Learning Objectives

1. Understand the main underwriting considerations of a fleet risk
2. Understand the main ways of rating a fleet risk
3. Describe the key measures of a burning cost
4. Understand what an underwriter looks for in a Risk Management Programme
5. Describe the key disruptors in the fleet underwriting market

The views expressed are my own and not reflective of Ageas Insurance Ltd
Underwriting Considerations

• Underwriting at its core is about blending objectivity and subjectivity in risk selection, where the underwriter ultimately decides whether to transfer the risk from client to insurer and what stipulations may be required.

• The underwriting philosophy of the company will give a good steer for the underwriting in terms of the level of risk they are willing to take

• Underwriting of risks can prove trickier for a computer (currently) which is why digital products tend to be less flexible in their risk acceptance.
Underwriting Considerations

The first stage of underwriting Fleet risk is aligned to the Underwriters’ core strategic aims

- Does the risk fit within the company’s “underwriting footprint”?

- Is it presented from a source which aligns with strategic aims?

- Could it have features which are unacceptable to reinsurers?
## Underwriting Considerations

<table>
<thead>
<tr>
<th>Legal Entities</th>
<th>New Ventures</th>
<th>Liquidations and CVAs</th>
<th>Companies House and Credit Checks</th>
<th>Multiple Insured Titles</th>
<th>Postcode Rating</th>
<th>Local/National/International Garaging Postcodes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazardous Location</td>
<td>High Hazard Trades</td>
<td>Decline Trades and Referrals</td>
<td>Multiple Insured Trades</td>
<td>Business Descriptions</td>
<td>Levels and Extent of Cover</td>
<td>Laid Up cover Third Party Working Risks</td>
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<tr>
<td>Excesses</td>
<td>Mixed Covers and Changes</td>
<td>Endorsements</td>
<td>Standard Use</td>
<td>Hire and Reward</td>
<td>Hazardous Goods</td>
<td>Occasional Business Use Additional Business Use</td>
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<tr>
<td>Unauthorised Use</td>
<td>Driving Other Cars</td>
<td>Other non-standard Uses</td>
<td>Foreign Use</td>
<td>Vnuk</td>
<td>Who is covered as Standard</td>
<td>Directors Owned Vehicles Non-Director/Company Owned Vehicles</td>
</tr>
<tr>
<td>Fronting</td>
<td>Young Drivers</td>
<td>Inexperienced Drivers</td>
<td>Driving Licences</td>
<td>Drivers with Medical Issues</td>
<td>Drivers with Convictions</td>
<td>Drivers with non-motor offences ABI Grouping</td>
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<tr>
<td>Refer Vehicles (R)</td>
<td>Electric Vehicles (E)</td>
<td>Grey Imports (G)</td>
<td>Imported Vehicles</td>
<td>Additional Terms</td>
<td>Ownership</td>
<td>Modifications Body Types for CV</td>
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<td></td>
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<td></td>
<td></td>
<td>Attached Plant</td>
<td>Security</td>
<td>Trackers Registration Numbers</td>
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</table>
Underwriting Considerations

Having a good story to back up any underwriting decisions is key.

This is where the subjectivity of risk acceptance is used. Two underwriters may look at the same risk, be given different stories and each may take a different approach.
Fleet Rating – Credibility and Blending

- Two main rating methods
- “Book Rating” (Exposure) / Burning Costs (Experience)
- Credibility of Claims Experience (Frequency and Costs)
- Standard Fleet Rating Factors
  - Vehicle types (ABI Group, GVW etc.) and Mix
  - Location (not just “base camp” but also area of operation, types of journeys)
  - Claims Experience
- Personal Lines rating factors are more in depth generally. Why?
Fleet Rating – Burning Costs

- The rate at which all the premium collected (earned) is used up in claims costs = 100%
  - Not to be confused with a Loss Ratio or any other Ratio (COR etc.)
- Calculation is basically done in two ways
  - Claims frequency
    - number of claims / number of vehicle years*) x Average cost per claim**
  - Average cost per vehicle year
    - Total Claims** Cost / Vehicle years*

*Vehicle years is most common expression of Exposure – other exposures are claims/policy or per million miles driven (telematics)
** Claims costs must be adjusted for inflation and IBNR
## Fleet Rating – Costing Calculation

<table>
<thead>
<tr>
<th>Vehicle Years</th>
<th>Claims</th>
<th>WS Claim</th>
<th>AD Paid</th>
<th>FT Paid</th>
<th>TP Paid</th>
<th>OS</th>
<th>AD OS</th>
<th>FT OS</th>
<th>TP Os</th>
<th>Total Paid and OS</th>
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<tbody>
<tr>
<td>12/13</td>
<td>391.5</td>
<td>38</td>
<td>5,488</td>
<td>1,267</td>
<td>30,628</td>
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<td>--</td>
<td>--</td>
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<td>37,383</td>
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<td>13/14</td>
<td>392</td>
<td>50</td>
<td>1</td>
<td>9,944</td>
<td>93,632</td>
<td>1</td>
<td>1</td>
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<td>135,621</td>
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<td>14/15</td>
<td>408</td>
<td>36</td>
<td>4</td>
<td>20,430</td>
<td>49,371</td>
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<td>15/16</td>
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<td>3</td>
<td>15,097</td>
<td>21,820</td>
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<td>16/17</td>
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<td>4</td>
<td>20,329</td>
<td>19,828</td>
<td>23</td>
<td>3,453</td>
<td>--</td>
<td>17,948</td>
<td>67,038</td>
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</tbody>
</table>

5 Year Frequency = 10.03%
5 Year ACPC = £2212
5 Year CCPVY = £217
5 Year Burning Cost = (£222 + £217) / 2 = £219.50
Fleet Rating – Costing Calculation

5 Year Burning Cost = (£222 + £217) / 2 = £219.50

Claims cost inflation
And IBNR/IBNER = 20%

5 Year Inflated Burn = £219.50 + 20% = £263.40

Target Loss Ratio (60%) = £263.40 / 60% = £439.00

Commission (10%) = £439 / 90% = £487.77

Based on 100% credibility

Plus IPT!
Fleet Risk Management Programmes

Training
- Drivers, Managers, H&S, Specialisation

H&S, Safe Driving, Claims reporting policies

Processes and Procedures, Culture

In vehicle Feedback

Driver Profiling

Telematics

Dashcams

Decals

Robust Management Procedures, Processes and Controls are the Key to Success
Traditional Risk Management techniques are effective in situations where they are targeted to overcome a known problem or trend.

The benefits to the claims experience are realised after the bedding in period and before the reversion to norms.

The main exception to this is where the programme leads to a fundamental positive shift in the role of managing risk within a business. Where this happens, benefits can be realised for a longer period.

The other side to this coin is that once benefits have become the norm, they are reflected in the claims experience and priced accordingly.
Disruptors in the Fleet Market

- Vnuk / Rodrigues
- Brexit
- Claims Cost Inflation
  - AD
  - TP
- Theft on the rise
- Whiplash Reforms
- Ogden
- Autonomous and Connected Vehicles
- • Alternative Fuel
- • Fraud
- • Increased Underwriting Capacity
- • Artificial Intelligence
- • Digital Underwriting Capability
Questions