This template for program underwriting guidelines is intended for MGAs, program admninstrators, Lloyd’s coverholders, management teams, InsurTechs, affinities, tied agencies, binder brokers, professional advisors and others which manage insurance programs on behalf of risk carriers under a delegated authority arrangement. The provision of underwriting guidelines is usually required by capacity providers where the coverholder has material discretionary underwriting authority.

Underwriting guidelines outline the process that is followed in assessing whether a risk should be written and at what terms. Underwriting guidelines provide guidance to underwriters internally and capacity provider externally in areas such as pricing, terms and conditions, referral processes, aggregation issues, control of exposures and reinsurance. Underwriting guidelines can be standalone or specific to capacity providers and vary significantly from program to program, class to class and territory to territory.

We hope that you find this template of use in your capacity pursuit and in running your program operation. If you have any questions or suggestions regarding this template, please send us an email at support@capacityplace.com or use the chat facility on our website.



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Underwriting Guidelines

[Program - Class of Business]

[Date]

[Contact Details]

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# Document Control

## ****Key Document Summary****

|  |  |
| --- | --- |
| Document Status | Draft |
| Document Owner |  |
| Approved By |  |
| Date Approved |  |
| Document Location | Filepath\filename.docx |

## ****Document History****

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Version | Status | Reviewer(s) | Action/Comment |
|  | 0.1 | Draft |  | First draft |
|  |  |  |  |  |

## Roles and Responsibilities

The table below lists the key roles and associated responsibilities:

|  |  |
| --- | --- |
| **Roles** | **Responsibilities** |
| **Chief Underwriting Officer [or Underwriting Committee or Board of Directors]** | * Formal sign off of underwriting guidelines
 |
| **Departmental Underwriting Head** | * Authors and owns underwriting guidelines
* Reviews and revises the underwriting guidelines, at least annually
 |
| **Underwriters** | * Understands and applies the underwriting guidelines
 |

## Purpose of the Guidelines

The purpose of these guidelines is to provide guidance as to the types of risks which fall within risk appetite and which do not, then outline the process that is followed in assessing whether a risk should be written and at what terms.

Underwriting guidelines provide guidance to underwriters internally and capacity providers externally in areas such as pricing, terms and conditions, referral processes, aggregation issues, control of exposures and reinsurance.

# Products, Coverages and Distribution Channels

This section provides an overview of products (or classes of business), demand for these and distribution.

## Overview

Our program underwrites the following types of products:

|  |  |  |
| --- | --- | --- |
| **Product** | **Coverages Offered** | **Target Insureds** |
| A |  |  |
| B |  |  |
| C |  |  |

## Types of Claims

Expected types of claims arising from this program include:

* A
* B
* C

Include frequency and severity indications, if possible

## Sources of Claims

Expected sources of claims arising from this program include:

* A
* B
* C

Include frequency and severity indications, if possible. Distinguish between attritional, shock and cat if applicable.

## Product Demand

Demand for these coverages comes from…..

[How does demand vary by geography or segment? Is segment demand growing or declining? How is this changing? Are coverage requirements changing? ]

## Distribution Channels

Provide commentary on product distribution, development trends, rating environment, competitive pressures and opportunities

# Underwriting Strategy

This section outlines the target portfolio that your program is seeking to build, your overall underwriting approach and your general risk appetite.

## Target Program Portfolio

Our program aims to build a target portfolio of risks with the following characteristics:

[Describe the target portfolio in terms of:

* Consumer or Commercial or mixed target markets
* Portfolio size, premium and policy count
* Business mix
* Risk profile
* Rating
* Avoidance of concentrations]

## Underwriting Approach

Our underwriting approach is to…

[This section may include a discussion of ethos, distribution, risk selection, rating, pricing, wordings, use of reinsurance, etc]

## Risk Selection

### Targeted business

We have a strong risk appetite for….

[Insureds / industry segments / territories / deal types / distribution partnerships] generally sought include:

|  |  |  |
| --- | --- | --- |
| **Preferred** | **Acceptable**  | **Acceptable If Terms are right** |
| ABC | DEF | GHI |

Qualities and characteristics of targeted business includes:

* A
* B
* C

Risk size (TSI/LOI/PML) / limits / layer / deal type / direct & facultative / retentions

### Avoided business

We have little appetite for….

