

Major Consumer and Commercial Lines insurance products

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Abstract

In our last article, we discussed how insurance companies, especially ones with too many products, often face the issue of defining its products. Different departments of such companies maintain different product hierarchies; maintain their own mappings i.e. coverages to products mappings. And often because of too many coverages, different departments end up mapping coverages to products per their understanding, resulting in different mappings or definitions amongst different departments and at company level.

We will discuss various consumer and commercial products, and our focus will be on Property & Casualty products in this article. There are a few products, such as Workers Compensation / Employers Liability, Employment practices liability insurance, Commercial Auto, Directors & officers etc. that fall under both consumer and commercial products depending on usage by the insured. We will also discuss various coverages for Auto in this article to make the relationship clear between coverages and products.

Property & Casualty companies usually have products lined up for their Property, Financial, Specialty, Casualty, Personal Lines, Warranty and Accident & Health businesses. Under each of these pillars comes products that carry coverages. A product for one department could be a sub

product for another department e.g. Marine Cargo, Marine Hull or Marine Liability could be what one department would like to define as products but other department may define Marine as a product with Marine Cargo, Marine Hull or Marine Liability as sub-products.

A decision should be made at a company level as to how the company would like to define a product, keeping in mind external reporting requirements, management-reporting requirements, and reserve requirements, and for its market analysis purposes. A consensus should also be reached amongst departments on how to align coverages to these products to keep definitions of products the same across the company. We will cover a comprehensive list of products in this article that could help companies decide how they can bucket their products.

Lines of Business

An insurance company could be a Property & Casualty insurance company or a Life & Retirement insurance company or could be an Insurance company that offers both Property & Casualty and Life & Retirement products. Then there are re-insurance companies that insure regular insurance companies.

Property & Casualty companies usually have a Consumer lines business unit and Commercial lines business unit, or they may have one combined business unit for both lines depending on the company's business strategy and company size.

Consumer lines deal with products that provide coverages directly to an individual or a consumer and hence Consumer lines. There are various consumer products, but Personal Auto and Homeowners are major consumer products. Standard Auto policies usually carry coverages,

including Liability coverages such as Bodily injury liability or Physical damage liability; Medical payments or personal injury protection (PIP); and Uninsured motorist coverage, but there are additional coverages such as Collision, Comprehensive, Glass Coverage etc. that one should consider buying depending on one's specific needs. All such coverages should roll up to define an Auto product in a company's product hierarchy. One important thing to note is that personal auto insurance will only provide coverages when the insured is using Auto for personal use and not for commercial purposes like using one's car as a cab. When a car or auto is used for commercial purposes then one would rather need to buy commercial auto coverages. Other Consumer products include:

- Flood
- Earthquake
- Private Collections
- Personal Excess Liability
- Warranty
- Group Personal Accident or Individual Personal Accident or Specialty Personal Accident
- Group Travel or Individual Travel
- Service and Administration
- PA Disability
- Supplemental Medical
- Accident & Health Life
- Plus+
- CALI
- Group Auto

- Yacht
- Recreational Marine etc.

Commercial products provide coverages to businesses against different kinds of perils they face. These businesses may range from a small - scale business to a medium scale business to a big business. Commercial insurance helps run business operations of companies smoothly and can cover these companies right from providing workers' compensation to the worker injured at work to any legal lawsuit these companies may face. Major Commercial products include:

- Commercial Property
- Aviation
- Boiler & Machinery
- Contractors All Risk
- Commercial General Liability
- Crisis Management
- Cyber
- Errors and Omissions / Professional Liability
- Environmental Impairment Liability
- Excess/Umbrella
- Energy & Engineered Risk
- Alternative Risk Transfer
- Fidelity/Crime
- Kidnap & Ransom
- Marine (Marine Cargo, Marine Hull, Marine Liability)

- Merger & Acquisition
- Healthcare
- Pension Trust
- Political Risk
- Product Liability
- (3rd Party Assumed) Reinsurance
- Surety
- Terrorism
- Trade Credit
- Inland Marine etc.

There are products that could be Consumer or a Commercial products depending upon their usage e.g. Workers Compensation / Employers Liability, Employment practices liability insurance, Commercial Auto, Directors & officers etc.

These major products are where management needs to keep its focus, while performing growth and profitability analysis. Finance and marketing teams should prepare forecast / budgets across these products; reserve actuaries should perform reserves at these product levels; and companies should prepare profit & loss statement for the above mentioned products to find out what products are helping them make a profit and where the company is making losses.