



**Price Digests**<sup>®</sup>  
BY RANDALL REILLY

# 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:



**Maintaining profitability**  
in a slow-growth market



**Enhancing the accuracy**  
of risk categorization



**Improving speed**  
to quote



**Updating legacy systems**  
& modernizing data infrastructure



**Modernizing processes**  
in commercial underwriting

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.

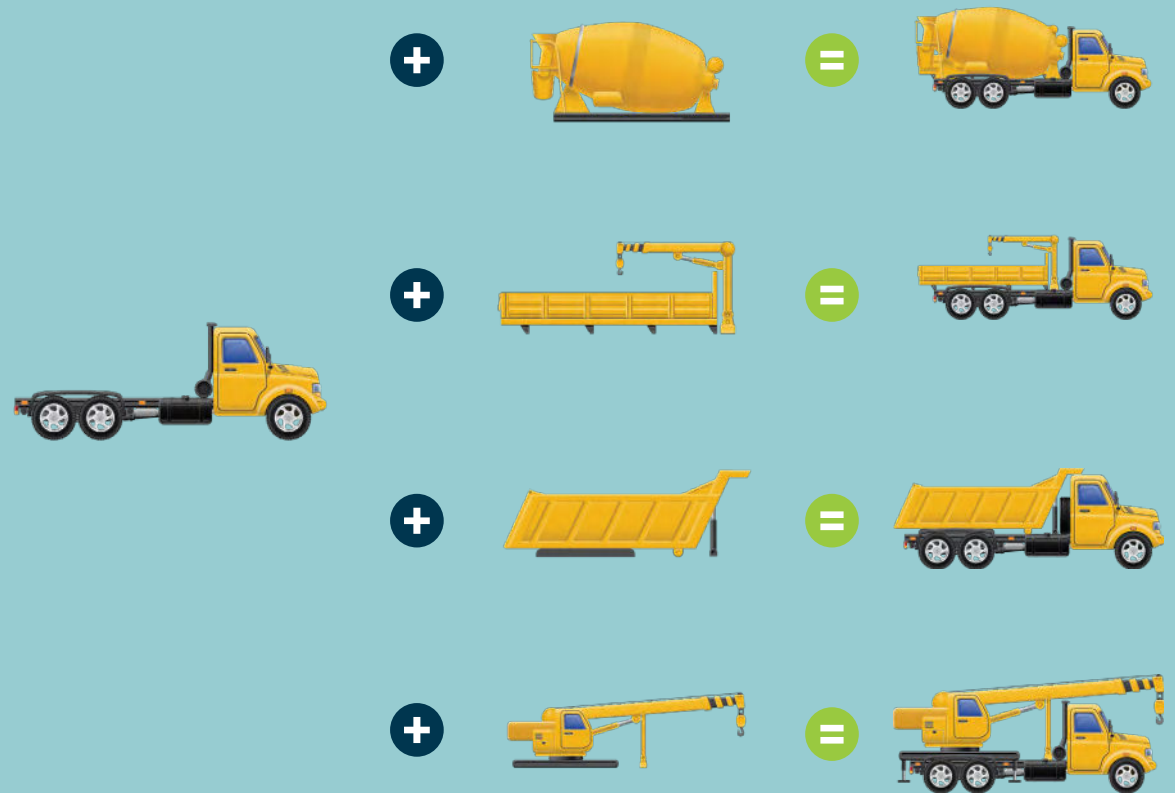
When a manufacturer assigns a VIN to a commercial truck, the VIN contains many critical details about that truck, including its manufacturer, model, year, trim, major components, and weight. Additionally, the VIN reveals if the vehicle was "complete" or "incomplete" when it left the factory.

## Complete vs. Incomplete Trucks

This 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 1**  
Completing the Truck





## Illustrative Example

Acme Construction is expanding its business, and part of this expansion includes the acquisition of a commercial truck. The company purchases a used 2013 Peterbilt 210 with VIN: 3BP1HM6X5DF590051 and contacts their insurance carrier for a quote. They provide the VIN number, and when the VIN is keyed into the carrier's system for a premium quote, VIN decoding reveals that this specific truck was an incomplete truck when the VIN was issued.

