

# Automatic Data Processing Inc. - Vice President of Product Management and Underwriting at Travelers

Interview conducted on October 13, 2023

## Topics

Payroll Data, Data Providers, Risk Assessment, Commercial Insurance, Workers' Compensation, Data Aggregation

## Summary

The Tegos Client is discussing the value of payroll data in commercial insurance with the Vice President of Product Management and Underwriting at Travelers. The Vice President explains that knowing the number of employees and related payroll data is crucial for assessing exposure and determining policy rates. They emphasize the importance of data fields such as number of hours, part-time vs full-time status, tenure, and type of work in assessing risk. The Vice President also mentions that understanding the specific composition of a company's employees is valuable, but individual employee details are not necessary. They clarify that they prefer to understand the specific risk profile of a company rather than knowing the identities of individual employees. Additionally, the Vice President mentions that any company seeking workers' compensation coverage would need to provide this information, not just construction companies. They also mention that they are comfortable ingesting large volumes of data and that ADP is a prominent provider of payroll data in the industry. The Vice President also discusses the potential use of payroll data in portfolio management and premium audits, as well as underwriting and the audit process. They also mention the regulatory environment and the need to ensure fair pricing and availability of coverage.

## Expert Details

Vice President of Product Management and Underwriting at Travelers. Expert can speak to commercial insurance data needs and working with multiple data providers.

Vice President of Product Management and Underwriting at Travelers. The expert is responsible for advancing underwriting and pricing capabilities for business insurance, leading execution of sales and underwriting capabilities for business insurance, and leading operations and technology strategy/business architecture.

Q: Please rate your familiarity on a scale of 1-5 (5 = most familiar) with each of the following areas: Commercial Insurance Data Needs (For Underwriting, Pricing, Claims Processing), and Digital Commercial Insurance Trends.

A: 4 - extremely familiar with underwriting and pricing, less so with claims processing

Q: Have you worked with 1 or more of the following data providers for commercial Insurance? If so, rate your familiarity with their solutions from 1-5 (5 most familiar) and describe your role (e.g. Decision Maker, Buyer, Influencer, Product Manager/User)- Providers: Carpe Data, LexisNexis Risk Solutions, Experian, Dun & Bradstreet, Verisk

A: 5 - product manager/ buyer and have bought from almost all those data providers

---

## Tegos Client

Thank you for taking the time to speak with me today about insurance, your ability to speak to commercial insurance and the needs of the market today are of primary interest to us. I would love to hear your insights on a couple of things. We would love to explore with you the value of payroll data, specifically in the realm of workers' comp and liability coverage for businesses.

THIS DOCUMENT MAY NOT BE REPRODUCED, DISTRIBUTED, OR TRANSMITTED IN ANY FORM OR BY ANY MEANS INCLUDING RESALE OF ANY PART, UNAUTHORIZED DISTRIBUTION TO A THIRD PARTY OR OTHER METHODS, WITHOUT THE PRIOR WRITTEN PERMISSION OF TEGUS INC.

In addition to that, we would love to hear your thoughts into point around pain points, current pain points in the market as well as current data providers for this type of data. And to clarify what I mean by payroll data, at least as a starting point, throughout this, we'll ask you what you understand when we say payroll data but our starting point is several different examples.

A payroll data can be at the employee level, their name, date of birth, the position that they hold in a specific place of employment, would be like job level, like job status, full time, part time, time of hiring or class code, where they are.

And last but not least, things like salary type of information like hours work, hourly rate, and gross payroll so forth. So, it sounds like we are in agreement on payroll data and what that means. Out of all these types of payroll data, including also your own experience and opinion. What are the types of data, data fields, data types that would be valuable for a commercial carrier?

#### **Vice President of Product Management and Underwriting at Travelers**

Yes. How much commercialization background do you have? I'm happy to go talk with workers' comp overview or we can go a little bit deeper on that. Give me a sense of what would be most helpful to you?

#### **Tegus Client**

I would say we are probably at an intermediate level. Insurance is a market for us, though not a primary one.

