

# Reducing

Commercial Auto Risk Exposure  
**for Incomplete Trucks**  
through Accurate Data  
and Automation



# Are you understating premiums on commercial trucks?

Information is recognized as one of a company's most valuable assets, with the value of that information increasing dramatically as its accuracy increases and it is used. For commercial auto insurance carriers, accuracy is the ultimate variable in risk mitigation; it supports operational process efficiency and expedites quote response for current and prospective customers. At the same time, the level of accuracy required is highly dependent on the type of information and how it will be incorporated into the underwriting process.

Insurance carriers are, of course, faced with a myriad of challenges they must consider when looking to integrate new or enhanced data into their existing systems, including:

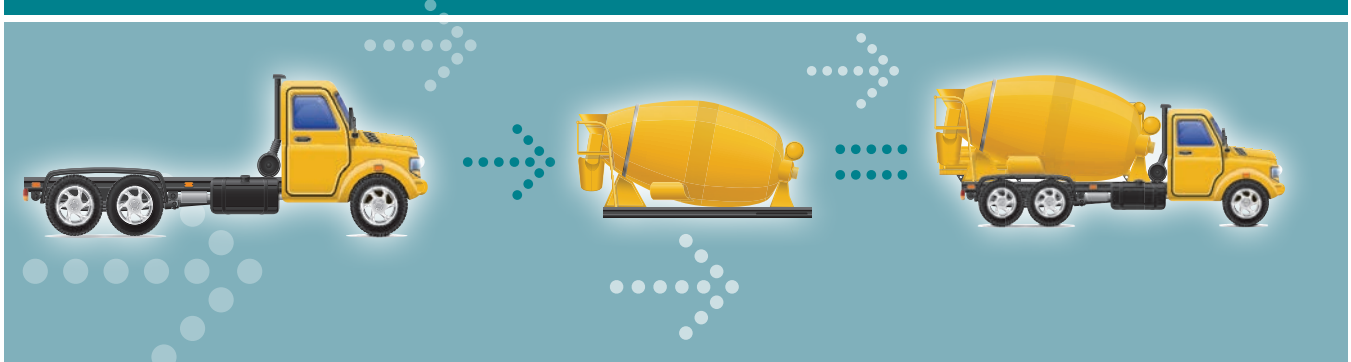


However, the question must be asked if the added risk exposure in maintaining business-as-usual processes outweighs the growing pains of moving to more accurate, data-driven technologies and processes.

One key data element for accurately underwriting a commercial vehicle is the Original Cost New (OCN). Today, many commercial insurance carriers rely on Vehicle Identification Number (VIN) decoding as a primary way to obtain a vehicle's OCN.

When a manufacturer assigns a VIN to a commercial truck, the VIN contains many critical details about that truck, including its manufacturer, model, year, trim, major components, and weight. Additionally, the VIN reveals if the vehicle was "complete" or "incomplete" when it left the factory.

