ISO
2020 YEAR IN REVIEW

Adapting to the New Normal

The COVID-19 pandemic led to social distancing and staying at home throughout the world, and significant changes in how many people live and work. At Verisk, we began operating remotely in March and worked quickly to adapt to the new normal. We provided regulatory updates, developed data-driven insights, and delivered new digital platforms to help insurers continue to serve their customers. A few examples are below.

Policy Language and Support to Address Pandemic Challenges

ISO released several endorsements in response to the rapidly evolving market trends precipitated by the pandemic.

As demand for delivery services soared, many state insurance departments encouraged insurers to temporarily extend coverage on a personal auto policy to include coverage for insureds who use their personal auto for deliveries. ISO responded by releasing a non-filed optional **endorsement** that, among other things, added an exception to the "public or livery conveyance" exclusion in the ISO personal auto form to enable insurers to temporarily extend related coverage to these drivers.

For commercial property insurers, ISO released a pair of non-filed, optional advisory **endorsements** to address several business interruption scenarios—including if a business is forced to close due to an order of a civil authority or due to the suspension or restricted use of certain modes of public transportation.

These endorsements give insurers added flexibility when addressing pandemic-related business interruption. We also released a sample multi-state advisory notice with details to assist insurers in relation to their own policyholder communications.

In the face of widespread unemployment and worker furloughs, ISO also released advisory material on an anticipated rule revision so that insurers currently using payroll as a premium base for **businessowners** and **general liability** policies could exclude the payroll of furloughed worker (i.e., workers who were furloughed yet still being compensated) from their premium computations.

Helping the Industry Better Understand the Full Scope of the Pandemic's Impact

ISO moved quickly to help customers track and analyze the potential impact of the COVID-19 pandemic across various lines of business. We initiated a series of ongoing industry roundtables focused exclusively on the pandemic, where insurers could listen to ISO and Verisk subject matter experts, hear insights from special guests from state insurance departments, and receive briefings from the pandemic modeling team in our AIR Worldwide business unit.

In March, we launched an **online resource page** that harnessed the collective insights and analysis from multiple Verisk and ISO products and business units. The page offers access to:

- **Legislative and regulatory monitoring:** State insurance departments and legislatures have been issuing a flurry of notices and, in some cases, new requirements in response to the pandemic. In addition to our routine monitoring of regulatory issues, we created two pages and a dedicated email newsletter to aggregate and help insurers monitor **developments at state departments of insurance** and COVID-specific **legislation and regulation**.
- **Forecasting of potential business impacts:** In the wake of pandemic-induced lockdowns and business closures, the ISO MarketStance team began releasing monthly **commercial lines forecasts** to help insurers understand what lines of business are likely to feel the full force of the pandemic's economic headwinds.
- **Modeling of the pandemic's spread:** In conjunction with our AIR Worldwide business unit, we integrated an interactive **COVID-19 tracker** onto our resource page. The tracker incorporates insights and projections from AIR's Pandemic Disease model so users can view current case counts as well as estimates of COVID-19 cases and fatalities on a state-by-state basis in the United States, or at a country level globally.
- **Strategic insights for the new normal:** To help insurers navigate the emerging new normal, we undertook an extensive **analysis of driving habits**, leveraged predictive analytics to explore the potential impact of new traffic patterns on **commercial and personal auto loss costs**, and investigated the possible ramifications of the pandemic on **homeowners insurance**. We analyzed and published research on the potential impacts on general liability and businessowners loss costs. We also stood up a **dedicated page** to help insurers research these and other strategies for success during these unprecedented times.

Virtual Inspection, Coverage Verification Solutions Provided at No Charge

Many insurance companies substantially scaled back on-site inspections as a way to protect their employees and policyholders. To help eliminate or reduce the need for on-site visits, we provided access to our **OneXperience**™ and **ClaimXperience**® digital engagement platforms at no charge during the height of the crisis. These solutions helped insurers collaborate with policyholders, who were able to use their mobile devices to help conduct virtual property inspections.

