

ISO MarketStance Case Study

Assessing Current U/W Appetite's Fit &
Organic Growth Potential by State



SERVE | ADD VALUE | INNOVATE

Presented at the ISO MarketStance 2017
Client Conference

May 11, 2017



Setting

Regional commercial lines writer wanted to evaluate their current U/W appetite and the C/L marketplace:

- ✓ Internal staff used to evaluate current book of business
- ✓ ISO MarketStance evaluated the marketplace
- ✓ Shift the focus to on-going and future developments in their specific territory
- ✓ Limited internal capacity for analysis
- ✓ Recommendations to be made by senior management

Client also wanted :

- ✓ Capability to utilize the data by GL class code rather than just by NAICS code
- ✓ The ability to adjust the weights assigned to each factor in the scan
- ✓ The ability to ex ante exclude certain classes of business from the analysis



Market Analyses Differences

Commercial lines market scans typically stress the “rear-view mirror” provided by statutory reporting data:

- ✓ Recent premium growth
- ✓ Recent profitability
- ✓ Recent carrier market shares

ISO MarketStance shifts much of the focus to the “windshield” by looking at:

- ✓ Organic growth forecast by state
- ✓ Account complexity
- ✓ Underwriting hazard score



Categories of Information

- ✓ Business Descriptors
 - State
 - SIC-4
 - NAICS-6
- ✓ Class Code Descriptors
 - ISO CGL Class, Dominant
 - State Workers Comp Class, Dominant
- ✓ Market Potential Data
- ✓ Loss Experience Measures
- ✓ Attractiveness Indicators
- ✓ Factor Rankings
- ✓ Supplementary Information



Categories of Information

- ✓ Market Potential Data
 - Number of Companies
 - BOP Premium
 - Property Premium
 - Core Operating Liability Premium
 - Workers Comp Premium
 - Comm. Auto Premium
 - Core Lines Premium
 - All Lines Premium

- ✓ Loss Experience Measures
 - Property Loss Ratio
 - GL Loss Ratio
 - Workers Comp Loss Ratio
 - Comm. Auto Loss Ratio
 - Aggregate Loss Ratio
 - L/R credibility flags



Categories of Information

- ✓ Attractiveness Indicators
 - Composite U/W Hazard Score
 - Based on AM Best's hazard scores
 - Core Lines importance in account
 - Core lines share of all lines premium
 - Organic Growth
 - Dollars of organic growth
 - Percent growth



Major Categories of Information

- ✓ Factor Rankings
 - Companies Rank
 - Core Lines Premium Rank
 - Aggregate Loss Ratio Rank
 - Composite Hazard Score Rank
 - Core Lines, Pct. of All Lines Premium Rank
 - Organic Growth, Core Lines, Rank
 - Composite Rank

- ✓ Supplementary Information
 - 4-digit SIC code description
 - 6-digit NAICS code description
 - Property Loss Ratio Credibility Flag
 - GL Loss Ratio Credibility Flag
 - Workers Comp Loss Ratio Credibility Flag
 - Comm. Auto Loss Ratio Credibility Flag