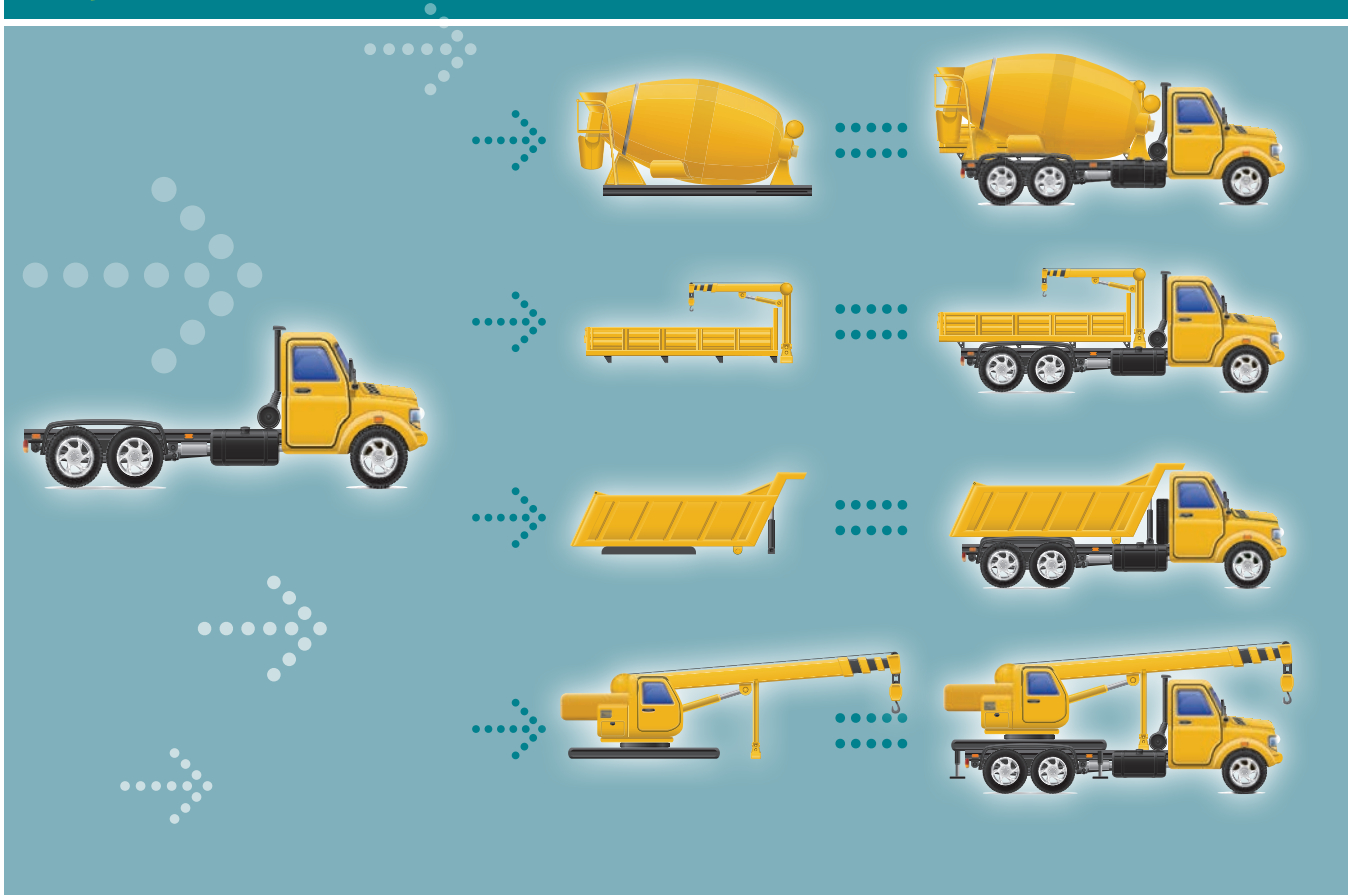
Figure 1



**Complete vs. incomplete** is a significant distinction for commercial trucks. This one factor causes commercial auto insurance carriers to underestimate the true OCN, leading to lower premiums and an incomplete understanding of the risk for the insurance carrier—what is known as premium leakage.

Incomplete trucks require customization before they can begin their useful life. This customization is specific to the unique needs of the business and reflect the specialized applications of the truck, such as within the construction, food transport, utility, or medical transport industries. Importantly, these customized truck bodies can add significant value to the OCN and will not be captured by the VIN.

