



The Fire Still Burns:

The State of the Commercial
Auto Market

The Path to Profitability



Macroeconomic trends challenge many commercial auto insurers

Following the Great Recession of 2008, commercial auto premiums are up, but so are claim frequency and severity

Economy

Economic growth means more vehicles clocking more miles



Miles driven were **6.2% higher** in March 2018 compared with March 2013¹

Drivers

About 51,000 more drivers are needed to meet distribution demands from large corporations



The need to meet increasing demand has created an **inexperienced driver population**, with little required training^{2,3}

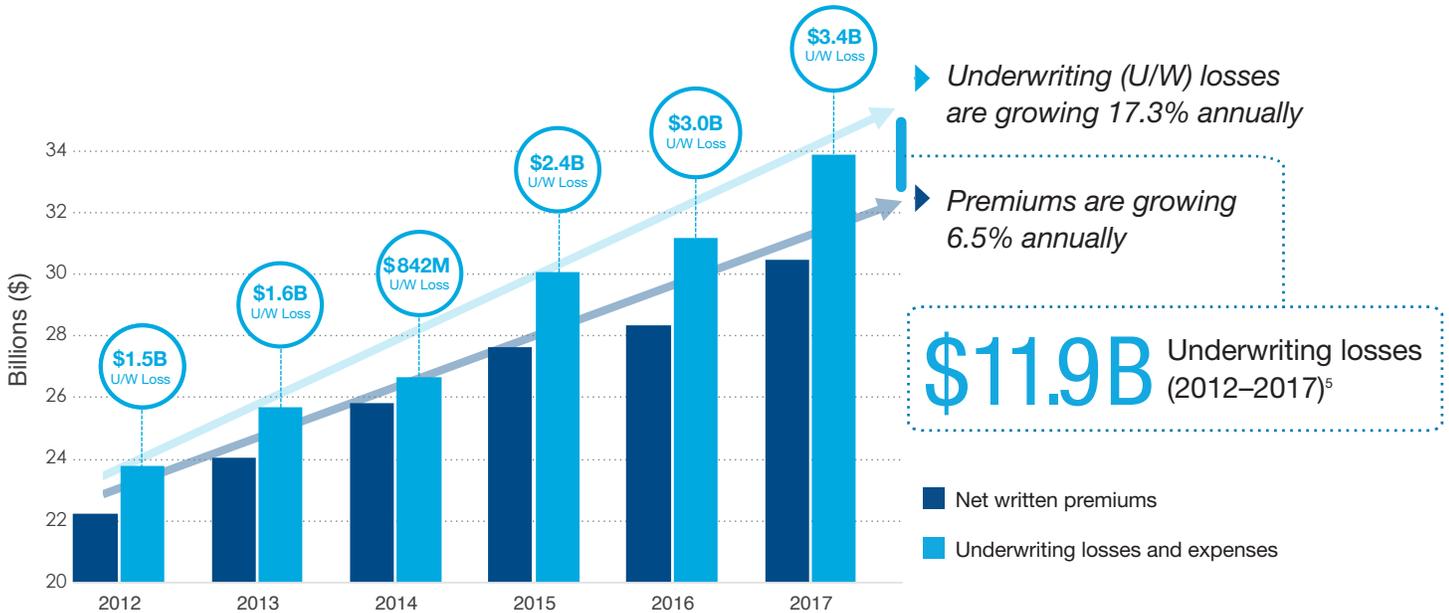
Technology

Technology drives up repair bills and fuels distracted driving, while medical costs keep rising



Loss severity per claim is up nearly **40% from 2009 to 2017**, worsened by technology's effects⁴

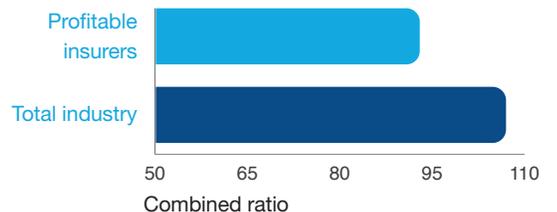
The result: losses are outpacing premiums



However, not all insurers are hurting

Profitable insurers have a combined ratio **13.5 points**⁶ better than the total industry for the years 2012–2017