#### **Vice President of Product Management and Underwriting at Travelers**

Understood. From a commercial insurance perspective, the primary line that we think about when I think about payroll data its primarily workers' compensation followed a little bit by general liability. Knowing how many employees a company has and the payroll data like you said, related to that, is the indication of exposure. And we use that all the time to figure out how do we rate a particular policy, how do we price a particular policy.

I think that's the primary use case that I think of when I think about payroll data from a commercial insurance standpoint. And then the general liability side of the house where it gives you a sense of size and scale of a company and helps us again, understand how do we think about the GL coverages required for that commercial entity, if you will.

#### **Tegus Client**

You mentioned a number of employees and payroll. When you face payroll do you care about salaries, number of hours, are there specific fields that will be of huge value?

#### **Vice President of Product Management and Underwriting at Travelers**

Huge value. Absolutely. Number of hours, very important. Part time versus full time, extremely important because again, that gives us a sense of what type of workers' comp coverages to the employees expect. I would say a number of employees, tenure, hours worked, part-time, fulltime, I think.

#### **Tegus Client**

Anything about the title or about the type of work?

#### **Vice President of Product Management and Underwriting at Travelers**

Type of work for sure, and the title can be a proxy for that. There's a difference between desk work versus fieldwork, I'd say. Anything that gives us an indication of the type of work that is, is helpful to assess risk. I would say definitely that. Title itself, again, this comes more on the GL side of the house to understand the overall health of the company, making sure that the right management is in place and that it is the right kind of not layers per se, but making sure that there is good management structures in place, make sure that we can assess the overall health of the company from a general liability perspective.

#### **Tegus Client**

THIS DOCUMENT MAY NOT BE REPRODUCED, DISTRIBUTED, OR TRANSMITTED IN ANY FORM OR BY ANY MEANS INCLUDING RESALE OF ANY PART, UNAUTHORIZED DISTRIBUTION TO A THIRD PARTY OR OTHER METHODS, WITHOUT THE PRIOR WRITTEN PERMISSION OF TEGUS INC.

Let me just make sure I understand what you're saying. A lot of that makes sense as it relates to the data fields. A lot of that makes sense to understand the health of the business. But I want to get specific, and what I mean by that is when you're talking about these fields, are you looking for it as if having the greatest value or a sufficient value, let me say it that way, if you had that information at a business level? Or are you talking about these details down to the individual employee because what we're trying to figure out also is what level of detail because, obviously, anonymity is a piece of it?

### **Vice President of Product Management and Underwriting at Travelers**

Absolutely.

### **Tegus Client**

Want to unpeel that a little bit? Because that's a key piece of this, given all the PII data that exists.

### **Vice President of Product Management and Underwriting at Travelers**

Yes. I mean we'd be largely looking at it at a business level. Down at the employee level, I'm not sure how much we care about that. I think it's more about looking at things at the aggregate and looking at things at the employee level, employer level to say XYZ company who we might be writing Canada the insurance for has 30 employees, and this is what that split looks like across tenure, across type of work, salary. But at the individual level, I don't think that matters too much to us. Does that make sense?

### **Tegus Client**

It does. And also, to drill a little bit further into that question which of the two scenarios, I'm about to tell you, which one would you prefer? Would it be something where, okay, let's say, a construction type of this nature in general with this many employees, something with these characteristics has this type of workers or has this type of profile?

Or would it be, okay, ABC company has at an aggregate level, this type of. In other words, would it be helpful to have specific down to the ABC company? Or would it be more like, okay, generally, when you have this type of business, this is the picture.

### **Vice President of Product Management and Underwriting at Travelers**

No. ABC company. We don't want to understand the specific company that we're talking about here, firstly, able to assess that risk, we need to know. We have our own data, as a big carrier. We know that generally, when we talk about let's make it up, like a construction company with 10 employees, we know that this is generally what we expect from that. We have that information. It's more about understanding the nuance of this specific company to say it. Usually, our data might tell us we have a company of let's make it up, like a company of \$5 million revenue.

