



Innovation Journeys With Four Leading Auto Insurers



In today's competitive landscape, Verisk auto innovations are helping insurers work smarter to improve growth and profitability, reduce underwriting expenses, and advance digital and customer experience strategies. Follow these case studies to learn how four market leaders are hitting critical targets with Verisk solutions.





Seeking savings and resiliency on loss history and coverage reporting

The challenge

A leading auto insurer came to Verisk with two goals:

1. Reduce its expenditure on loss history reports—40 percent of which are clean on average—and spending on proof of prior insurance.
2. Gradually implement the new solution to manage demand on IT resources while realizing increased cost savings over the course of the migration.

An average of 40% of loss history reports have no claim activity

The solution

By using Verisk's unique loss history and policy history solutions and a dual-vendor strategy, the insurer was able to take strides toward both objectives.

The Proof of Prior Insurance option in Coverage Verifier enabled the insurer to rapidly verify whether a customer had existing coverage or a lapse—before proceeding with a quote. And with A-PLUS™ Claims Activity Profiler (CAP), the insurer could decide whether to order a full loss history

at quote based on a yes/no indicator of activity deemed relevant under the company's specific underwriting criteria. These non-FCRA tools effectively allowed the insurer to customize its data ordering solutions to align with its desired workflow. With cost-efficient pricing and a consultative approach, Verisk was able to deliver what the insurer needed.

The implementation

Multiple proofs of concept demonstrated that Verisk's solutions performed as well as those the insurer has been using. Verisk was able to exceed the hit rates of the other provider on submitted queries. By taking a phased geographic approach to implementation, the insurer simplified integration while providing future opportunities to save.

The results

The insurer was able to easily verify proof of prior insurance at quote. And Verisk's loss-history hit rates exceeded a critical benchmark of about 60 percent set by the insurer. The solutions significantly improved the company's ability to price business correctly based on the presence or absence of chargeable claims. And this became achievable while reducing the number of second rate calls in which customers are upcharged based on loss history found after the initial quote. By employing an innovative data-forward strategy, the insurer could avoid unpleasant surprises that cause potential customers to abandon quotes before bind—and instead, increase conversion rates for new business.



Driving telematics forward with connected cars

The challenge

A large, national insurer with a mature telematics program sought to expand its usage-based insurance (UBI) program. The needs were:

- To scale up its program and accommodate connected car telemetry from the leading automakers connected to the Verisk Data Exchange™
- To access a connected car telematics data package with aggregations and exposure categories to fit with its existing proprietary behavior-based scoring algorithm
- To enable a differentiated UBI purchase experience that granted personalized, behavior-based discounts at point of sale to drivers of connected cars

The solution

The Verisk team employed advanced data assessment, harmonization, and validation processes to transform raw telemetry from connected cars into a custom format that the insurer could plug into its existing model. This information included driving data aggregations and exposure categories customized to the insurer's proprietary model input requirements. The Verisk solution employed an extensive benchmark driving data set enabled by more than 250 billion trip miles of data in the Verisk Data Exchange.

To assess the lift from connected car data features and validate the transformations, the insurer used Verisk's secure, cloud-based research and development analytics environment preloaded with anonymized driving data as well as the insurer's premium and loss information. Using the environment's statistical analysis software, the insurer confirmed the compatibility of Verisk's connected car data on a sample of real-world policy information.

The implementation

Verisk provided an application programming interface (API) that delivers the driving data package at the vehicle identification number (VIN) level. This information is fed directly into the rating engine. Each data package has the specific attributes required for the existing algorithm, allowing the insurer to immediately calculate the applicant's proper discount without the need for additional data transformations.

Now, qualified drivers who have consented to share data with the Verisk Data Exchange through their automaker can receive their personalized, behavior-based discount from the insurer's UBI program at point of quote. When Verisk delivers the data package, the insurer can provide a robust purchase experience that includes an accurate, individualized safe driving discount upfront. There's no multiweek observation period, no additional hardware, and no mobile app to download.

The results

Working with Verisk enabled the insurer to expand its UBI program into the connected car market and improve the customer purchase experience. The new connected car data solution sits alongside the insurer's existing data feeds for dongle and mobile-derived telemetry. Verisk's expertise with harmonizing driving behavior data allows the insurer to continue using its proprietary scoring model to offer behavior-based discounts to a new set of drivers. This capability expanded the reach of the UBI program and eliminated the need for new filings or changes to the existing rating plan.

The insurer is in-market today with its expanded UBI program that uses connected car driving data from the Verisk Data Exchange to enable delivery of discounts at point of quote. Applicants with connected cars are benefiting from this streamlined purchase experience and demonstrating a 3-4x improvement in bind and conversion rates.

