

BEST'S

Performance Assessment for Delegated Underwriting Authority Enterprises (DUAEs)



WHAT IS A DELEGATED UNDERWRITING AUTHORITY ENTERPRISE (DUAЕ)?

A DUAЕ is a third-party entity that is appointed by a (re)insurer, through contractual agreements, to perform underwriting, claims handling and/or administrative functions on behalf of their carrier partners. “DUAЕ” is a blanket term for:

Appointed Representatives

Managing General Underwriters

Coverholders

Program Administrators

Direct Authorizations

Program Underwriters

Managing General Agents

Underwriting Agencies

A DUAЕ's functions can include:

- Binding coverage
- Underwriting and pricing
- Settling claims
- Appointing retail and commercial agents
- Providing access to niche segments and markets

A DUAЕ can manage all or part of the (re)insurance business of a (re)insurer and act as a (re)insurance agent or broker for the (re)insurer, while working as the intermediary between (re)insurers and agents, and/or the insured.

BEST'S PERFORMANCE ASSESSMENT FOR DELEGATED UNDERWRITING AUTHORITY ENTERPRISES (PA FOR DUAES)

AM Best recognizes that DUAEs are becoming an increasingly important part of the (re)insurance ecosystem. Given the increase in premiums generated by DUAEs, the independent assessment of DUAEs will add value to the marketplace by providing a tool to differentiate among these organizations.



Best's PA for DUAEs is a forward-looking, independent and objective non-credit opinion of a DUAE's ability to service business partners.



It brings greater transparency to DUAEs, as it offers a global benchmark across all types and sizes of delegated authority organizations.



The PA can be used by DUAEs to differentiate themselves in the marketplace, and users of DUAEs can use the PA as a tool for evaluating and selecting the right partner for their business.



A DUAE may use the PA when approaching regulators regarding licensing or jurisdictional authorization.

AM BEST'S PROCESS FOR ASSESSING DUAES

The Five Key Performance Assessment Factors:

AM Best uses quantitative and qualitative elements to assess the strengths and weaknesses of the DUAЕ through our interactive process.



Performance Assessment Process



View our *Guide to Best's Performance Assessment for Delegated Underwriting Authority Enterprises.*

PREPARATION FOR PA MEETING

AM Best's analytical team is assigned to each entity to manage the ongoing interaction with company management and conduct the fundamental assessment analysis.

Our assessment process typically takes eight to twelve weeks* and is completed annually. A committee, consisting of analytical staff and chaired by senior officers, will conduct periodic updates to ensure consistency across different business segments and regions, as well as maintain the integrity of the assessment process.

Sample of Annual Meeting Information Requests

- Annual Audited Financial Statements
- Independent Actuarial Analysis of Reserves
- Best's Supplemental Performance Assessment Questionnaire (SPAQ) Submission
- Quarterly Filing

Sample of Assessment Review Materials

Underwriting Framework/Policy

Document Retention Plan

Disaster Recovery

Continuity/Succession Plans

Data Security Policy

Surety Bond

Cyber (Re)insurance Policy/E&O Policy

Management Bios

* Once company data is submitted.

DUAE ASSESSMENT OUTCOMES

- A PA is assigned an outlook of Positive, Stable or Negative.
- PAs are maintained, surveilled and updated annually, as long as the DUAE chooses to remain in the assessment process.
- Any withdrawal of a PA from the process will need a final assessment.

Best's Performance Assessment Symbols and Categories

Assessment Categories	Assessment Symbols	Assessment Ranges
Exceptional	PA-1	34-40
Excellent	PA-2	27-33
Strong	PA-3	20-26
Fair	PA-4	13-19
Weak	PA-5	Up to 12



A better overall PA indicates that the DUAE is more likely to:

- Achieve greater long-term stability through effective business underwriting
- Maintain a strong financial profile
- Provide high-level service
- Maintain strong business relationships and governance

BENEFITS FOR DUAES



Establishes credibility and trust within the (re)insurance industry and with regulators.



Differentiates capabilities from competitors to assist the DUAЕ in securing capacity from carriers and capital from investors.



Demonstrates expertise and effectiveness in key operational areas.



Assessed DUAЕs can receive favorable audit and regulatory lite reviews.



Improves the attractiveness, transparency and appeal of the DUAЕ for purposes of mergers and acquisitions.



May secure preferred treatment on terms and conditions from capacity partners.



Enhances a DUAЕ's marketing and promotional efforts.

GET A BESTMARK FOR YOUR DUAЕ

- A BestMark can be used to promote expertise and effectiveness to other parties, such as investors, venture capitalists, regulators and (re)insurer partners.
- BestMarks for DUAЕs provide a uniform, independent global benchmark from a respected third party and demonstrate that the organization has undergone AM Best's rigorous assessment process.
- A BestMark can be featured in marketing materials such as websites, print ads, brochures, web ads, social media, email signatures, business cards, and conference and events materials.



Learn more about the BestMark for DUAЕs.