We expect it to have 10 employees and this type of mix. But then we want to understand this specific company to say, for this company, they have strong employees and there are three that are more part-time big economy workers and nine that are full-time workers. And for these nine people for whom we are largely underwriting and taking the risk workers' compensation perspective who have been there for less than a year, seven have been there for a long tenure.

Three people are desk jobs and don't really go on site. And the other six people are on-site doing things. If you can also know that one of those people finds ladders and does roof, that will be even more helpful. I think it's really understanding that particular risk. We don't care about who those employees are, but we care more that we understand what their employee composition looks like.

### **Tegus Client**

We know there are certain types of industries that the risk is different or it could be higher. Obviously, construction type of work is one of those, are there any other where this particular data would come handy?

### **Vice President of Product Management and Underwriting at Travelers**

I mean any company that wants workers' compensation coverage from us, we will need this information from

THIS DOCUMENT MAY NOT BE REPRODUCED, DISTRIBUTED, OR TRANSMITTED IN ANY FORM OR BY ANY MEANS INCLUDING RESALE OF ANY PART, UNAUTHORIZED DISTRIBUTION TO A THIRD PARTY OR OTHER METHODS, WITHOUT THE PRIOR WRITTEN PERMISSION OF TEGUS INC.

them. It can be a florist, right? It can be a florist with three employees. We'd want to know, well, tell me more about those employees, how many of them are in the store, how many of them are actually driving?

And some of this information might not come from payroll providers. Some of this might come from the florist themselves. We'd have to understand, we have to ask them these questions to understand what is it that they're looking for coverage on and what is the nature of the business. It will be any company, it's not necessarily a construction company, but any company that is looking for workers' comp coverage for their staff, we need to understand what that staff looks like.

**Tegus Client**

We talked about the specific types of fields. The other thing I want to ask you is in terms of type of data for a commercial carrier to ingest, what would make sense? Is it something where you would want the data fields like number of hours part-time? Is it something like a score? Is it some other type? What are your thoughts on that?

**Vice President of Product Management and Underwriting at Travelers**

We are very comfortable ingesting large volume of data. If you give us a flat file with data dump of payroll, I'm going to say payroll back to your first point, right, these are types of characteristics for 100 employees, 300 employees, whatever that might look like, we are very comfortable ingesting that.

And when you work with the big carriers, they all have their format that they give us data in, and we are able to consume that and use that for displaying that information to our underwriters and then assessing risk based on that. Does that help?

**Tegus Client**

Definitely. I'm going to move on adjacent topic, again, about payroll data. You mentioned that you collect part of that data, I'm assuming your agents talk to the customer and they provide some of that data. But if you wanted to go beyond that to something like a data aggregate or data provider, is there someone in the space that you would go to?

**Vice President of Product Management and Underwriting at Travelers**

I mean the obvious big name is ADP. They are the big carrier that I think provides a lot of this data to insurance providers. They're probably the biggest name. I'm sure there are others, but I'm not able to recall them on the top of my head. I think ADP is the big one.

**Tegus Client**

You're saying ADP could technically provide a payroll data that more aggregate but still at the company level?

**Vice President of Product Management and Underwriting at Travelers**

Yes.

**Tegus Client**

Is there additional room for others in that space? In other words, whoever is providing ADP, is the coverage sufficient? Is there any particular pain point?

**Vice President of Product Management and Underwriting at Travelers**

In terms of just getting the data, I think they check the box. But it would be great to get some more trends that analytics on the data to understand, we have our own, like the big carriers will have their own. But if you're talking to a smaller carrier. I think they would benefit. And again, I don't know if ADP has this, but what should you expect for bakery chain? Like people might not have a frame of reference.

I think that information could be helpful. I don't know if ADP has that. I mean we will find value in it, but we also are the number one provider for workers' comp coverage. We have a lot of that data ourselves. But if I

was a smaller carrier or if I was operating in just one state, I might not really know the state specific nuance to understand what should I expect or dealership payroll data to generally look like. I think being able to provide some of that aggregate data could be a huge value add, especially for the smaller players.