We also offered complimentary access during the pandemic to **Coverage Verifier-Verification as a Service**™ **(CV-VaaS)**, a new, digital platform that delivers insurance information lenders typically need to process loans with increased efficiency. Instead of spending time and resources calling, faxing, or e-mailing insurers to confirm that vehicles or mortgages have the required insurance coverage, participating insurers can use CV-VaaS to establish a lender portal to automate and digitize the verification process. Lenders then enter the borrower's information into CV-VaaS and can quickly receive verification of coverage.

By the Numbers

ISO is working for you—through the efforts of our highly skilled and experienced team, including 220-plus credentialed professionals (via organizations such as the CAS, CPCU, and IDMA).

By the end of 2020, we expect to have:

ANALYZED APPROXIMATELY
10,000 legislative bills / **7,500** regulatory actions

REVIEWED APPROXIMATELY
2,000 court decisions

SUBMITTED MORE THAN
2,000 filings

ISSUED
1,100+ pricing-related circulars

DEVELOPED OR UPDATED MORE THAN
800 policy forms and endorsements

RECEIVED MORE THAN
15,850 statistical submissions

GROWN OUR STATISTICAL DATABASE
9.5% with customer data

SUBMITTED OVER
4,400 statistical reports to state regulators

PROCESSED APPROXIMATELY
3.2 billion statistical records

GROWN THE VOLUME OF DATA MORE THAN

5.5% in our Coverage Verifier and A-PLUS databases

VISITED MORE THAN

11,413 communities to assess fire protection, building code enforcement, and community flood mitigation

UPDATED

7,800+ fire protection areas

CONDUCTED MORE THAN

406,876 commercial building surveys

COMPLETED MORE THAN

6,000,000 replacement cost valuations each month

TRACKED

43 emerging issues

REGISTERED MORE THAN

1,900 customers to Verisk Velocity, our free digital customer conference.

RELEASED

31 new online, on-demand ISO Education courses

EDUCATED APPROXIMATELY

5,500 customers on ISO solutions

ATTRACTED MORE THAN

3,200 attendees to our weekly webinar series

Important Updates to ISO Insurance Programs and Services

In 2020, we updated many of our insurance programs and services. Some of the updates have already been filed with regulators, while others will begin in the coming months. A few key highlights are below. (Note: Some of the links require ISOnet® login.)

Multiple Lines:

Forms and Rules Updated with Extension of Terrorism Risk Insurance Program

With the extension of the federal Terrorism Risk Insurance Program through December 31, 2027, ISO has updated commercial lines policy forms and rules that address insured losses resulting from a certified act of terrorism. We're also revising various personal lines terrorism rules to update and reflect the extension of the federal Terrorism Risk Insurance Program.

Next Generation of Symbols for ISO Risk Analyzer Personal and Commercial Auto

The growing variety of vehicle features can present pricing challenges for auto insurers, as they can fluctuate not only between vehicle makes, but within a vehicle series. To help address this challenge, we've introduced the next generation of ISO Risk Analyzer® Symbols for personal and commercial auto. Advanced modeling techniques coupled with robust vehicle data have enabled our next-generation offering to increase the number of personal auto symbols by over 100 percent of the previous generation and stratify rating estimates in commercial auto by 85 percent. Collectively, the enhancements to ISO Risk Analyzer Symbols can help insurers in the commercial, personal, and specialty auto markets, like nonstandard, better price vehicle risks.

Personal Lines:

Rule Update to Enable Quicker and Broader Access to Usage-Based Insurance

The growth of telematics has increased consumer demand for quicker and greater access to usage-based insurance (UBI). To help address this expanding market, we began filing an update in November to our UBI rule and the underlying model, now named the Verisk Driving Score (formerly the Verisk Exchange Scoring Model). The update includes a shorter required observation period, greater eligibility for discounts (including deeper discounts), an option to incorporate a distracted-driving score to adjust the Verisk Driving Score, and lower minimum mileage thresholds for providing scores.