Verisk also helps the insurer minimize its expenses, allowing it to pay only for the data needed to calculate the insured's discount, a drastic reduction versus the cost of deploying a hardware dongle or mobile app. In parallel, the insurer also delivers an enhanced customer purchase experience to connected car drivers with observation-free UBI discounts provided during the quote process.

Applicants with connected cars are demonstrating a 3-4x improvement in bind and conversion rates.



Streamlining and saving on motor vehicle reports

The challenge

A major national insurer was spending heavily on MVRs. Further concerns arose when a regional data outage underscored the importance of being able to verify a risk's driving history. Without data continuity, major business disruption can occur. If an insurance company cannot quantify a person's risk at the time of quote, re-rating may need to occur later. This can raise a person's insurance premium, resulting in a poor customer experience and greater potential for an abandoned quote. These issues highlighted the need for:

- Redundancy and resiliency to avoid interruptions in underwriting and quoting
- A means to rein in costs associated with ordering unnecessary MVRs

The solution

The insurer saw an opportunity to realize cost savings in key states by accessing Verisk's unique driving history tools. Testing in selected states confirmed the potential value of the investment.

Verisk's driving history solutions deliver robust access to driving record details. Verisk also offers an MVR Risk Indicator, an evidence-based tool that provides a quick and simple yes/no response about the presence of adverse activity on a motorist's driving record. These innovative risk indicators enable the insurer to focus underwriting spend on drivers with activity in their recent past.

The implementation

An insurer must carefully evaluate the decision to implement with a new provider. In this instance, the investment case was multifaceted. Customer experience, cost savings, redundancy through use of more diverse providers, and access to innovative tools made working with Verisk the right call for an insurer focused on the future.

Some insurers have reduced their driving history underwriting expenses – the most significant underwriting cost – by 25% to 35%.

The results

Bringing Verisk's data into the early stages of the quote flow made an impact. Because on average, 75% of people have clean driving records, insurers can reduce underwriting expenses by 25 to 35 percent by focusing spend on the riskiest drivers.



Improving commercial auto rating with precise radius data

The challenge

A leading commercial auto insurer came to Verisk seeking to improve its profitability by better understanding each vehicle's radius exposure at time of quote. Like much of the commercial auto industry, the insurer observed that nearly 95 percent of incoming business was rated at a local radius but suspected that number was too high. Radius information is largely self-reported and may often be inaccurate as a result. The insurer didn't have a way to verify the incoming radius classification, nor did it have IT resources available to support an involved implementation.

The solution

By using Verisk's unique RadiusCheck solution, the insurer was able to identify vehicles that regularly traveled outside of the declared radius. Not only did the solution capture radius misclassification that had led to premium leakage, but it also identified territory misclassification and potentially ineligible risks through vehicle sightings outside the policy state.

Using RadiusCheck, the commercial auto insurer is alerted to the 30 percent of vehicles driven outside the declared radius, allowing for the recapture of millions of dollars of premium leakage.

Verisk estimates radius discrepancies cause \$6.4 billion a year in premium leakage.

A Verisk study estimates that misclassification by radius alone could cause \$6.4 billion of commercial auto premium leakage.

The average premium leakage of a commercial vehicle incorrectly rated at local instead of intermediate radius is \$625.

On average, radius misclassification costs \$625 in premium leakage per vehicle.

The implementation

A proof of concept demonstrated that the RadiusCheck solution could pinpoint location information specific to the commercial auto book, allowing the insurer to create underwriting rules for when vehicle radius or territory would be reclassified.

Verisk supported renewal batch file analysis with the most up-to-date, relevant information to guide changes at renewal.

The results

Summary sighting analysis and premium leakage calculation enabled the insurer to realize a significant return on investment, enough to potentially reverse negative loss trends in the book. The insurer now has the data to back up a longtime suspicion that among the 95 percent of vehicles declared as operating at local radius, the actual exposure was much higher than the pricing reflected.

Four Keys to Success

At Verisk, we believe success in today's auto insurance market depends on four catalysts to accelerate competitiveness: Speed, accuracy, scale, and a great customer experience.

But how can you have it all? It takes the right mix of ingredients:

1

The right data and analytics partner.

Get ahead with exclusive underwriting insight.

2

The right focus.

Meet today's digital expectations with a data-forward strategy.

3

A smart economic model.

Buy only the data you need to price precisely and sell more.

4

An ecosystem to back your promises.

Maximize value and ensure resiliency.

As you plan for the future, what comes next doesn't have to echo what came before. If you're relying on outdated transactional models that bring data in too late, you may not be able to meet rising digital expectations in an extremely competitive landscape. It may be time to consider more of what Verisk can offer.

What if you could know which data is relevant and when? What if you could tap into deep, accurate data assets across the policy life cycle? What if enterprise licensing and one-of-a-kind solutions could change the old rules? To explore what's possible, we invite you to take a deeper look at Verisk auto innovations.



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