Our approach to Underwriting

Based on the Underwriting Policy, version 2.05
approved by the Board of Directors on June 20th, 2018

INTRODUCTION

Underwriting is one of the most important parts of the insurance process. An insurance contract transfers risk from the policyholder to the insurance company. How much the policyholder needs to pay for obtaining a predetermined coverage (premium) is referred to as the pricing of an insurance contract. The process by which applicants are segmented according to the level of expected claims and risks and for deriving an appropriate price for accepting the risk is the underwriting process.

The Underwriting Policy defines minimum control requirements with respect to underwriting processes and is designed to ensure the products underwritten by Ageas comply with all relevant regulations and that customers are treated fairly. It also supports the Underwriting Function in contributing to the achievement of strategic growth plans and the development of the product portfolio.

SCOPE OF THE POLICY

The policy applies to ageas SA/NV and its Subsidiaries, and on a best effort basis in the Affiliates.

For the purpose of this policy, a "Subsidiary" means any entity in which ageas SA/NV, directly or indirectly holds operational control, and an "Affiliate" means any entity in which ageas SA/NV, directly or indirectly holds no operational control.

UNDERWRITING PRINCIPLES

The Underwriting Policy sets out the high-level principles to be followed when providing levels of insurance cover and pricing these risks. Its objective is to describe the minimum requirements that the underwriting process should adhere to in order to ensure risks are well managed and controlled. The policy requires the Underwriting Function to document risk selection and pricing processes and have clear underwriting authorities in place.

All risks must be considered against the strategic goals of the company and respect the business' risk appetite that is formalised in guidelines (that support the policy) for different lines of business.

Possible associations between product characteristics and the level of expected claims are systematically escalated to the underwriting functions so that early identification of common risk drivers contributes to more appropriately priced risks.

Concentration Risk exposures such single large exposures, geographical exposures, concentration in parts of the population etc. are identified and where necessary mitigated at both subsidiary and Group level.

To ensure that the risks underwritten remain within predefined limits, mitigation actions such as reinsurance and acceptance limits are considered and regularly reviewed.

Contracts may only be underwritten when the risk is fully understood, and the contract terms clearly represent the risks being assumed by Ageas or its subsidiaries. The business must ensure it has adequate resources with appropriate skills and competences to fulfil its duties and that tools are in place to identify and manage adverse outcomes of any risks underwritten should they arise.

The result of the underwriting process should provide for appropriately priced insurance policies covering both the expected and unexpected risks. If too little is charged, the financial position of Ageas can be endangered. If too much is charged, customers could be disadvantaged, and/or competitors could charge lower prices and Ageas lose market share.

Ageas ensures compliance with all related laws and regulation and fairness to the customer is core to the process. This goes beyond just pricing and includes the provision of transparent, easily understandable information on what is and what is not covered by the policy.

Reinsurance is insurance that an insurance company purchases from another insurance company to insulate itself (at least in part) from the risk of a major claims event. With reinsurance, the company passes on ("cedes") some part of its own insurance liabilities to the other insurance company. All purchase of reinsurances must comply with Group policy and all factors concerning the reinsurance contract must be considered in the underwriting process. The Underwriting Function needs to be aware of the reinsurance purchased and the consequences of the reinsurance on the contracts they underwrite.

TRAINING

The Underwriting Function participates in a continuous programme of training and development to ensure the underwriting strategy, principles and practices are fully understood for the products underwritten.

MONITORING

Relevant, up to date, accurate reporting is provided to management in a timely manner to inform decision-making. As part of this reporting, regular assessments on any newly written business, the in-force portfolio and market conditions are performed.

GOVERNANCE

At the Group level, no underwriting is conducted. To enable Group to aggregate and monitor group-wide insurance risk exposures and to ensure compliance to the Group risk appetite statements, subsidiaries are required, on a quarterly basis, to report local risk exposures with assurance that risks are managed effectively or adequate response plans are in train..

Local Boards approve the Underwriting Policy and Underwriting is the responsibility of an Underwriting Director. A local Underwriting Committee is responsible for; the monitoring and aggregation of risk; review of underwriting performance; identification of emerging risks and the development of appropriate responses; reporting to the Local Executive Committee.