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| **Policy Title:**  **Standard** | | **Functional Area***:*  **Global Commercial Underwriting** |
| **Effective Date***:*  ***November 1, 2013*** | | **Date Issued***:*  ***November 1, 2013*** |
| **Owner:**  **Global Commercial Underwriting Committee** | | **Contact**:  **Global Commercial Head of Technical Underwriting** |
| **Approver**:  **Global Commercial Chief Underwriting Officer** | | |
| **Purpose** | The Bridging Analysis is a key tool used in evaluating the potential differences between the analysis of current accident year loss ratio analysis conducted by the business unit and the current accident year loss ratio analysis conducted by the finance actuaries. The analyses developed by both the business unit (with assistance from its portfolio actuaries,) and the finance actuaries, are provided to senior management. The Bridging Analysis must also be provided to senior management, on a quarterly basis, to enable senior management to understand the differences between the analyses of the business unit and the finance actuaries. This Standard establishes the minimum reporting requirements for the Bridging Analysis. | |
| **Scope** | The requirements set out in this Standard apply to all budgeted lines of business in AIG Property Casualty Commercial unless exempted by the Head of Commercial Pricing. | |
| **Operational Standards** |  | |
| *General Principles* | There are many studies that influence the overall loss ratio projection of the current accident year. On the business side, for example, there are profitability reviews, underwriting reviews, change in strategies, and new underwriting guidelines. On the finance side there are updated reserves studies and actual loss v. expected loss studies. These analyses are performed throughout the year, and could have an important and immediate effect on the current accident year results. The Bridging Analysis is used to make sure all of the most relevant information is reviewed while creating the budget and updating the current accident year results. | |
| *Definition* | **Bridging Analysis** is performed by the business unit (with assistance from its portfolio actuaries) and the finance actuaries. The purpose is to identify, analyze and explain and differences between the current accident year loss ratio analysis of the business unit and the current accident year loss ratio analysis of the finance actuaries for the time frame being forecasted. | |
| *Process* | * A Bridging Analysis must be performed quarterly, and reported to senior management quarterly. * The Bridging Analysis process begins with a written exchange between the business unit and the finance actuaries of their respective analysis for the given time frame, e.g. accident year or accident quarter. This exchange should take place approximately two weeks prior to the budget reporting date or the date of the quarterly reserve briefing. The two teams must meet to discuss their respective views. * After meeting and discerning the rationale of the business unit and finance actuaries, the final estimates will be individually submitted by the business and finance actuaries into a predetermined format along with the required prescribed written documentation by both those representing the business’ view and the finance actuaries. This Bridging Analysis will explain the differences between the two analyses and why they could not be reconciled. This documentation will be provided to the Head of Commercial Pricing by the predetermined dates. * The Head of Commercial Pricing, or his/her designee, will collect the reports and create a summary report to present to senior management. | |
| *Frequency of the reports* | The Bridging Analysis process begins for each budgeted accident year beginning with the yearly budget in the third quarter prior to the accident year beginning. It is then updated each subsequent quarter of the accident year as there are updates to the forecast until the budgeted accident year is completed | |
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| **Implementation** | Product Towers and Regions are required to develop a 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** |  | |
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| *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 Commercial Pricing Committee* | The Global Commercial Pricing Committee is responsible for establishing and maintaining global pricing policies and standards, and is accountable for ensuring that they are consistently and uniformly implemented locally. | |
| *Heads of Product Towers Pricing* | Heads of Product Towers Pricing are responsible for establishing and maintaining product pricing standards, guidelines, and procedures, and are accountable for ensuring that these are consistently and uniformly implemented in their product 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** | 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 Chartis Global Commercial Underwriting policy document is subject to adherence to all relevant AIG Corporate Policies | |
| **Updates** | *History of updates to the Underwriting Document*  *September 29, 2015: Template Update* | |