Sample scan with user-specified weights

	Component Factor Ranks						Composite	
	Number of	Core Lines	Loss	Hazard	Core Lines	Organic		User
	Companies	Premium	Ratio	Score	Percent	Growth	Score	Weighted
Business Services, N.E.C. (SIC 7389)	1	11	15	21	50	12	18	15.7
Miscellaneous Personal Services, N.E.C. (SIC 7299)	1	14	21	19	37	11	17	15.7
Management Consulting Services (SIC 8742)	3	14	7	5	77	10	19	16.1
Other Painting and Wall Covering Contractors (SIC 1721)	8	12	38	11	22	9	16	17.4
General Contractors - Single-Family Houses (SIC 1521)	3	3	34	41	40	3	20	18.6
Child Day Care Services (SIC 8351)	2	18	8	5	84	17	22	18.6
Masonry, Stone Setting, and Other Stone Work (SIC 1741)	16	10	21	51	13	8	19	18.6
Beauty Shops (SIC 7231)	2	14	31	10	59	14	21	20.0
Special Trade Contractors, N.E.C. (SIC 1799)	6	6	12	94	30	4	25	20.4
Industrial Machinery and Equipment (Wholesale Trade) (SIC 3342)	23	8	41	16	20	7	19	20.5
Management Services (SIC 8741)	10	27	15	1	64	14	21	20.5
Accounting, Auditing, and Bookkeeping Services (SIC 8721)	6	21	13	6	76	22	24	21.0
General Automotive Repair Shops (SIC 7538)	9	16	33	50	7	19	22	21.5
Top, Body, and Upholstery Repair Shops and Paint Shops (SIC 7532)	17	21	28	42	5	23	22	22.5
Repair Shops and Related Services, N.E.C. (SIC 7699)	21	25	5	69	15	16	25	22.8
School Buses (SIC 4151)	33	7	3	59	1	57	26	23.1
Engineering Services (SIC 8711)	13	12	15	3	99	23	27	23.5
Lawn and Garden Services (SIC 0782)	4	6	44	56	43	3	26	23.7
Excavation Work (SIC 1794)	11						28	23.7
Legal Services (SIC 8111)	5						29	24.2

Weight Assignments	
Factor	Weight
Companies	0.300
Core Lines Premium	0.300
Aggregate Loss Ratio	0.300
Composite Hazard Score	0.167
Core Lines, Percent of All Lines Premium	0.167
Organic Growth	0.167