**Tegus Client**

Let me play back what you just talked through and tell me if I have this right or wrong. You have interest or there could be interest and appetite for payroll data that's currently not being provided by any big player or too big payers or used by big players today in any real way.

There could be appetite for that. And you could, as a large carrier be able to ingest the raw data. However, where the real value is, is being able to have a partner that provides insights that are actionable on the data to then complement your model. Is that what you're saying? Was this addition to that asset?

**Vice President of Product Management and Underwriting at Travelers**

Yes.

**Tegus Client**

And then I do want to poke a little bit more about why? Is the why you're not really using or nobody is like getting it from ADP today because of that insight piece? Or there are other barriers?

**Vice President of Product Management and Underwriting at Travelers**

Yes, I mean, for us, I don't know any, I don't know if ADP offers this type of data, right?

**Tegus Client**

Let's acknowledge, any provider.

**Vice President of Product Management and Underwriting at Travelers**

I don't know, they offer that kind of data. We are always evaluating, we call it the broad third-party data domain, to understand who are the big players, we look a lot for other types of data when it comes to data pieces that will add a lot more value to our internal modeling, but that tends to come more on lines like property, right, where it's hard to get a handle on things like roof conditions and so on and so forth. On the workers' compensation side, and things like payrolls, they have become fairly commoditized. Most people either have access to that data or know how to get access to that data.

I'm not seeing as much, and there might be a lot going on that I'm not aware of, but I'm not seeing as much vendor activity in terms of analytics and insights of payroll data. Now there's a whole big economy piece there. How is that changing things I don't know? But we of late at least, historically of late, this has not been an area where we are seeing that much vendor action, if you will, of people pitching us interesting insight for us to consider.

**Tegus Client**

If I were to say that back, I mean, your being able to price in model from an insurance carrier perspective your ability to drive, whether that be what I would say, better coverage, meaning better line of sight to the number of businesses, active businesses and the accuracy of the information you have in the business?

And also, the predictability, meaning, all right, more insight into how to better price it because we can have better insights into how to price it from a predictability perspective, you haven't seen where there has been a compelling value statement or if there is any value statement to having payroll data to provide that additional coverage and performance to your existing?

**Vice President of Product Management and Underwriting at Travelers**

Yes, agreed. And the other thing I would also state, it's inherent in the nature of workers' compensation, which is probably the most regulated line in commercial insurance. There's not that much room for data modeling, I'd say. What it is and everyone files their models with the state insurance regulators, you can't

really go to out of the box to price workers' comp. It's a factor of more payroll data. This is traditionally also not been an area of modeling innovation. There is no room for that. We have to be pretty tight from an insurance perspective, from a regulation perspective.

#### **Tegus Client**

I'm going to move to the last area with a question or two. We've been talking about workers' comp and liability coverages. And is there another type of coverage we're not considering that you can think of? Or you would confirm that those would be the two specific coverage test?

#### **Vice President of Product Management and Underwriting at Travelers**

Yes, it's a little bit of connecting the dots to some of the other lines that we tend to do. And from an auto perspective, for instance, are from a not sure so much of a property sense from an umbrella coverage perspective, I think it's a little bit of connecting the dots we do, for instance, I'll make it up, like a pizza chain with 10 employees, many locations in one vehicle, something doesn't add up, right? We do it just connecting different data points to say, this whole account makes sense the way it is constructed. Is it typical for what you would expect for a company of this kind?

I think it is more useful in that regard. But I would say payroll data primarily, first and foremost, is the workers' comp thing. The other thing I'll also mention is a big focus from any company, all insurance coverage carriers have this functionality called premium audit. Actually, should've talked about this earlier, too, now that I think about it. Are you familiar with that?

#### **Tegus Client**

Yes. You're talking about premium audit from a workers' comp perspective?

#### **Vice President of Product Management and Underwriting at Travelers**

Exactly. That's a huge use case as well, right, it would be helpful to get a secondary data point from a validation perspective. We got the file from the agent, they said 100 employees. They gave us the payroll data. We loaded that in. We gave them a quote. We issue the policy. And then after issuing the policy, we want to check to make sure that we got the data right, primary means of doing that is more often than not doing an audit, whether it is a physical audit or a virtual audit.

