

## **UNDERWRITING AUDITS**

### ***Scope***

Each assignment starts with a discussion of your needs, objectives, and timing. From this initial discussion a scope document is prepared for your review. Once the scope is finalized a formal proposal including the fees and expenses is presented. The following are typical audits performed by Lighthouse:

### ***Property Reinsurance Treaty Audits***

The Property Reinsurance Treaty Audit provides reinsurers an evaluation of the underwriting practice and discipline of their cedants, using the cedant's reinsurance treaty submission as the benchmark. A typical audit start with a management discussion to understand their target risks, line setting, catastrophe management, and pricing. Then an extensive file review is conducted to examine the underwriting quality and alignment with corporate guidelines. Our typical report includes:

- Description of the underwriting process,
- Evaluation of Account Selection: Classes/risks written, use of risk and catastrophe capacity, loss expectancy calculations;
- Account Pricing: rating plans, discounts, use of cat models, actual to technical, rate change;
- Account Handling: use of loss control, authority referrals, policy forms and coverages, renewal negotiations
- Recommendations

The audit can be performed on a prospective basis to validate a new business submission or as a pre-renewal evaluation on an existing cedant.

### ***Property Insurance Line of Business Audits***

Most insurance companies conduct peer review audits, where a unit leader from one branch audits the files of another branch. Some companies, especially those with a robust internal audit function, require an occasional audit by an independent third party. This provides an unbiased opinion, and has the added advantage of providing the insurer with a market perspective.

### ***Managing General Agents (MGA)***

MGA's provide valuable underwriting expertise for difficult classes. Most MGA programs are driven by difficult third-party lines or worker's comp, neither of which we audit. However, we will audit difficult property lines, such as habitational classes, lumber and wood products, and heavily catastrophe exposed accounts.