Figure 2



## Figure 3- An Illustrative Example

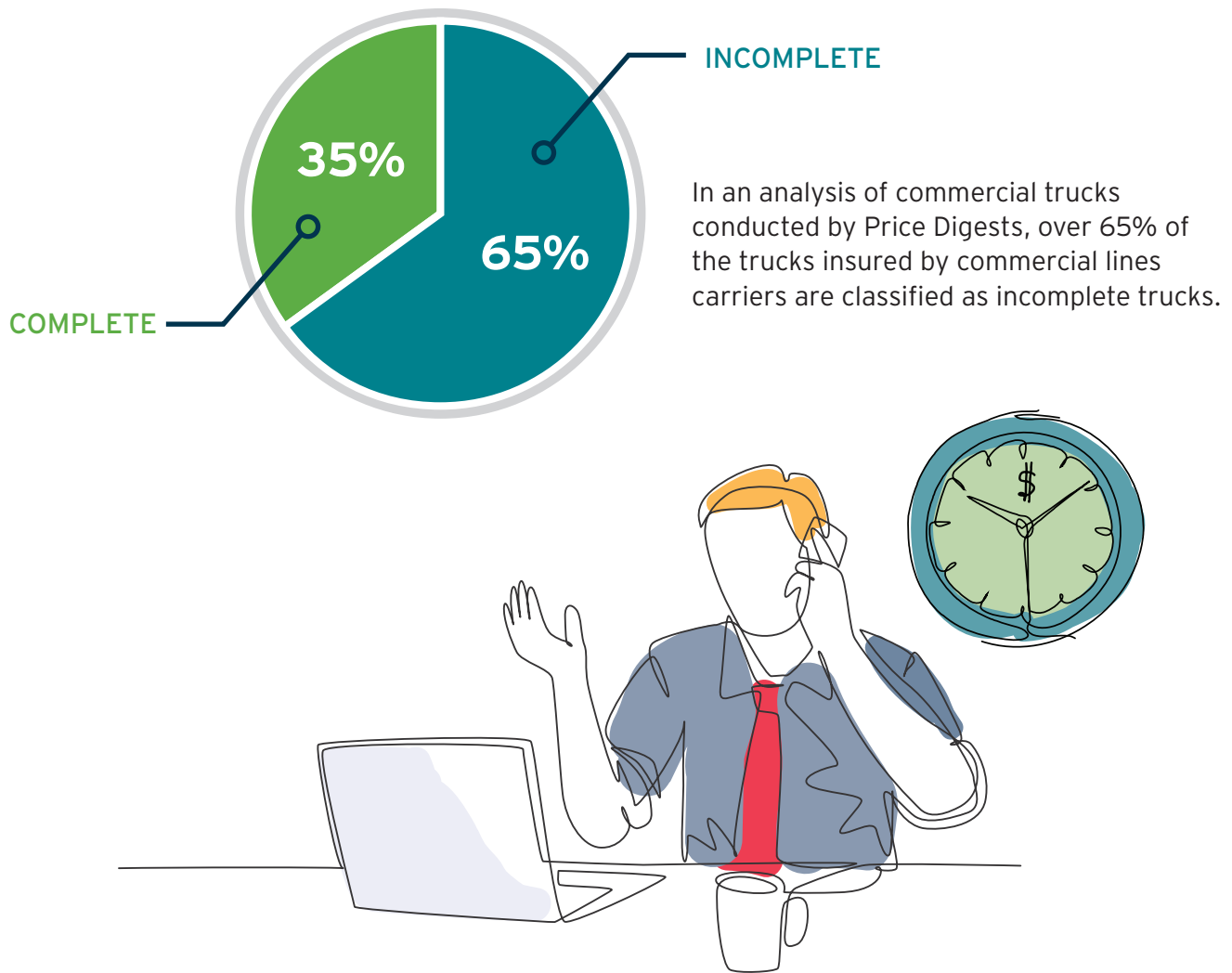
Acme Construction is expanding its business and part of this expansion includes the acquisition of a commercial truck. For Acme's intended use, Acme chooses to purchase a used 2013 Peterbilt 210 with VIN: 3BP1HM6X5DF590051 and contacts their insurance carrier for a quote. When the VIN is keyed into the carrier's system for a premium quote, the VIN reveals that this specific truck is an incomplete truck. Additionally, the VIN provides other key specifications including age, OCN, gross vehicle weight or gross combined vehicle weight, truck/tractor indicators, and other attributes used to determine premium. While each carrier will use their own proprietary mix of information to determine premium for the vehicle, if no further information tied to the VIN is collected, risk and financial exposure are introduced.



