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| **Category:**  **Standard** | | **Functional Area***:*  **Global Commercial Underwriting** |
| **Effective Date***:*  ***December 1, 2013*** | | **Date Issued***:*  ***December 1, 2013 – Revised August 18, 2015*** |
| **Owner:**  **Global Commercial Underwriting Committee** | | **Contact for Questions**:  **Global Commercial Head of Technical Underwriting** |
| **Approver**: **Global Commercial Chief Underwriting Officer** | | |
| **Purpose** | To ensure that within AIG Commercial, a disciplined, consistent process of governance is applied to the development and launch of Products, addressing customer needs in alignment with underwriting and risk appetite guidelines, regulatory requirements, leading industry practices and other business entity guidelines. | |
| **Scope** | The requirements set out in this Standard apply to employees of AIG Commercial with responsibility for underwriting or managing insurance risks, policies and portfolios. | |
| **Operational Requirements** |  | |
| *Definitions* | **Product:**  Insurance coverages, services, and benefits offered by AIG Commercial, designed to meet specific customer needs.  **Product Development**: The complete process of bringing a new or revised Product to market.  **Regulatory/Market Products:** Existing Products, revised to meet local laws, regulatory requirements, or marketplace demand, that do not otherwise fall into the Product Development Tiers.  **Tier 1 – Minor Product Enhancements (Incremental):** (i) Products new to an AIG Country/Zone or (ii) Existing Product revisions that increase exposure to loss or expense, and the assessment of that risk is within the existing Underwriting Framework of the Product.  **Tier 2 – Major Product Enhancements (Incremental):** (i) Products new to an AIG Region, or (ii) Existing Product revisions that substantially increase exposure to loss and expense, and the assessment of that risk is within the existing Underwriting Framework of the Product.  **Tier 3 - New Products (Breakthrough)**: (i) Products new to AIG Commercial, or (ii). Existing Product revisions that substantially increase exposure to loss or expense, and the assessment of that risk is beyond the existing Underwriting Framework of the Product.  **Underwriting Framework:**  The policy forms, limits, rules, guidelines, models, systems and working practices used to establish risk selection and pricing for a portfolio. | |
| *Product Development approval process* | * All Product Development for Global Commercial is subject to an approval process established by the Global Commercial Product Development Committee. * The process includes consideration and documentation of the following, where relevant: outline of constraints and risks, including pricing, underwriting, marketing, distribution, claims, reinsurance, operations, systems, tax and accounting. * The Legal and Compliance departments must be consulted. * Any product enhancement that potentially introduces significant reputational risk to AIG must be referred to the Commercial Product Development Committee (PDC). * Determination of whether or not a Product is Tier 3 – (Breakthrough), is made by the Product Tower in collaboration with the functional areas consulted. Where there is disagreement, the question is to be escalated to the Commercial Chief Underwriting Officer for disposition. | |
| *Product Development committee* | The Global Commercial Product Development Committee (PDC) is governed by a written Charter, has delegated authority from the AIG Commercial Global Underwriting Committee (GUC), is chaired by the Chief Underwriting Officer, and includes senior Global Commercial functional area leaders.  The PDC is responsible for:   * Reviewing and approving Product governance processes for Tier 1 and Tier 2 Incremental Product approvals. * Reviewing and approving Tier 3 Breakthrough Products prior to launch. Such approval may include ongoing performance review requirements, as appropriate. * Assuring that all required business functions’ processes are being followed in accordance with the requirements of the AIG PC Global Product Development Policy. * Monitoring and reviewing performance of the Product Development process in AIG Commercial and implementing revisions as needed on an ongoing basis. * Maintaining a record of approved and disapproved Tier 3 Product Development business cases. | |
| *Sub Committees* | Approval authority for Incremental Products is delegated to the respective Product Towers.  Product Towers have the similar responsibility for:   * Establishing the approval process for Incremental Products. * Assuring that all required business functions’ processes are being followed in accordance with the requirements of the AIG PC Global Product Development Policy. * Monitoring and reviewing performance of the Incremental Product Development process within the respective Product Tower and implementing revisions as needed on an ongoing basis. * Assuring that escalation procedures and resolution mechanisms are in place when violations of the AIG PC Global Product Development Policy or this Standard are identified. * Communicating relevant updates to the Global Commercial Product Development Committee. * Maintaining a record of approved and disapproved Products.   Regional and local Product Development Committees may be established as determined by the leadership of the Commercial Business Units or as required by relevant laws and regulations. Each regional or local Product Development Committee shall adhere to the requirements of the AIG PC Global Product Development Policy and this Standard, and act at the direction of the PDC or Product Tower as appropriate. | |
| *Business Case* | As part of the approval process, a business case must be documented for all Products, in which all relevant targets, constraints and risks are addressed, including as applicable: pricing, underwriting, marketing, distribution, claims, operations, systems, compliance, legal, tax and accounting.  Approval to launch a product is based on the business plan. Significant changes require revalidation of the approval. | |
| *Product Sponsor* | Each Tier 3 Breakthrough Product must have an individual serving as Product Sponsor. The Product Sponsor is responsible for guiding the Breakthrough Product through its due diligence requirements, owning the business plan, and coordinating presentations or responses to requested information for the PDC. | |
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| **Related Global Commercial Underwriting**  **Documents** | AIG Product Development Policy  AIG Commercial Underwriting Policy  Product Tower Underwriting Manuals, Guidelines and Procedures | |
| **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 18, 2015: Revised Definitions, Product Development approval process, and Product Development Committee sections.*  *September 29th, 2015: Updated Template.* | |