



# BUILDING UNDERWRITING GUIDELINES

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Risk Solutions

Munich RE 

# Welcome to TMPAA 2013 Mid Year Conference

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- Who do we have in the audience today?
    - Program administrators
    - Carriers
    - Wholesalers
    - Agents
    - Vendors

# Agenda



- What are underwriting guidelines?
- Why do we need them and who do they protect?
- The words
- Resources
- The foundation
- By line of business
- Underwriting information
- Closing comments
- Questions and answers

# What are Underwriting Guidelines?



- Clear and concise framework of what the carrier and program administrator have agreed reflect the intent and appetite of the parties. ...in other words, the “Underwriting Box”.....if it doesn’t fit ....it’s a referral or a declination.
- They reflect the risks you have targeted and agreed to write
- They are not underwriters. They don’t underwrite for you. Your expertise coupled with the guidelines provide a roadmap to sound underwriting decisions.
- You must have mutual collaboration when building them

# Why do we need Underwriting Guidelines?



- Appetite conflict creates disruptions for the insured, the agent, the program administrator, and the carrier
- Critical as the contract that binds the program administrator and the carrier together
- Understand and forecast your loss ratio
- Flight to quality

# Who do they protect?



- Program administrator from being scrutinized by the carrier auditors for getting on risks they don't have expertise in
- Carriers have reinsurance and appetite restrictions
- Insureds "peace of mind". No surprises please, I really don't enjoy shopping.
- Support and guide new underwriters.....At both the carrier and program administrator level
- The valuable relationship we have all formed (insured, agent, program administrator, carrier)
- Program administrator agreements don't grow on trees

# The Words



## Use these:

- Must
- Mandatory
- Required
- Will
- Yes or No

They must be strong and clear

## Not these:

- Should
- Possibly
- Maybe
- Sometimes

Weak words don't belong in underwriting guidelines.

## What resources are available to help me build underwriting guidelines?



- You will not get it “right” the first time.....be patient...work in progress
- Underwriters experienced in the class and line of business
- Best’s Underwriting Guide
- Best’s Loss Control Engineering Manual
- Loss control firms
- TPAs or carrier claim departments
- Associations



## What resources are available to help me build underwriting guidelines? .....continued

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- Rating bureaus
- Stakeholders are everywhere
- Research your competitors on Internet. What limits are they offering? What don't they write? Opportunity or stay away?
- Review loss runs....what picture do they paint? type? frequency? severity?
- Analyze all of the supplemental applications available....why did they ask that question? What hints about their appetite do you see?
- Do your guidelines match up with the applications you have?

# The Foundation: General Program Information



- Description of program
- Eligible lines of business or coverages
- Eligible policy or LOB premium
- Loss ratio calculation method
- Mandatory endorsements
- Eligible optional endorsements
- Eligible incidental operations
- Ineligible operations & exposures
- Approved states/countries
- Maximum policy period

# The Foundation....continued



- Composite rating
- Lay-up credits
- Experience, schedule, deregulation rating , tiered companies
- Prior cancellations
- Referrals
- Referral procedure
- Loss control/premium audit standards (new and renewal)
- Pay plans
- Financial

# By Line of Business

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- Class codes
  - Symbols
  - Coverages
  - Limits
  - First and third-party deductibles/SIR's
  - ITV
  - COPE
  - Age/updates
  - Years in business or experience

## By Line of Business.....continued

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- Catastrophe guidelines
  - MVR standards
  - Maximum's: age, value, weight, incidental operations
  - Minimum's: receipts, premium, limits
  - Terrorism

# Underwriting Information

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- Required applications
  - Schedules (property, auto, IM etc)
  - Loss runs (required # of years defined)
  - MVR's
  - Risk evaluation forms
  - Financial statements
  - Internet search information
  - Internal UW audit

# Closing Comments



- We now understand what underwriting guidelines are.
- We understand why we need underwriting guidelines and who is protected by them.
- We will no longer be wishy-washy using weak words.
- We have resources to help build underwriting guidelines. Be creative.
- We understand how our foundation should be built.
- We know that we must fine tune our guidelines by line of business.
- We know what belongs in our files and what a proper submission should include.



# QUESTIONS AND ANSWERS





## More Information

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THANK YOU FOR YOUR ATTENTION





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