New Credit-Based Insurance Score and Rating Information for Personal Auto

Credit-based insurance scores can provide valuable insight into policyholder risk. But these scores must be based on powerful data analytics and delivered quickly to meet the needs of insurers today. This year, we entered into a strategic agreement with Equifax to jointly develop the Inflection™ Insurance Score, a new credit-based analytic solution. Inflection combines the robust credit data of Equifax with the insurance expertise and analytics of Verisk to help personal auto insurers enhance underwriting and improve growth and profitability. We're also developing a corresponding optional rating rule with rating factors that will vary by coverage.

New Optional Endorsement for Damage to Underground Utility Lines

Claims arising from underground utility wires often come as an expensive surprise to homeowners, who don't notice any damage until they experience a loss of service. To address this issue, we introduced a new endorsement for the ISO Homeowners Program in June that can be used to provide coverage related to underground pipes, wires, and some buried equipment from a range of causes, including explosions, tree root growth, and wear and tear. In addition to direct costs covered by the endorsement, policyholders also can be covered for some additional living expenses while their property is uninhabitable, as well as for loss of rental income. To complement the endorsement, we have also introduced associated rules and loss costs.

Commercial Lines:

New Commercial Property and Businessowners Exclusions for Cyber-Related Exposures

As cyber risks continue to grow, many commercial lines insurers are increasingly concerned they could face cyber-related claims they never anticipated during underwriting. To address these cyber-related exposures, we introduced cyber incident exclusionary endorsements, rules, and rating-related information this year for ISO's Commercial Property and Businessowners Programs.

Making Work Easier, with Enhanced User Experience

Filings - New Circulars Feature Helps Insurers Track Forms Filings

An ISO insurance filing can be the catalyst for a series of complex changes at an insurer. Analyzing and implementing these changes can consume significant time and resources. We've created the Filings feature (found within the Circulars product) to help you more easily track ISO forms filings content. Forms filing information is typically contained in a series of circulars issued at different stages. The new Filings feature centralizes all forms filing content within a single location. You can use Filings to search for and view all of a forms filing's information in one place, follow the progress of a forms filing over time, and easily access documents related to the forms filing.

Faster Release of Multistate Filing Implementation Circulars

We've historically announced approval of multistate program changes about six months in advance of the filing's effective date. But recent customer feedback indicates that many customers do not begin implementation processes until the first announcement circular is published. To give our customers more lead time to implement changes, we are now announcing approval of our multistate filings several months earlier in the filing life cycle. This will allow more time for system programming and training.

Interactive Features Added to Loss Cost Filings in Excel

Analyzing and adjusting ISO loss costs to an insurer's portfolio can take significant time. To help make the process easier, we introduced an interactive feature to our Loss Cost Filings in Excel this year. The feature enables insurers to easily adjust the inputs and assumptions in the loss cost filings. The feature is currently available for several lines of business, including Businessowners, Homeowners, Commercial Auto, and Commercial Fire. We plan to expand the feature to all applicable lines of business by 2022.

Next Generation of ISO Electronic Rating Content

This year, we launched an initiative to upgrade our ISO Electronic Rating Content™ (ERC) solution. As part of ERC 2.0, we're adding cloud-based technology, expanded deployment options, and new functionality to make our solution faster, easier to use, and more powerful than ever before. ERC 2.0 will use ACORD XML policy standards that many insurers have deployed to adopt ISO rating content and feature a cloud-based Rating-as-a-Service. The solution will also contain a searchable database that lets you query, filter, and extract ISO rating content across lines, states, and coverages.

Voice of the Customer

In 2020, we hosted virtual events to help customers engage with our experts and learn how to get the most from our product management services (forms, rules, loss costs, and statistical reporting). More than 1,900 individuals registered for our virtual Verisk Velocity conference, which featured an interactive Q&A with Verisk leaders, discussions on digitization and diversity, and more than 35 sessions on personal and commercial lines, emerging issues, premium audit, and loss control.

We also held a series of webinars on data management and reporting services this year, where we explored ways to help insurers meet constantly changing regulatory requirements, boost efficiency, and enhance the quality of their data. By the end of 2020, we expect to have held more than 30 personal and commercial coverage and actuarial panel meetings with our customers to get feedback on enhancements to our existing products and new initiatives.

