

UNDERWRITING PROCEDURES

Obtain underwriting acceptance authority for both Manager and accepting executive.

Select at random, samplings of:

- proposals accepted but not yet processed
- proposals accepted and processed

Sample should include Agents' policies, Brokers' policies, Corporate clients' policies.

Review proposals for the following.

- **Trade/Occupation**
Note information to obtain a broad overview of the types of risks being written. Confirm this has precisely defined.
- **Proposal Form**
Check proposal form is duly completed and signed by client-if this is not done you will need to discuss questions with the Manager.
- **Survey of Risk**
If applicable, check to ensure survey is conducted in accordance to
- **Acceptance**
Check evidence of risk acceptance authority. Confirm proposal has been accepted by a duly authorised executive.
- **Situation of Risk**
Confirm this has been clearly defined.
- **Basis/Adequacy of Rating**
Check whether rate charged is considered to be satisfactory for the risk. Check this is in line with current company requirements.
For motor risks, check premium loading and excess as per established guidelines.
- **Commission** – Check correct commission is given.
- **Extension of Cover** – Validity and evidence of cover.
- **Standard/Approved Policy Wordings**
Check for any variations from standard approved wordings and its appropriateness.
- **Warranties/Clauses**
Check they are adequate or should have been applied.
- **Excesses** – Correct excess given.
- **Reinsurance**

Check to verify classification is correct; if reinsurance applies revert to separate Reinsurance Spread Sheet and test in line with the requirement more specifically detailed under that spread sheet.

- **Head Office Underwriter**

Check that cover/sum insured outside Manager's authority has been referred and acceptance authorised by Head Office Underwriter.

- **Service Standards**

Check to see whether inception date, policy issuance date and policy despatch date are within tolerable limits. Proposals should have been date stamped in receipt at the office and processed as soon as possible.

Check for internal delay by comparing proposals received date stamp to input date.

Also note any wide discrepancies between commencement date of cover and date proposals received in office.

Note the number of unprocessed proposals and the date these unprocessed proposals are received.

- **Comments**

Document any additional relevant information (technical & non-technical) for the particular risk.

When completed, examine spreadsheets for patterns indicating deficiencies. A further examination of more batches without use of spreadsheet will in most cases confirm trend found from initial inspection.

Select a random sample of New Business transactions and perform the following tests using spreadsheet

All errors must be fully documented and photocopies of relevant documents attached.

- By comparing proposal to Policy on screen, agree correct processing of

- Effective date
- Expiry date
- Sum Insured
- Situation of Risk
- Premium
- Proposal form signed by Insured
- Proposal properly accepted within accepting executive's authority

- Cessions - Check that net retentions are optimized. Check from samples with multi risks/locations.

By observation and inquiry, ensure that policy schedules agreed to proposals and file copies are checked and signed/initialed before despatch.

Check branch stationery supplies to ensure that all proposal forms are current versions

Review risk classes with Sum Insured greater than Branch Manager's acceptance authority. Check whether proper referrals have been carried out.

Randomly select some batches of the following types of input.

- Endorsements
- Cancellations
- Premium Journals

Review that:

- Source document authorised by proper personnel
- Seen by accepting executive where relevant
- Effective date correctly entered into system
- Adequacy of support documents
- Reinsurance/Coinsurance considered

Select a random sample of cancellations and perform following tests. Compare details showing on Premium Transactions Inquiry Screen to the source documents and

- Agree date of cancellation
- Agree reason of cancellation
- Agree premium on cancellation to original premium charged

Ensure that no duplicates are produced for any endorsements and cancellations that involve a refund premium.

REINSURANCE

Interview Branch Manager and staff to ensure that 'Best Practice' Procedures are being followed.

Establish particularly that an effective system exists to identify reinsurance requirements in respect of :

- New Business
 - Who decides reinsurance classification?
 - Who verifies reinsurance classification?
 - Are surveys/plans available to reinsurance executive?
 - Who decides if reinsurance is required?
- Cover notes/placing slips/hold covered confirmation - what action takes place to ensure reinsurance arranged if necessary.
- Is the reinsurance classification clearly and correctly identified on the documentation? Is the reinsurance correct?
- Does the disposition allow for aspects such as escalation and capital addition wording?
- Are changes of occupation or other factors affecting reinsurance classification reported to reinsurance department and changed accordingly in system.

DECLARATION/ADJUSTABLE POLICIES

Ensure 'Best Practice' Procedures are followed and control systems in place to ensure that information required to adjust premiums on these policies is received and action taken.

- Stock declaration
- Construction risks
- Workmen's compensation
- Money in transit
- Goods in transit
- Marine cargo (open covers)

Is the system fully utilised and is it monitored on a regular basis?

COVER NOTES

From a sample of used cover note books, check that branch correctly maintains the control system to account for all cover notes issued and follow-up of missing or outstanding cover notes.

Check that all expired cover note books have been returned and there is follow up on report.

Check that they have been destroyed and updated in the system accordingly.

Select a random sample of cover notes and verify that :

- All were accounted for,
- All were charged or waiver of premium properly approved.

Review a selection of cover notes to assess the following :

- Signed by authorised signatories and issued in compliance with instructions
- Issued in accordance with acceptance authority
- Is the relevant proposal form attached and cover note issued in accordance to terms and cover
- Subject matter adequately defined and sums insured clearly stated.
- Premium and excess clearly stated on motor cover notes
- Clear definition of policy/perils covered, excess where applicable

Period of cover clearly stated and no backdating of cover note

- Check time taken for cover note issued by agents to be returned to branch for policy.
- Check for existence of system for counter checking by executive – any breaches to report to Manager.

Check whether

- Copy of uncompleted cover notes monitored continuously. How frequent and how are they kept?
(Note 3 earliest uncompleted cover notes).
- Reinsurance disposition for cover notes undertaken
- Reinsurance is arranged before the issuance of cover note.

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