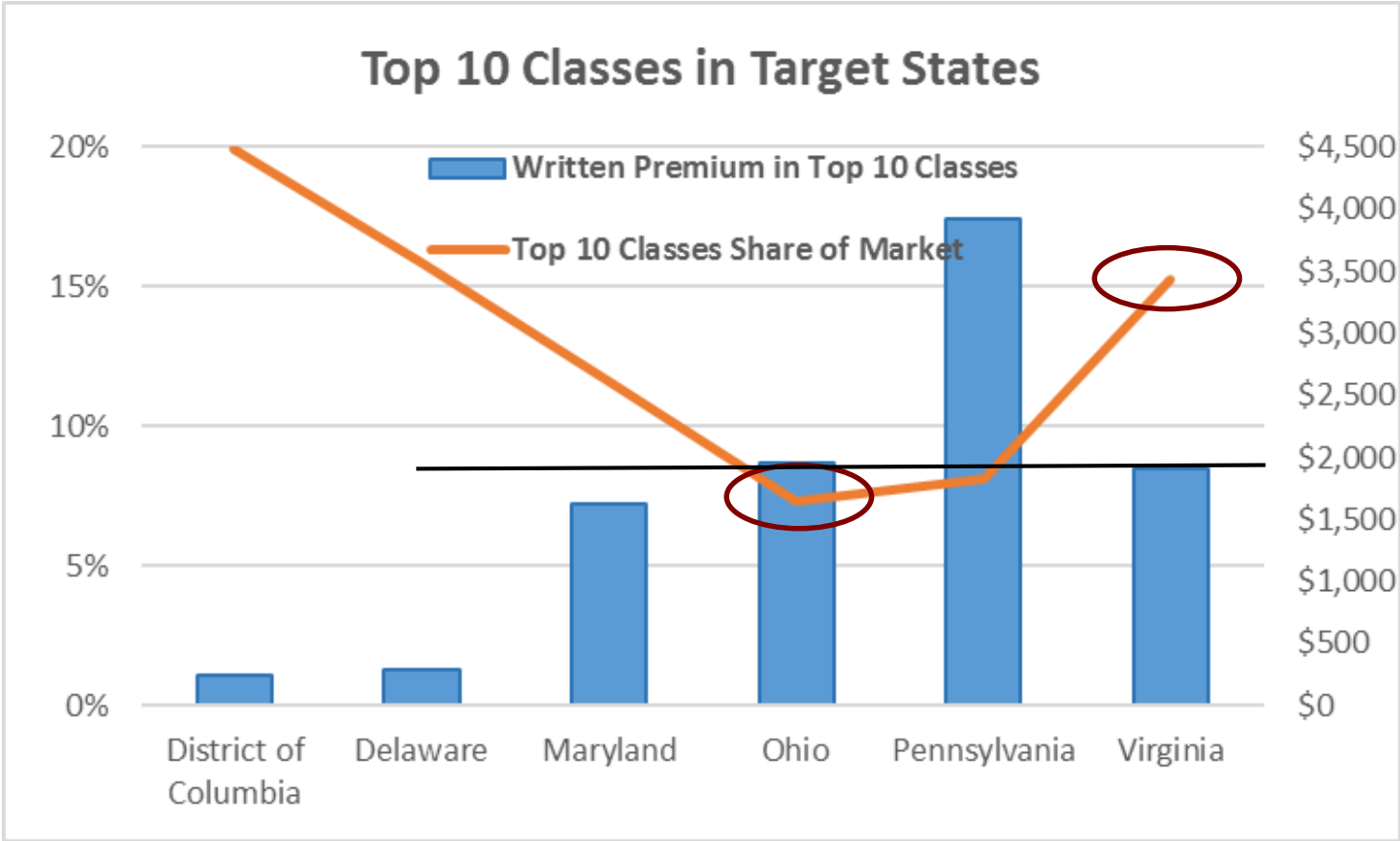
Top 10 classes is three sample states

Top 10 Classes by State									
Delaware			Maryland			Ohio			
NAICS	Class Description	Premium (\$ mil)	NAICS	Class Description	Premium (\$ mil)	NAICS	Class Description	Premium (\$ mil)	
236118	Residential Remodelers (NAICS 236118)	\$ 4.0	238320	Painting and Wall Covering Contractors (NAICS 238320)	\$ 18.7	813990	Other Similar Organizations (NAICS 813990)	\$ 28.2	
423830	Industrial Machinery and Equipment (NAICS 423830)	\$ 2.7	813990	Other Similar Organizations (NAICS 813990)	\$ 29.3	812990	All Other Personal Services (NAICS 812990)	\$ 12.2	
541990	All Other Professional, Scientific, and Technical Services (NAICS 541990)	\$ 1.4	561730	Landscaping Services (NAICS 561730)	\$ 49.4	541990	All Other Professional, Scientific, and Technical Services (NAICS 541990)	\$ 12.0	
236115	New Single-Family Housing Construction (NAICS 236115)	\$ 2.8	812112	Beauty Salons (NAICS 812112)	\$ 9.8	238160	Roofing Contractors (NAICS 238160)	\$ 16.4	
424690	Other Chemical and Allied Product Manufacturing (NAICS 424690)	\$ 2.3	812990	All Other Personal Services (NAICS 812990)	\$ 9.5	812112	Beauty Salons (NAICS 812112)	\$ 16.0	
238310	Drywall and Insulation Contractors (NAICS 238310)	\$ 4.4	423830	Industrial Machinery and Equipment (NAICS 423830)	\$ 12.4	561110	Office Administrative Services (NAICS 561110)	\$ 6.0	
561720	Janitorial Services (NAICS 561720)	\$ 3.1	238140	Masonry Contractors (NAICS 238140)	\$ 19.1	561720	Janitorial Services (NAICS 561720)	\$ 16.7	
238320	Painting and Wall Covering Contractors (NAICS 238320)	\$ 2.7	485410	School and Employee Bus Transportation (NAICS 485410)	\$ 23.0	811111	General Automotive Repair (NAICS 811111)	\$ 7.4	
441110	New Car Dealers (NAICS 441110)	\$ 20.5	561110	Office Administrative Services (NAICS 561110)	\$ 5.6	541611	Administrative Management and General Consulting (NAICS 541611)	\$ 7.2	
813990	Other Similar Organizations (NAICS 813990)	\$ 2.0	541611	Administrative Management and General Consulting (NAICS 541611)	\$ 11.9	236118	Residential Remodelers (NAICS 236118)	\$ 20.8	



Importance of state-specific considerations

- Though nearly identical in DWP, in terms of the top 10 classes market position, Ohio and Virginia differ greatly.



For questions or to learn more about any of the concepts covered in this presentation please contact:

Client Support: 888-777-2587 or e-mail ms@marketstance.com

This material was used exclusively as an exhibit to an oral presentation. It may not be, nor should it be relied upon as reflecting, a complete record of the discussion.