Our ISO Engagement team also held more than 100 meetings with customers during 2020 and is looking forward to conducting more meetings next year. If you're interested in scheduling some time with the team, please **contact us**.

Accelerating Actuarial Analysis in the Cloud

As part of a comprehensive strategy to enhance the efficiency and velocity of our data and analytics delivery, we've migrated the ratemaking systems for three lines of business—businessowners, homeowners and dwellings—into the cloud. We've already migrated statistical plan data for all the lines of business we service into the cloud. By switching our ratemaking systems to a secure cloud architecture, we're able to greatly improve the speed at which we deliver actuarial and ratemaking insights while laying the groundwork for entirely new analytical capabilities in the future. We anticipate completing this migration for all other lines of business on a rolling basis through the end of 2021.

New Analytics and Insights

In 2020, we introduced new InsurTech solutions and participated in cutting-edge research to help insurers improve underwriting, mitigate risk, and enhance the customer experience. These include:

New Automakers and Insurers Connect to the Verisk Data Exchange

Interest in telematics and usage-based insurance (UBI) has continued to rise in both personal and commercial auto lines. To serve this growing market, the Verisk Data Exchange™ added 45 billion miles of new driving data and announced several major milestones in 2020, including the addition of **Ford** and the launch of new telematics data integrations with **Honda** and **Geotab**. Numerous insurers connected to the Exchange for the first time this year, too. We supported their **telematics journeys**, giving them efficient access to data from millions of connected vehicles and helping them to differentiate their UBI experience by delivering behavior-based discounts to consumers at point of sale.

Cyber Data Exchange Grows

Our **Cyber Data Exchange** grew this year. Several insurers contributed their data to the Exchange, where it is aggregated, summarized, and developed into business intelligence and then returned to these companies through interactive dashboards. Verisk is seeking to broaden the solution further with a wide range of participants, including managing general agents (MGAs), insurers, reinsurers, and brokers.

Wildfire Research and Education Efforts Expanded

Verisk added and expanded relationships that advance our commitment to coordinated research and education toward mitigation of **wildfire risk**. In addition to our existing cooperation with the Western Fire Chiefs Association and Intterra, our FireLine® customers now have access to community participation data from the Ready, Set, Go! (RSG) mitigation program, administered by the International Association of Fire Chiefs (IAFC). Verisk is also conducting deeper research into the topic of defensible space around properties exposed to wildfire. This activity comes against the backdrop of an unprecedented wildfire season for the western United States in 2020, with millions of acres burned and thousands of properties destroyed. Verisk actively monitors these events and analyzes the risk factors, including exposure to both direct fire damage and smoke and ash damage, seen within and around the perimeter of these fires.

Vexcel Imaging Acquires Imagery Sourcing Group from Verisk to Create World's Leading Geospatial Data Library

This year, Vexcel Imaging, a leader in aerial imagery data, large-format aerial cameras, and photogrammetry software, acquired the imagery sourcing group from Verisk's Geomni business. Verisk remains a minority owner in Vexcel with full access to all aerial imagery libraries. The combination of Geomni's fleet of fixed-wing aircraft and aerial operations, mapping business, and oblique aerial image library together with Vexcel's sensor business and data program created the world's leading geospatial data library.

Verisk Expands Change Detection Service

Verisk has expanded its Change Detection service for homeowners to include **BuildFax** data for premium leakage identification and other permit insights, such as major systems updates and pool installations. Change Detection provides alerts to insurers about a policyholder or property to help carriers underwrite, price, and retain their book of business, and better understand overall market position, specifically during the renewal process.

Delivering More ISO Education Resources to the Industry

To help customers get the most from our products, train new hires, or cross-train existing employees, we significantly expanded the number of courses in our online learning platform, **ISO Education**, and expect to end the year with 141 courses (up from 110 in 2019). We also launched the ISO Education Knowledge Sharing program, which enables companies to bring ISO Education content into their own learning management systems. The ISO Education library features on-demand courses for in-depth instruction on a wide range of ISO products and services.

