status

Not yet filed in: MA, HI

All States have approved where filed.

Full Documentation:
ISO Circular LI-CA-2015-152

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How This Works

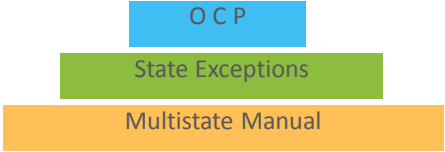


image source <http://freeshot.com/gear/>

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How This Works

- Temporarily Optional
- Rule 200 controls:



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How This Works

- Temporarily Optional
- Rule 200 controls:
 - Trucks, Tractors, and Trailers (non-zone-rated)
 - Private Passenger Types
 - Liability CSL BI & PD
 - Collision
 - Comprehensive & Specified Perils

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How This Works

- Temporarily Optional
- Rule 200 controls:
 - Trucks, Tractors, and Trailers (non-zone-rated)
 - Private Passenger Types
 - Liability CSL BI & PD
 - Collision
 - Comprehensive & Specified Perils
- Two Sets of Loss Cost Pages

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Looking Forward


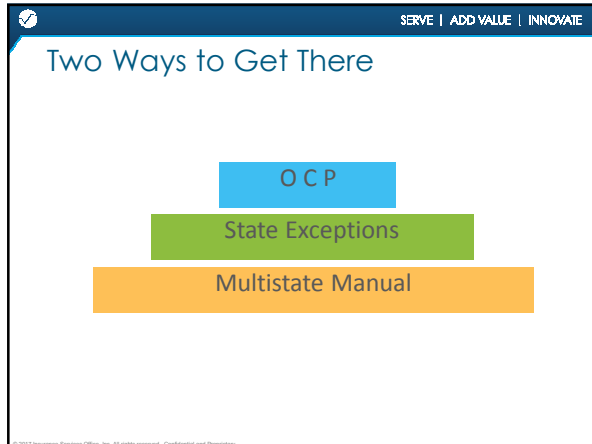
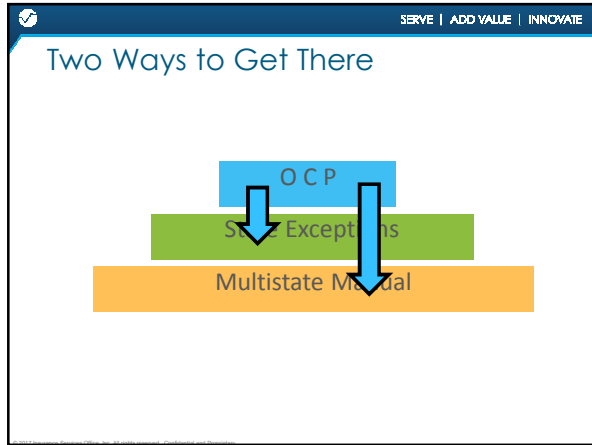


image source: <https://www.pexels.com/photo/rocks-river-stones-nature-7138/>







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Looking Forward

- 1st: Mandatory Stat Reporting 7/1/2019
- 2nd: Expansion of OCP Rules replicating all current manual rating instructions. (2020?)
- 3rd: OCP-based Extension of Exposures in Experience Reviews
- 4th: Stop support for older plan.

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