|  |  |  |
| --- | --- | --- |
| **Category:**  **Standard** | | **Functional Area***:*  **Global Commercial Underwriting** |
| **Effective Date***:*  ***August 15, 2014*** | | **Date Issued***:*  ***August 15, 2014*** |
| **Owner:**  **Global Commercial Underwriting Committee** | | **Contact for Questions**:  **Global Commercial Head of Technical Underwriting** |
| **Approver**: **Global Commercial Chief Underwriting Officer** | | |
| **Purpose** | The purpose of this document is to establish key principles for the role of Underwriting Quality Reviews and Peer Reviews as part of the Underwriting Excellence framework. Underwriting Quality Reviews and Peer Reviews assess the effectiveness and consistency of our execution in underwriting. They identify improvement opportunities and provide coaching, and a basis for training and development needs. | |
| **Scope** | The requirements set out in this Standard apply to employees of AIG Property Casualty Commercial with responsibility for underwriting or managing insurance risks, policies and portfolios. | |
| **Operational Requirements** |  | |
| *Vision* | The Global Commercial underwriting quality strategy is to drive improvement in underwriting quality through a globally consistent risk-based review process. The strategic pillars are   * unified organizational structure * risk based methodology * communication and transparency * focus on peer reviews * cross functional collaboration | |
| *Key principles* | Organizational Structure – Integrated and aligned centrally managed global quality review teams to drive consistency, specialization and technical excellence  Risk Tiering – Risk-based analysis of auditable universe centered on measurable elements (GWP, combined ratio, trends, etc), and other insights (staff turnover, growth strategies, etc.)  Scheduling – Risk tiers determine audit frequency and schedule. Regulatory requirements, prior review grades, and discussions with senior management are taken into consideration to decrease and augment the cycle time.  Quality Review Worksheets – Review worksheets built on a common core framework, with built-in logic to automatically tally issues and determine an overall score and grade.  Grading Methodology – Transparent and consistent grading methodology driven by objective data points, with the flexibility to adjust the overall grade based on subjective qualifiers.  Quality Review Reports – Consistent and succinct reports that highlight the issues and focus on technical skills and best practices. | |
| *Underwriting Quality* | Global Commercial Underwriting has established a centralized Underwriting Quality team to manage Quality Reviews and direct the Peer Review process. | |
| *Risk Tiering* | Risks are categorized into four frequency tiers by Underwriting Quality. The tier category is used to help determine review scheduling each year. | |
| *Grading methodology* | Review findings are categorized as follows:  **Good** - Fully meets requirements of Underwriting Standards and related procedures.  **Satisfactory** – Mainly meets requirements of Underwriting Standards and related procedures. Minimal action required.  **Needs Improvement** – Deviations found in meeting requirements of Underwriting Standards and procedures. Actions required.  **Unsatisfactory –** Serious deficiencies found in meeting requirements of Underwriting Standards and related procedures. Critical and immediate corrective action required. | |
| *Quality review worksheets* | Worksheets provide for a comprehensive platform of review, including underwriting analysis, coverage, pricing, authority, booking, reinsurance, etc.  Built upon common, core components across product towers, with line-specific questions focused on relevant issues  Automatic identification of issue categories based on responses, including a comment feature for additional detail.  Global trending and key performance indicators are determined by geography and product line through the consolidation of all review questionnaires. | |
| *Remediation action plans* | Underwriting Quality will work with reviewed business units to develop specific action plans to achieve underwriting quality improvements. | |
| *Reporting* | Underwriting Quality will present findings to senior management and summarize key performance indicators. It will also identify emerging issues and trends by product and geography | |
| *Peer review process* | Each product tower owns the process for their underwriters, including   * Exception approvals * System administrators * Monitoring of completion * Underwriting Quality will evaluate completed Peer Reviews during its quality reviews   The elements of Peer Review include   * common core question that apply across product lines and geographies * line and region specific regulatory compliance questions * one file review per underwriter per month * applies to underwriters with Personal Authority Statements * Level 6 and above underwriting reviews may be conducted by peers. * Level 7 and 8 underwriting reviews must be conducted by reviewers with higher underwriting authority than the underwriter being reviewed. * executed within the Underwriting Audit System (UAS) | |
|  |  | |
| **Related Global Commercial Underwriting**  **Documents** | * Authority Management Standard | |
| **Roles and Responsibilities** |  | |
| *Global Commercial Underwriting Committee* | The Global Commercial Underwriting Committee is responsible for establishing and maintaining global underwriting policies and standards, and is accountable for ensuring that they are consistently and uniformly implemented locally. | |
| *Global Product Line underwriting managers* | Global Product Line underwriting managers are responsible for establishing and maintaining global product underwriting standards, guidelines, and procedures, and are accountable for ensuring that they are consistently and uniformly implemented in their product areas. | |
| *Regional and local product line managers* | Regional and local product managers are responsible for establishing and maintaining regional/local product underwriting standards, guidelines and procedures, and are accountable for ensuring that they, along with all applicable global and product underwriting standards, guidelines and procedures, are consistently and uniformly implemented in their geographic areas. | |
| *All Employees* | All employees performing functions subject to this Standard must adhere to its principles, as well as all other applicable standards, guidelines and procedures. | |
| **Country Specific Requirements** | Standards and Guidelines will be written and agreed where there is the need for distinct local clarification or to comply with local rules and regulations. Any conflict between Global and locally required standards must be identified, documented, escalated and addressed in accordance with applicable AIG corporate policies. | |
| **Reference to Corporate Policies** | This Global Commercial Underwriting Standard document is subject to adherence to all relevant AIG Corporate Policies. | |
| Updates | *History of updates to the Underwriting Document*  *September 29, 2015: Template Updated.* | |