Adding Resident Counts and Property Conditions to Homeowners Data

We began expanding our homeowners underwriting data offering with plans to include resident count detail and property use insights in the first quarter of 2021. Existing data elements available include vacancy information, purchase price/date, active listing price/date, foreclosure event/date, deed details/LLC, rental date, mortgage information, and market value. Our expanded offering will use homeowners data attributes, beyond common property features, to help identify property condition issues.

Increased Our Commercial Building Count

We created a mobile app to collect on-site commercial buildings data and photos to add to our building inventory in ProMetrix.® By using this mobile app, we were able to add over 100,000 more surveys this year over last year.

Verisk Develops Suite of Solutions for Life Insurance, Acquires FAST

Many life insurers face significant challenges in today's new normal, trying to improve the customer experience and help streamline workflows across the policy life cycle. At Verisk, we've developed a **suite of life insurance solutions** that combine novel data sets with advanced analytics to streamline underwriting, claims, and portfolio management. Machine learning and voice analytics power our Tobacco Usage Propensity Model, which can flag potential tobacco use among life insurance applicants through recorded telephone interviews and applicant data. Our Avocation Model leverages licensing and marketing data to help uncover life insurance applicants with risky avocations such as scuba diving and skydiving. And analytics, medical research, and applicant-authorized electronic health record (EHR) data can help accelerate underwriting and improve portfolio management through our EHR Triage Engine—a tool that represents just the first step in leveraging this powerful data source.

At the end of 2019, we completed our acquisition of **FAST**, a leading provider of end-to-end software for the life insurance and annuity markets. FAST, which stands for "Flexible Architecture, Simplified Technology," provides a SaaS suite of out-of-the-box components that life insurers can use to quickly enhance or replace their legacy systems. The FAST platform can be seamlessly integrated with a range of Verisk life insurance solutions.

In the Coming Months

We're currently working on a number of program enhancements that we expect to file in the next few months. These include:

Commercial Lines:

Streamlining Cyber Coverage Forms and Increasing Cyber Limits

As the cyber insurance market evolves, we're working to ensure our cyber program keeps pace. To that end, we're consolidating and streamlining the program with a new Commercial Cyber Insurance Policy (CCI) form and a new Information Security Protection Cyber Policy (ISP) form. Several forms have been withdrawn, but their risk exposures are now addressed in the ISP form or as optional endorsements to better match the needs of ISO customers. Our cyber **loss costs** and rating factors can now be used to help price limits up to $100 million, up from $50 million. Additionally, we've nearly doubled the size of our cyber ratemaking database through the acquisition of additional cyber incident data.

Enhanced Flexibility for Cannabis Exposures

With the legal regime around cannabis continuing to evolve in many states, insurers may be seeking additional flexibility when addressing cannabis risk exposures. We intend to make filings for new, optional cannabis-related coverage endorsements that complement the existing cannabis exclusions in the ISO General Liability program. We'll also file new rules and classifications. The anticipated updates include cannabis activity and hemp aggregate limits, exclusions related to cannabis products, and a defense within limits option for our Products/ Completed Operations Liability Coverage Part. We also plan on introducing optional cannabis coverage endorsements for our Commercial Property and Businessowners programs. These endorsements complement the existing cannabis exclusions and will address Cannabis Stock, Cannabis Business Income, and Cannabis Extra Expense.

Significant Enhancements to Commercial Inland Marine Classes

We're planning significant enhancements to four classes in our Commercial Inland Marine Handbook. The enhancements to the forms, rules, and loss costs for these classes will provide ISO customers with broad, flexible, industry-leading commercial inland marine insurance products. The four classes to be enhanced are Bailees Customers, Scientific and Medical Diagnostic Equipment, Installment Sales and Leased Property, and Signs.

Personal Lines:

Expanding the Personal Motorcycle Program

In response to growing demand for motorcycle solutions, we plan to expand the ISO Personal Motorcycle program into three new states in 2021: Florida, New York, and California. We will also be updating the loss costs and program, as needed, in all the other states at that time.

