



## 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
- Access to niche segments and markets

A DUAЕ can manage all or part of the insurance business of an insurer and act as an insurance agent or broker for the insurer, while working as the intermediary between 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 insurance ecosystem. Given the increase in premiums generated by DUAEs, the independent assessments 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 DUAE through our interactive process.

Our interactive process entails:

- Gathering information.
- Engaging with clients in a formal management meeting.
- Assessing key factors.
- Assessment committee interaction.
- Public dissemination (if the DUAE agrees).
- Performance Assessment Report.



1

Collect Requested Information and Documentation

2

AM Best Meets with DUAE Management

3

Analyze Information and Data

4

Collect Requested Information and Documentation

5

Assessment Committee

6

Disseminate Results (Public or Private)

7

Monitor Activities

# PREPARATION FOR PA MEETING

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

Our assessment process typically takes six to eight 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 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 Scale and Assessment 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 OF A PA FOR DUAES

The assessment provides targeted information and understanding of a DUAЕ's services, specialties and capabilities.

A uniform approach to DUAЕ evaluation from a respected third party can promote trust and confidence in the selection process for all parties, while providing valuable insight and knowledge of a DUAЕ.



Streamlines and standardizes processes and information exchanges between DUAЕs, carriers and third parties, including regulators and auditors.



Identifies gaps in processes/procedures and highlights opportunities for improvement.



Supports underwriting disciplines across DUAЕs and their partners.



Improves practices in monitoring and benchmarking performance over time.

Specific benefits for DUAЕs include helping to secure capacity from carriers, improve business flows with brokers, and assist with obtaining investor capital.

# 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 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.