While the VIN provides the carrier with key specifications including age, OCN, gross vehicle weight or gross combined vehicle weight, truck/tractor indicators, and other attributes, it does not provide the value of the truck body. If the insurance carrier does not collect additional information than what the VIN provides, risk and financial exposure are introduced, and Acme may unknowingly not be fully covered in the event of a claim. That's risky for the carrier, but also risky for Acme.

Intelligence solutions integrated into the quoting system at the insurance carrier can alleviate the risk by looking not just at the VIN decoding, but also other industry-related factors to deliver a range of values for the insurance carrier to consider when quoting a premium. Using an insurtech solution, the carrier is able to accurately quote a policy that covers the whole truck, not just the cab and chassis. This protects both the insurance carrier and Acme Construction in the case of a claim.

## Truck Body Impact on OCN

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 to the right (Figure 2) 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 2**

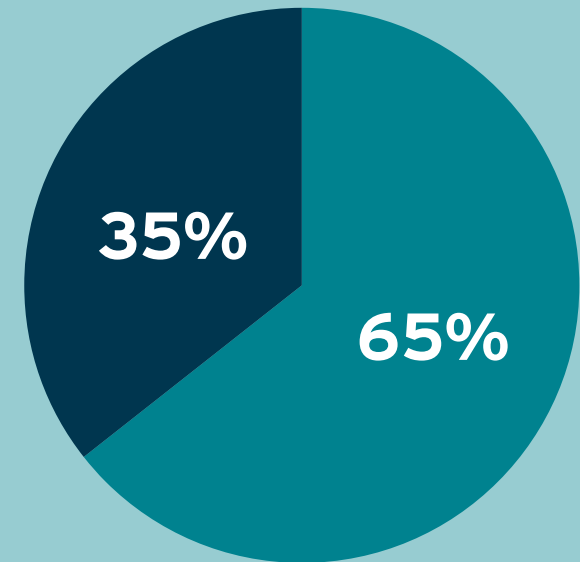
	Incomplete Truck MSRP	Complete MSRP Value with Custom Body		
		15-16 ft <sup>3</sup> Aluminum Dump Body	13 cu. Yd. Concrete Mixer	42' Insulated Lift Bucket
<b>Freightliner</b> 114SD 2012 1FVHG3DV9CHBK1662	\$134,775	\$160,375 <b>19% ▲</b>	\$196,475 <b>46% ▲</b>	\$179,055 <b>33% ▲</b>
<b>Kenworth</b> T800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

## Utilizing the Algorithm

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.



● Complete ● Incomplete

**In an analysis of commercial trucks conducted by Price Digests, over 65% of the trucks insured by commercial lines carriers are classified as incomplete trucks.**

## Traditional Process **VS** More Accurate Information

Call with insurance quote



Provide VIN



System returns Quote based on VIN which may be on incomplete truck



System returns quote based on VIN which may be on incomplete truck. Data return now also includes data points for possible truck bodies - returns high, low, median, and average value of complete asset. **Quote provided based on more informed data.**



Policy Purchase and Underwriting



Vehicle Damaged and Claim filed



Vehicle underinsured because of incomplete data



Better data supplied during quoting and/or underwriting process results in **reduced losses to insurance carrier and fair payout to owner.**

## Reduce Premium Leakage with Better Truck Intelligence

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.

# Mitigate Risk Quote More Accurately Provide Better Coverage

To discuss how adding advanced intelligence and automation, like TruckBody IQ™ from Price Digests, can help reduce exposure within your current book of commercial lines business, mitigate costly premium leakage, or learn more about Price Digests' comprehensive commercial vehicle data solutions, contact us. We will demonstrate how our solutions improve process efficiency and support premium lift for your company, and we can provide a complimentary lift analysis of your existing book of commercial auto business.



**Interested?** Watch our 1 minute video and learn how to reduce the risk of underinsuring commercial trucks with Price Digests' exclusive TruckBody IQ™ Intelligence Solution for Insurance Carriers.

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With millions of assets, configurations, and datapoints for vehicles, vessels and grounds maintenance equipment, Price Digests maintains the most comprehensive vehicle database in the industry. We deliver data + intelligence, paving roads to faster and better decisions with perfect-fit data delivery.

Price Digests data + intelligence solutions provide ways to make accurate data-driven underwriting, lending, and valuation decisions, improving profitability and credibility in notoriously difficult sectors.



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