Business that we actively avoid includes:

* A
* B
* C

[Include reason why this business is avoided]

Risk size (TSI/LOI/PML) / limits / use of line size

Loss history

Cross-class of business or sub-class of busines issues

Others’ wordings

Sub-delegation

# Risk Assessment, Pricing and Term-Setting

This section provides greater specifics as to how risks which fit within broader risk appetite is then assessed, how terms and pricing are set. These sections should be repeated for each product if these differ.

## Risk Assessment and Rating

### Underwriting Factors

Underwriting factors considered include:

* A
* B
* C
* D

[Underwriting factors vary significantly based on the class of business and products.

These may include factors such as industry / trade, company type, company age, company size, country, vehicle type, contract, claims history, credit score, etc.

These may also include policy structure factors such as sum insured, limit of indemnity, sub-limits, deductibles, layer, attachment point, periods of cover, co-insurance, etc.]

### [Underwriting Factor A]

Provide a list of questions to ask, how these should be considered

Is there a grading scale for this factor?

Where does this information come from? Does this need modelling?

Red flags and warning signs for this factor?

### [Underwriting Factor B]

Provide a list of questions to ask, how these should be considered

Is there a grading scale for this factor?

Where does this information come from? Does this need modelling?

Red flags and warning signs for this factor?

### [Underwriting Factor C]

Provide a list of questions to ask, how these should be considered

Is there a grading scale for this factor?

Where does this information come from? Does this need modelling?

Red flags and warning signs for this factor?

## Pricing and Premium-Setting

### Pricing Approach

Our approach to pricing risks is to….

### Pricing Models

Pricing model used… What software is this based on?

Pricing factors used in pricing models include:

For renewal business, we calculate current premium vs. last year’s premium

Experience vs. exposure

Technical vs. benchmark premium

Formulated adjustments

Discretionary adjustments

Max loadings / discounts allowed

Is this an in-house model or a third party application, in which case is it modified to fit your needs?

Proprietary rights, licences, etc?

### Mid Term Adjustments

### Policy Extensions

Include any Long-Term Agreements (LTAs), tacit renewals, evergreen policies.

### Commissions and Fees and Surcharges

Acceptable commissions, fees and surcharges include:

* Brokerage commissions
* Agent commission
* Introductory fees
* Client fees
* Survey fees
* Local Fire Brigade Charges
* Administrative fees
* Claims handling fees
* Other TPA fees
* Contributions to Government Pool – i.e. Terrorism, Natural Phenomena, other
* Other policy fees
* Any fee revenue streams?
* What level of IPT or equivalent local re/insurance tax rate and/or tariffs are applicable?

## Terms and Conditions

### Policy Wordings

Which policy wordings are authorized for use?

### Policy Endorsements

Which policy endorsements should be applied by underwriters in different scenarios?

### Coverage Extensions

Which coverage extensions are available? How should these be considered, offered and assessed?

### Warranties and Conditions Precedent

What warranties and conditions precedent are standard in policy wordings?

How should these be adjusted following risk assessment?

### Other Policy Terms

# Underwriting Process

This section considers underwriting from a process perspective from submission through to invoicing.

## Overview

[Diagram / stages of underwriting process]

What differences are there for new business, renewals, extensions, mid-term adjustments, cancellations?

## Submission

Where do risks originate from?

How are these received and recorded?

Which systems are these logged into?

What information is needed before underwriters can assess a risk?

Do underwriters provide non-binding indications?

Which compliance checks are undertaken at this stage? (e.g. TOBA, AML, GDPR, sanctions, history of bad debt, etc.)

## Risk Assessment

Which rating and pricing tools are used? Are these used on all risks?

What underwriting checks are required for which conditions?

Where are underwriting notes recorded and saved?

Which risks are peer-reviewed before quotation, if any?

Which risks should be referred? To whom?

## Which compliance checks are undertaken at this stage? (e.g. TOBA, AML, GDPR, sanctions, etc.)

Are non-binding indications provided?

Who can provide a quote?

What authority levels and sign-offs are needed to quote?

What is the form of quotation and for how long are quotes valid?

Cancel and replacements?

Which compliance checks are undertaken at this stage? (e.g. TOBA, AML, GDPR, sanctions, etc.)

