



## Case Study: 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 speed, accuracy, scale, and a great customer experience. All it takes is the right ingredients:



**Exclusive underwriting insight from the right data and analytics partner.**



**A data-forward strategy with the right focus for today's digital expectations.**



**A smart economic model targeted to the data you need.**



**An ecosystem to help you maximize value and resiliency.**

Transactional models that pull data too late may leave you short of rising digital expectations amid relentless competition. Are you sure which data is relevant and when, across the policy life cycle? Can you tap into deep, accurate data assets with enterprise licensing and unique solutions that change the old rules? We invite you to explore what's possible with Verisk auto innovations.



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