An obvious question to consider at this point is just how much a final truck configuration can impact OCN, and thus how much this detail can influence the premium quoted. The illustration below (Figure 4) outlines the impact various custom bodies can have on a sampling of makes and models. Depending on the type and configuration of the truck body outfitted, there is potential for an 80% or more increase to the OCN—but even on the lower end, a 20% increase to OCN can still materially impact the risk being underwritten by the insurance carrier.

Figure 4

Make	Model	Year	VIN	Incomplete Truck (Cab and Chassis) MSRP	Custom Body	Complete MSRP Value	Value % Increase of Complete vs. Incomplete Truck MSRP
Freightliner	114SD	2012	1FVHG3DV9CHBK1662	\$134,775	15-16 cu. Ft Aluminum Dump Body	\$160,375	19%
Freightliner	114SD	2012	1FVHG3DV9CHBK1662	\$134,775	13 cu. Yd. Concrete Mixer	\$196,475	46%
Freightliner	114SD	2012	1FVHG3DV9CHBK1662	\$134,775	42' Insulated Lift Bucket	\$179,055	33%
Kenworth	T800	2018	1NKDL70X2JR207953	\$157,232	15-16 cu. Ft Aluminum Dump Body	\$191,448	22%
Kenworth	T800	2018	1NKDL70X2JR207953	\$157,232	13 cu. Yd. Concrete Mixer	\$238,079	51%
Kenworth	T800	2018	1NKDL70X2JR207953	\$157,232	42' Insulated Lift Bucket	\$218,251	39%
Peterbilt	210	2013	3BP1HM6X5DF590051	\$75,448	15-16 cu. Ft Aluminum Dump Body	\$101,448	34%
Peterbilt	210	2013	3BP1HM6X5DF590051	\$75,448	13 cu. Yd. Concrete Mixer	\$138,448	84%
Peterbilt	210	2013	3BP1HM6X5DF590051	\$75,448	42' Insulated Lift Bucket	\$121,568	61%
Western Star	4700SB	2019	5KKHAXDVXKPKU2785	\$137,875	15-16 cu. Ft Aluminum Dump Body	\$174,841	27%
Western Star	4700SB	2019	5KKHAXDVXKPKU2785	\$137,875	13 cu. Yd. Concrete Mixer	\$224,917	63%
Western Star	4700SB	2019	5KKHAXDVXKPKU2785	\$137,875	42' Insulated Lift Bucket	\$204,116	48%



To avoid underestimating the OCN, insurance carriers can and sometimes do request additional information about the final truck configuration during the quoting process. However, this additional information request can extend the time to quote and put the potential sale at risk. It is also common for agents to populate their best guess for the truck configuration, which is often inaccurate. Neither of these scenarios are ideal for the insurance carrier and do not address their need for access to fast, automated, accurate information to help them assess the risk, price it accordingly, and ultimately win the business.

A new development in the insurtech space, however, will arm insurance carriers with better information so they can begin to correct those understated premiums.

Leveraging advanced analytics based on decades of real-world data and a deep understanding of industry-specific truck configurations, it is possible to predict final buildouts and get a far better estimate of OCN. Doing this in an algorithmic way means it can happen instantly and seamlessly within the quoting process, minimizing the time to quote while enhancing accuracy.

## TRADITIONAL PROCESS

## MORE ACCURATE INFORMATION



In order to more accurately assess risk and mitigate financial challenges from underinsuring vehicles on the road, commercial auto carriers could greatly benefit from knowing whether a vehicle is complete or incomplete. As we've illustrated, custom truck bodies can increase a vehicle OCN dramatically; ignoring this critical data point creates risk assessment inaccuracies and adversely affects premium revenues. By adding new data points to known information, commercial insurance carriers can quickly mitigate risk, enhance profitability, and, ultimately, better serve their customers throughout the insurance lifecycle.

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