But being able to use third-party data providers and data to cross-check what we got and or validate what we're seeing on the ground. I think that could be a pretty compelling use case as well. It's not just for the issue, it's also a post EQ use case, I guess it's a point that I was trying to make.

#### **Tegus Client**

Like a portfolio management. That was actually my last question. In terms of specific point, if you will, in the insurance continue insurance process. Thinking of acquiring customers underwriting claim management and then portfolio management. I think you just talked about that in terms of portfolio management. I was actually going to ask you, it sounded like initially you mentioned something about giving that data to your underwriters. Point of underwriting would be another compelling point. Is there any other point where this data would be compelling?

#### **Vice President of Product Management and Underwriting at Travelers**

Trying to think about the billing process to see if payroll there would be helpful, but I don't think so. There's a little bit of claims, reclaim validation. But again, we have the data within our walls when we write the account. We have that data. We can always use third-party data to validate, but I would think that's not a huge data need there. I think it's mostly in the underwriting and pre-issue base followed with the premium audit side of the house.

#### **Tegus Client**

To that point, I want to go back to your statement earlier around the regulatory environment. So do I understand this correctly in that if underwriting and post, I guess, post audit, we'll call it the audit process of



portfolio management? Those are the two primary areas. Is my assumption correct that the barrier is very high in underwriting to really effectuate any change from a new data set perspective?

Whereas the barrier is lower within the portfolio management portion of the journey because, again, it's all internal auditing and managing of your own portfolio. Am I right in that assumption? Or am I taking a lead too far in thinking that the regulatory situation is that nuanced? Do you understand my question?

### **Vice President of Product Management and Underwriting at Travelers**

The question is, do we have a little bit more license in how we use the data no portfolio standpoint, right? Absolutely, we do. But we've got to hold the line and make sure that we are not using that information to price.

To that extent, absolutely. I think we have a lot more license there. From a pricing standpoint, I mean, it fundamentally comes down to how many, I think out of the 50 states in the U.S., I think two or three state workers' compensation, the state offers the insurance and for the other 47 or 48 carriers play in them.

There's a couple that are free market, but you sell offer and your operating in the state means you follow these sets of rules. And to extent that a little bit further, like Canada, for instance, doesn't have any workers' compensation. The state offers that type of coverage.

I think its nature of that where the states mandate and rightfully so, that they could be almost the right, if you will, for people to have this coverage. They want to make sure that there is no manipulation of the market or inflated pricing that will impact how many people are covered. I think it's that intent to make sure that it feels broadly available and largely fair that drives the dynamics here.

### **Tegus Client**

Okay. Well, thank you again for taking the time to speak with me today. Enjoy the rest of your day.

---

Tegus is not a registered investment advisor or broker-dealer, and is not licensed nor qualified to provide investment advice. The information published in this transcript ("Content") is for information purposes only and should not be used as the sole basis for making any investment decision. Tegus, Inc. ("Tegus") makes no representations and accepts no liability for the Content or for any errors, omissions, or inaccuracies will in no way be held liable for any potential or actual violations of United States laws, including without limitation any securities laws, based on Information sent to you by Tegus. The views of the advisor expressed in the Content are those of the advisor and they are not endorsed by, nor do they represent the opinion of, Tegus. Tegus reserves all copyright, intellectual and other property rights in the Content. The Content is protected by the Copyright Laws of the United States and may not be copied, reproduced, sold, published, modified or exploited in any way without the express written consent of Tegus.

THIS DOCUMENT MAY NOT BE REPRODUCED, DISTRIBUTED, OR TRANSMITTED IN ANY FORM OR BY ANY MEANS INCLUDING RESALE OF ANY PART, UNAUTHORIZED DISTRIBUTION TO A THIRD PARTY OR OTHER METHODS, WITHOUT THE PRIOR WRITTEN PERMISSION OF TEGUS INC.