



CASE STUDY

Going for the Extra Miles: Capturing a Critical Rating Factor

How one insurer used better data and advanced modeling to identify mileage gaps and gain a potential 7.2 percent lift via more accurate estimates.





The challenge

A major regional auto insurer relied heavily on self-reported mileage from policyholders to capture this critical factor for personal auto underwriting and rating. Industry experience has shown that such estimates can be unreliable, most often under-reported compared with actual miles driven. Policyholders may struggle to guess how far they drive in a year, or they may report a low number in hopes of saving on premiums.

The solution

Verisk's MileageConfirm™ suite encompasses a range of tools that can be combined in a “waterfall” solution or used separately to meet individual insurers' needs:

- Connected car data
- Third-party odometer readings
- A state-of-the-art predictive analytics model

The insurer in this study began with Verisk's odometer calculation, which uses robust third-party readings and business rules to cost-effectively boost accuracy and fight premium leakage. Verisk has combined new technology, new sources of data, and advanced analytics to create a proprietary calculation incorporating current owner and vehicle history data.

Verisk's MileageConfirm predictive analytics model was also employed, using generalized linear modeling and more than 50 calculations based on policy, driver, and vehicle attributes to estimate annual mileage. This model's seemingly counterintuitive approach has a conservative bias, delivering estimates of the correct mileage band—rather than a specific predicted number of miles driven. This approach eliminates the often-wide swings in odometer data that can skew the averages. The MileageConfirm model also captures nuances of driving patterns beyond the car itself, unlike weaker models in the market that only estimate mileage based on an average of vehicle make, model, and year.

The MileageConfirm model... captures nuances of driving patterns beyond the car itself

Insurers can also draw upon verified mileage from a third optional component of the MileageConfirm suite: Odometer readings from connected cars in our Verisk Data Exchange. This configurable option uses a growing, Verisk-exclusive data source.

The results

Verisk began by analyzing 10 percent of the insurer’s book of business, using the third-party odometer readings and predictive modeling components of MileageConfirm to flag discrepancies and mileage-related premium leakage. Based on average self-reported annual mileage on file and ISO Manual rating factors, the total estimated premium uplift opportunity came to \$93 per vehicle—a potential 7.2 percent increase in annual premium across the entire book of business. The cost: Pennies per vehicle identification number (VIN) based on the MileageConfirm components used.

Per-vehicle Results of MileageConfirm Analysis

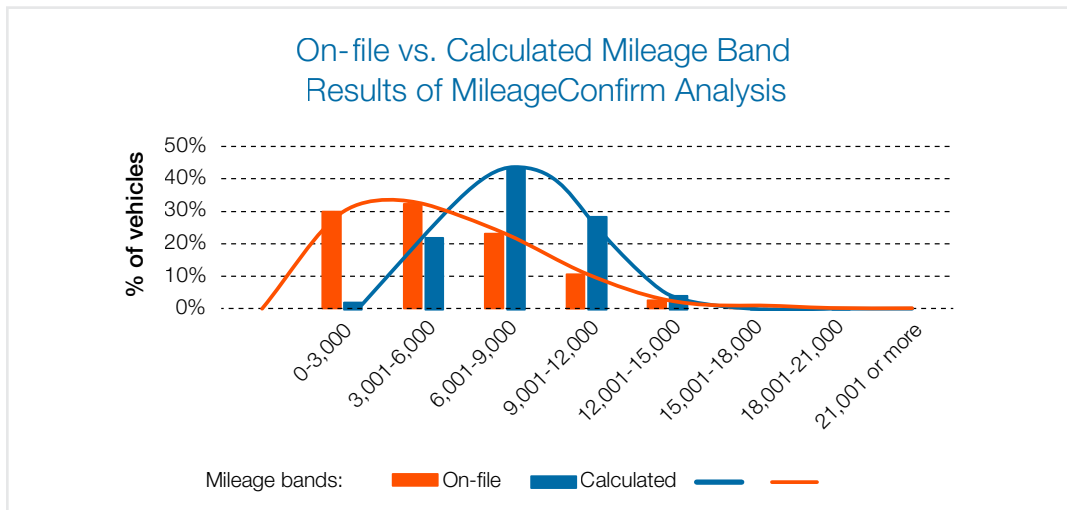
Metric	Results
Average premium leakage	\$93
Potential lift	+7.2%

Of the VINs analyzed, two-thirds produced calculated mileage greater than the on-file mileage band, while just more than 10 percent fell in lower-rated bands and 22 percent stayed in the original band.

Per-vehicle Mileage Band Results of MileageConfirm Analysis

Metric	Results
Increased rating band	67.0%
Decreased rating band	10.6%
Same rating band	22.4%

Verisk-calculated annual mileage follows a normal distribution. As expected, MileageConfirm “smooths” the distribution in comparison to on-file mileage. And in general, verified and modeled average mileage matched closely within each percentile analyzed in the model.





Mileage with less guesswork

Tools such as MileageConfirm can generate initial prefilled mileage estimates to present to customers for quotes and renewals. Verisk has significant experience providing mileage to insurers and helping consumers reach reasonable estimates of how far they drive each year. Diverse data sources—including connected cars, odometer readings, and modeled estimates—can help improve accuracy and the overall customer experience.

Insurers can implement MileageConfirm solutions separately or through LightSpeed® Auto, Verisk's one-rate personal auto acquisition platform. ISO's personal lines auto rating manuals contain filed rating rules, mileage bands, and factors insurers can use to implement annual mileage rating into class plans. Choosing MileageConfirm leverages the deep domain expertise and experience of a leading analytics company.

Rating with reliable mileage is likely to gain further traction as regulators begin heightened scrutiny of rating factors. As mileage continues to rebound and rush-hour driving patterns return across a shifting landscape, capturing and rating on accurate mileage estimates will become even more critical for insurers to manage risk and avoid premium leakage and adverse selection.

Learn how you can go for the extra miles with [MileageConfirm](#).

Contact a Verisk representative today to conduct a similar study for your book of business.

 info@verisk.com

 verisk.com/MileageConfirm

 1-800-888-4476