## Binding or NTU

Form of quote and validity period

Historical reasons for Not Taken Up (NTU)

Which compliance checks are undertaken at this stage? (e.g. TOBA, AML, GDPR, sanctions, etc.)

## Policy Issuance

How are policies created, issued, recorded and tracked?

What is done manually vs. system-generated?

Who issues the policies?

## Invoicing

How are policies invoiced to end customer? To broker?

Individually? Broker statement of account?

How is history of bad debt accounted for?

When do premium payment warranties kick in?

What actions do you take if premiums are not received or only partly received?

## Underwriting Controls

Our program operates the following controls:

* Underwriter authority letters
* System controls
* Compliance checklists
* Internal sign-offs
* Referrals
* Pre-bind peer review
* Post-bind peer review
* Underwriting Committees
* Internal audit
* External audit

# Program Exposure Management

This section outlines how exposure accumulations or concentrations are monitored and managed.

## Accumulation / Concentration Risks

Our program has the potential to develop accumulations or concentrations in these higher-risk areas:

* Peril / zonal risk
* Country risk
* Industry accumulations
* Cyber exposures
* Other event exposures, i.e. Pandemic, NatCat (if not already described above)

[Specify loss scenarios which would result in significant losses across the portfolio

[Outline any potential systemic risk issues as well as correlations between different elements of the portfolio, classes or sub-classes.]

## Exposure Monitoring

We actively monitor accumulations and concentrations by….

[Aggregate data entry, reporting and review, what tools are used and what process is in place. How frequently is this carried out?]

### Realistic Disaster Scenarios (RDS) Assessment

We also run the following RDS’s to assess the impact of major loss scenarios on our program:

## Exposure Management

To manage accumulations and concentrations, we do the following:

* Operate strict program limits (per risk, net vs. gross, sub-limits)
* Require additional sign-offs for the following types of exposures
* Diversify our portfolio to reduce concentration risks
* Limit % of portfolio that comes from….
* Purchase outwards facultative reinsurance
* Operate treaty reinsurance program

# Appendix

This section includes any additional collateral such as proposal forms, wordings, clauses, risk assessment forms, peer review forms, risk raters, etc. that may be referenced in the Underwriting Guidelines



*Source markets for your programs quickly and securely*

**Features and Benefits of Capacity Place**

|  |  |  |
| --- | --- | --- |
| **Smart Market Matching**Your program is relevance-scored against Capacity Providers’ risk appetite to source markets with best fit | **Program Data Room**Share commercially-sensitive documents through our secure repository where you control who has access | **Capacity Tracker**Keep track of all interested Capacity Providers in one place from initial enquiry though to conclusion |

|  |  |  |
| --- | --- | --- |
| **Wide Range of Carriers**Reach a broader set of risk carriers including insurers, reinsurers, Lloyd’s underwriters, ILS funds, fronting carriers and PCCs | **Global Reach**Expand your prospective markets beyond local contacts with Capacity Providers from across the globe in countries both near and far | **Faster Program Placement**Comprehensive program listings direct to Capacity Providers generates competitive interest and enables quick decision making |

**Five Steps to Securing Capacity for your Program**

|  |  |
| --- | --- |
| **1** | **Create Your Program Listing*** Complete questionnaire for company profile and program details
* Add documents to your Program Data Room and public repository
* Specify capacity, financial strength rating and licensing requirements
 |
|  | **Get Matched to Capacity Providers*** Set anonymity options (i.e. hide your identity)
* Set confidentiality options (i.e. hide from specific risk carriers)
* Your program is matched with relevant Capacity Providers
* Interested Capacity Providers contact you to discuss
 | **2** |
| **3** | **Build Interest with Capacity Providers*** Discuss your program with prospective Capacity Providers
* Participate in Capacity Providers’ due diligence processes
 |
|  | **Negotiate and Conclude Contracts*** Negotiate authorities and limits, wordings, operational processes and commercial terms
* Conclude capacity support agreements
 | **4** |
| **5** | **Start Trading with Capacity Provider(s)*** Invite risks, issue quotes and policies, collect premiums
* Remit premiums and bordereaux to Capacity Providers
 |

**Go to CapacityPlace.com to get started**