Six-year average combined ratio 2012–2017



Replicating this success demands a reset of commercial auto fundamentals

Risk Targeting & Segmentation



Effectively use analytics to improve segmentation and grow faster



Let data drive risk selection and rating decisions—know when to underwrite and when to walk away



Use analytics to target ideal combinations of class and geography

The impact of analytics

97%

of commercial auto insurers surveyed consider predictive analytics a value to their organization⁷

Risk Selection, Pricing, & Underwriting



Improve risk selection and pricing with **comprehensive and verified data**



Know how and where vehicles are used



Know what vehicles are being used for and their value



Know the drivers and their histories

Risk classification matters

50%

of high-level industry codes (as defined by 2-digit NAICS) are typically inaccurate in an insurer's book⁸

Portfolio Monitoring



Proactively manage risk to win over time



Quickly respond to changing market conditions



Monitor risk changes to keep rates adequate



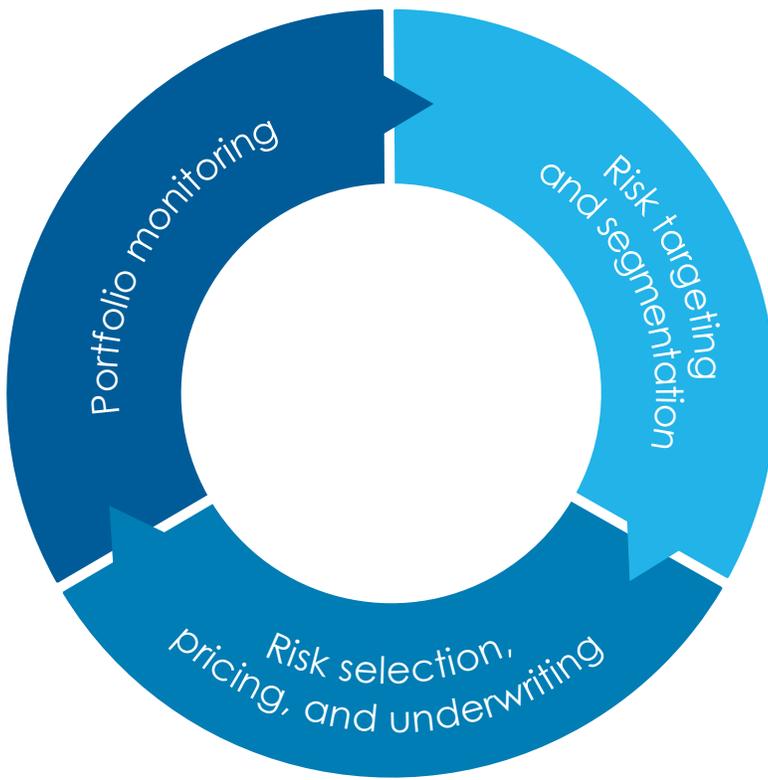
Deploy strategies to track and improve driver safety

Risk changes constantly

7x

A study of one insurer's portfolio uncovered a policy where vehicle exposure was 7 times greater than the rated vehicle exposure⁹

Verisk's complete solution set can steer you to commercial auto profitability



Risk Targeting and Segmentation

- Granular class plans
- Predictive modeling
- Benchmarking data
- Loss reserving tools
- Market sizing data
- Commercial auto symbols

Risk Selection, Pricing, and Underwriting

- Business information
- Vehicle information
- Claims history
- Motor vehicle reports
- Garaging location
- Radius validation
- Telematics
- Data prefill technologies/APIs

Portfolio Monitoring

- Driving violation alerts
- Driver/vehicle behavior
- Risk mitigation campaigns
- Easy updates to advisory loss costs, rules, and forms
- Nimble create new CA products

1. U.S. Department of Transportation Federal Highway Administration Traffic Volume Trends report
2. *The Washington Post*, May 2018
3. U.S. Bureau of Labor Statistics
4. ISO analysis, June 2018
5. A.M. Best data and ISO analysis, June 2018

6. A.M. Best data and ISO analysis, June 2018
7. ISO analysis, June 2018
8. ISO analysis, June 2018
9. ISO analysis, June 2018

For more information

Learn more about how Verisk can help you conquer your commercial auto challenges.

Contact your Verisk representative, visit [Verisk.com/CommercialAuto](https://www.verisk.com/CommercialAuto), or e-mail commercialauto@verisk.com