Delivering Mileage Rating Solutions Through MileageConfirm™

For insurers looking to leverage accurate mileage data for pricing vehicle risks, ISO is developing verified mileage rating factors for an optional rating rule. Verified mileage can be obtained from MileageConfirm, ISO's mileage solution, to help establish accurate annual mileage at the point of sale or point of quote. MileageConfirm uses multiple data sources, such as the Verisk Data Exchange for connected car data and third-party odometer data from DMVs, auction data, dealers, vehicle repair and service centers, etc., in a waterfall approach to help get the most accurate estimate available.

Updated Loss Costs and Upcoming Highlights of Experience Circular for Personal Umbrella

We completed a review of personal umbrella loss costs and will be filing updated advisory loss costs in the fourth quarter of 2020. Additionally, to help keep customers up to speed on personal umbrella trends, ISO staff is developing a personal umbrella circular for personal auto and homeowners customers of the Actuarial & Strategic Data Insights (formerly Actuarial Service) product. The circular will include multistate personal umbrella premium and loss experience by homeowners attachment point, personal automobile attachment point, or liability limit, and is scheduled for release in the middle of 2021.

On the Horizon

We're researching a number of solutions that may become part of ISO Core Line Services, including:

Commercial Lines:

New Coverage for Commercial Auto Hacking Expenses

While increasingly connected automobiles offer the promise of safer operations and enhanced features, wireless communications can also be vulnerable to malware such as viruses and ransomware. In response, our policy experts are developing a novel coverage concept, affording optional protection with respect to expenses to tow, diagnose, repair, and restore a commercial vehicle after a hacking incident, including those related to ransom payments.

Nearly 150 New Classes to be Added to ISO Businessowners Program

The ISO Businessowners classification table will undergo a major overhaul, with nearly 150 new classifications, updated NAICS codes, new rules and advisory prospective loss costs, and the elimination and/or consolidation of additional classes. Collectively, the new classes and added granularity will help insurers more accurately price today's evolving business risk exposures. Additionally, new coverage options for cannabis, drones, and auto service risks are being introduced. Further enhancements are being made to align with ISO's Commercial Property and General Liability programs.

Major Update to ISO Commercial General Liability Program

From e-sports to drones, the nature of today's business liability exposures is changing rapidly. To help insurers address these evolving exposures, we've undertaken one of the most sweeping and significant updates to the ISO General Liability classifications since its inception. We plan to introduce dozens of new classifications while revising or eliminating dozens more. These revisions may include changes to premium bases, combining not-for-profit and other than not-for-profit classification, or shifting from refer-to-company or estimated loss potentials to manual loss costs on some classifications.

Personal Lines:

Homeowners 2021 Under Development

We're completing development of the next general revision to the Homeowners Policy Program, with a goal to file the revisions in 2021 and make them effective in 2022. Some of the changes anticipated in the revision include introduction of a new alternative comprehensive contents policy, coverage options addressing certain marijuana-related exposures, and new coverage provisions addressing e-bikes.

ISO Personal Auto Updates to Address Cyber, Delivery, and Sharing Economies

ISO is developing several changes to be filed in 2021, including updates to physical damage coverage related to cyber and vehicle automation, explicitly addressing delivery network platforms with a related coverage option, and introducing optional physical damage gap coverage related to transportation network drivers.

New Flood Coverage Option for Homeowners

We've begun development of a new flood coverage option for use with the Homeowners Policy Program. This new option is anticipated to be introduced in 2021 and provide coverage with respect to the additional peril of flood on a homeowners policy while also providing separate rating information and territory provisions for the new coverage.

Homeowners: Enhancements to ISO Program and Credit-Based Insurance Score

We're currently researching several potential enhancements to the ISO Homeowners Program to address evolving risks for home business activities, family limited liability companies, and directors and officers (D&O) liability exposures for certain volunteer activities. We're also considering the use of credit information for Homeowners, either by testing the performance of the Personal Auto score on Homeowners data or by developing a new model specifically for use with Homeowners.

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