Beams from the Lighthouse vol. 12; January 2020
A newsletter from Lighthouse Consulting, LLC
Keeping you off the rocks

True truth

Theologian Francis Schaeffer (1912-1984) is credited with coining the phrase, "true truth". Against a worldview that offered multiple truth claims he insisted there was only one true truth.

Property data needs to be true

Property underwriting starts with COPE; construction, occupancy, protection, and exposure. This data drives everything in property underwriting, from pricing to capacity to cat modeling. It's truthfulness, or accuracy, is at the core of good underwriting decisions. Untrue property data can be disastrous.

Back in the good old days…

OK Boomer. Producers submitted applications with COPE data. Underwriters validated the data by inspections, either by the rating bureau or by their own inspectors. Data from inspections was always considered to be true truth because someone had seen the property.

Nowadays…

Big data has made an impact on underwriting. Third party vendors provide detailed location level data. Data vendors can supply most of the application information by just having a street address.

And it is efficient

Pre-filling COPE data on multi-location accounts saves a lot of time. No need for assistants to search for data. Cat models can be quickly populated, presenting the underwriter with pricing metrics. Fire rating is more efficient.

Inspections?

Inspections are still done but now their data isn't necessarily considered true truth. The assumption seems to be that data from vendors trumps inspection data. This is a shift in mind set, perhaps resulting from the thought that everything on the internet is true.

In real life

In one new account, the data vendor said the building was of fire resistive construction. The rating model calculated a premium significantly lower than the expiring premium and the account was bound. The subsequent inspection report showed the construction as joisted masonry, which explains the difference in the premium. The account was not repriced. The assumption appears to be that the inspection data was not true truth.

Conclusion

Data vendors are here to stay but inspection data should always be the source of true truth.

Lighthouse Consulting, LLC
Robert Medeiros CPCU, ARE, AMIM, ASLI
(P) 704.502.4985 | (F) 888.240.5576
bob@lighthouseconsulting.us | www.lighthouseconsulting.us