

## SPECIAL REPORT: DELEGATED AUTHORITIES

# Coverholder business under scrutiny

With increasing regulation, it is crucial companies are able to accurately assess their delegated risk exposures, **TIM SPENCER** writes

WITH coverholder business now representing up to 40% of business placed in the London market, it is unsurprising scrutiny of this sector is increasing, particularly as delegated underwriting and binding authority business is a difficult and sensitive management issue.

All underwriters, brokers, coverholders and other intermediaries understand control of this aspect of their business models is critical, especially in the face of increasing compliance and regu-

lation issues – whether internal such as in-house or required by Lloyd's, or external such as regulations enforced by the Financial Services Authority (FSA). As such, it is vital companies are able to accurately, promptly and confidently assess and address their levels of exposure, capital adequacy (more crucial than ever with the onset of Solvency II), cash management, approved systems, and employee training.

This of course requires high

levels of insight from underwriters into how this part of their business is operating and what could go wrong. If they have "given the pen away" to coverholders, underwriters need to know their potential liability and probable claims levels exactly. Clearly, reporting of delegated risk exposures is of paramount importance, as is having good data-management processes in place to create a single and timely view of coverholder policies.

Holding up-to-date and accurate geo-demographic data is also important in managing delegated authority relationships and their associated risks. To expand their market share by acquiring new agents or coverholders, underwriters and brokers must be able to identify the appropriate market to be covered by the coverholder or agent, and have accurate tools to ensure the accreditation of the coverholder.

Meeting these demands requires a comprehensive, integrated approach to delegated risk analysis; an automated approach to data management with clear ownership and high-quality data; and a strategic, business-focused system that is easy to understand and manage.

Unfortunately, many underwriters and brokers are not satisfied with their data quality or management processes, citing incorrect information, missing or misfiled data, duplicate records and inconsistent standards that lead to significant costs, delays and an incomplete understanding of the truth regarding their levels of coverholder exposure. Such organisations need to urgently address these data qual-

ity and management issues, not only to meet compliance standards, but also to continue to develop new business through coverholder channels.

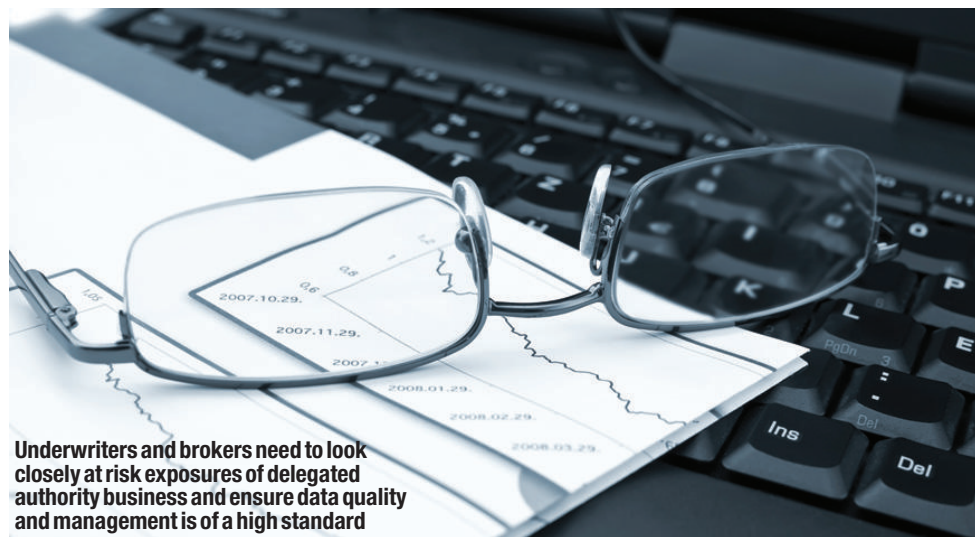
Identifying a single, modular technology platform can help to ensure a consistent standard of data in every market, and expedite processes such as data cleansing, geocoding and address validation. Maintaining one platform reduces cost of ownership and can speed up system integration. A single interface also simplifies training and education, and makes it easier to gain the skills and capabilities needed to achieve a competitive advantage in the delegated authority market.

In addition, adopting a platform approach enables information to be sourced from multiple company databases, making it easier to access, extract and analyse records, and create a single view of coverholder relationships and commitments. It also makes it easier to create a model that can show carriers and brokers the locational propensity for their existing or potential insurance products. Such a model can bring to light appropriate coverholders, via lines of business, rating and

strength of business, who can provide a conduit for the carrier and broker to optimise premiums and service for specific localities or vertical markets.

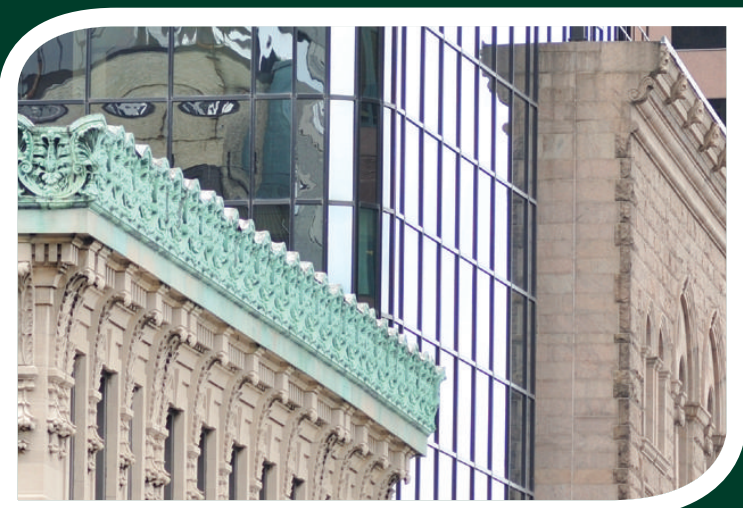
Most importantly, a single-technology platform enables underwriters and brokers to manage delegated authority relationships and risk with greater confidence. This not only includes more efficiently managed quotations and policy/claims administration, but also authorisation processes such as delegated underwriting and compliant reporting such as incoming bordereau management. By better understanding their coverholder-generated risk exposure, underwriters can improve loss ratios and ultimately deliver a more efficient claims service.

*Tim Spencer is insurance director at Pitney Bowes Business Insight. Pitney Bowes Business Insight provides underwriting risk aggregation analysis capability to London and Lloyd's carriers and brokers, plus risk data sets, data quality and reporting/bordereau compliance, and customer communication platforms.*



Underwriters and brokers need to look closely at risk exposures of delegated authority business and ensure data quality and management is of a high standard

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