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| **Category:**  **Standard** | | **Functional Area***:*  **Global Commercial Underwriting** |
| **Effective Date***:*  ***April 1, 2013 (Authority Management Standard)***  ***March 15, 2014 (Referral Standard)*** | | **Date Issued***:*  ***April 1, 2013 (reissued April 15, 2015)*** |
| **Owner:**  **Global Commercial Underwriting Committee** | | **Contact for Questions**:  **Global Commercial Head of Technical Underwriting** |
| **Approver**: **Global Commercial Chief Underwriting Officer** | | |
| **Purpose** | This Standard establishes the minimum requirements for the issuance and ongoing management of underwriting authorities and resultant referrals. By establishing a clear process for assigning discrete authority levels to underwriters and target rate referral objectives, core underwriting competency levels can be defined by product, industry and geography. | |
| **Scope** | The requirements set out in this Standard apply to employees of Commercial Insurance with responsibility for underwriting or managing insurance risks, policies and portfolios. | |
| **Operational Requirements** |  | |
| *General Principles* | * Empowered underwriters have a competitive advantage through agility in marketplace transactions. A high level of referral and re-underwriting is inefficient. Generally, senior underwriters should have the skill set and authority for up to 90% of their portfolio. * Underwriting Authority is granted via Personal Authority Statements. Technical Underwriting referrals are approvals required by limitations in Personal Authority Statements or underwriting standards. * Underwriting Authority should be designed such that approximately 10% of accounts need to be referred, providing ongoing product line insight into the portfolio, as well as technical support for risks outside senior field underwriter skill sets. * Underwriting Authority is assigned on the basis of the underwriter skill set. To achieve referral rate objectives, underwriters must have the skill sets appropriate to their portfolio. * Technical referrals that arise repeatedly, and result in no additional underwriting requirements or the same recurring requirements, add minimal value. Personal Authority Statements or underwriting standards must be maintain to support referral rate objectives. * Product Towers may require broader referral reviews of complex risks that involve multiple disciplines, unique exposures, or unusual aspects to the transaction. As authorized by the Global Underwriting Officers, underwriting units may establish their own operating referral rates. * Authority violations can potentially cause serious financial risk. Adherence to Personal Authority Statements, Underwriting Policies and Standards is mandatory. Formal documentation by the underwriter of exceptions granted through the referral process is required from the approver, and is maintained in the underwriting file. Violations, as found during underwriting quality reviews or in the normal course of business, must be reported to product line management, and are subject to disciplinary action. | |
| *Flow of Authority* | * Personal Authority Statements for Commercial are granted by the Chief Underwriting Officer directly to the Global Product Heads and Global Underwriting Officers. * Global Product Heads and/or Underwriting Officers delegate underwriting authority to regional underwriters and product line staff based on recommendations from Product management. Local management is generally best suited to assess individual underwriter’s skill set and experience in determining underwriting authority. To ensure maximum efficiency granting of underwriting authority is maintained at the lowest managerial level sufficient to grant such authority. Multistep management approval chains for granting authority should be avoided. It is the responsibility of product line management to ensure that Personal Authority Statements are current and understood by underwriters. Product line management is responsible for communicating revocation of authority to the underwriter as well advising the Global Commercial Underwriting Office. | |
| *Personal Authority Statement* | * Personal Authority Statements are issued electronically by Global Commercial Underwriting for each person granted authority based on recommendations from product line and regional management. * Personal Authority Statements designate the line of business, maximum gross or net limits and authority level granted to that individual. * Authority levels are established for each line of business by product line management. Up to eight levels may be established. * Authority rules, specific to product line or a line of business, are considered part of the Personal Authority Statements. | |
| *Currency Valuation* | Underwriting Authority is issued in US currency.  Where other currencies are used to transact locally, product line authority rules may specifically address policy limit currency. To the extent that product line rules do not address currency, policy limits are their US dollar equivalent using the applicable exchange rate at the time of binding as set by the AIG Global Treasury department’s monthly exchange rate publication. <http://treasury.aig.net/fx/fx_menuframe.cfm?pg=MonthlyRates> | |
| *Referral Trigger Basis, Turnaround Timing and Documentation* | Technical referrals are intended to address the specific issue or trigger that requires the referral. The referral underwriter will need to review all underwriting elements that have a bearing on the trigger issue. There is no further obligation on the referral underwriter to review the underwriting otherwise within the authority of the referring underwriter.   * The referral underwriter has the responsibility to correct material errors. * Subsequent to an approval, underwriters may make further adjustments to a proposal in all areas within their authority without re-referral, if the adjustments do not affect any of the conditions of the approval. * An objective for technical referrals is agility in responding to requests. Approvals are provided by underwriters with the requisite authority without the need for further upward referrals. The goal is to achieve a two-business day response time for 90% of referrals from the time all the required information has been provided. Some referrals, due to complexity of the risk or the extent of work required for a response, will necessarily take longer. * It is the responsibility of the referring underwriter to make requests as timely as possible in anticipation of quote due dates, and to provide the relevant information for the referral. * As long as the underwriter establishes that there has been no material change in risk, and documents this in the underwriting file, the approval remains in effect and resubmission is not required at each renewal unless otherwise required by Product Tower procedures. * Dialogue with referral underwriters for insight and advice unrelated to authority constraints is a best practice and encouraged. Discussions and collaboration unrelated to authority limitations are not considered referrals. Early discussions help guide a more effective underwriting process. * Approvals, whether verbal, written or electronic, must be secured prior to release of the quote. . * Documentation of verbal approval must be received by the underwriter within seven days of the approval and placed in the underwriting file as soon as practicable. * Failure to obtain written or electronic documentation of approval will be considered a Documented Authority Approval issue. This failure to document approval will not be considered an Authority Violation but may give rise to corrective action. * Failure to secure written or electronic documentation of approval within seven days or failure to place documentation of approval in the underwriting file in a timely manner may result in a File Documentation issue. | |
| *Violations Policy* | * An Underwriting Authority Violation will be found in the following circumstances: * Underwriter did not obtain approval as required by a limitation in Authority * Underwriter obtained only a verbal approval which cannot be confirmed with the approver, and there is no evidence of a good faith effort to secure written or electronic documentation. * Underwriting Authority violations are subject to corrective action which may include required training, other remedial action, and/or formal disciplinary action including a letter of reprimand, revocation of authority, or termination of employment. * Violations may be material and/or willful. A material violation may cause serious adverse financial impact. A willful violation is intentionally and knowingly in violation of authority. Corrective actions are to be based on the materiality and willfulness of the violation. * Violations must be reported to the appropriate Global Underwriting Officer. * Corrective actions are to be taken by the manager of the violating underwriter, in collaboration with local Human Resources representatives, in accordance with local legal requirements, and with the concurrence of the appropriate Global Underwriting Officer. | |
| **Implementation** | Product Towers and Regions are required to develop an adoption plan for implementing this Global Underwriting Standard. This plan must be agreed with the Global Commercial CUO and set out the projected implementation timeframes and any exemptions that will be made. | |
| **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. | |
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| **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*  *August 1, 2014 The Referrals section contains revised file documentation requirements.*  *April 15, 2015 Combined with Referral Standard and includes substantive changes to Flow of Authority, Referrals and Violations Policy*  *September 29th, 2015: Template update.* | |