Our approach to Underwriting

Based on the Underwriting Policy, version 2.2

approved by the Board of Directors on December 10th 2024

INTRODUCTION

Underwriting is a key part of the insurance process. Insurance contracts transfer risk from a policyholder to an insurance company. The pricing of insurance contracts determines how much (premium) the policyholder must pay for obtaining a predetermined coverage. The Underwriting Process is the process by which applicants are segmented according to the level of expected claims and risks, for the purpose of selecting acceptable risks and developing appropriate pricing.

The aim of the Underwriting Policy is to control the risks related to underwriting operations. For this purpose, it defines the minimum control requirements for the pricing of insurance contracts and for the sign-off procedures ensuring that good governance practices are in place.

SCOPE

This policy applies to ageas SA/NV and its Subsidiaries.

For the Subsidiaries, should compliance with this Policy result in non-compliance with local legislation or regulations, the latter must take precedence. The Group Policy owner must be informed and consulted immediately in such circumstances.

For the Affiliates it is recognised that the requirements of the local law, the local regulator and the majority shareholder’s policy apply. However, Ageas will advise similar principles with reasonable effort.

UNDERWRITING PRINCIPLES

The Underwriting Policy sets out the high-level principles to be followed when determining the appropriate level of insurance coverage and the price of the underlying risks. The policy describes the minimum requirements that the underwriting process should adhere to, to ensure risks are well managed and controlled.

The underwriting process follows the principles of related policies including the Treat Your Customer Fairly Policy, Conflict of Interest Policy, and the Complaints Handling Policy. Additionally, the following principles are introduced to provide for a suitable framework for underwriting activities.

- All risks underwritten are in line with the risk appetite of Ageas and the risks underwritten are within the risk limits.
- Identification of possible risk drivers are systematically escalated to the underwriting functions. Early identification of risk drivers contributes to more accurate pricing of risks. To allow for this identification, adequate data collection mechanisms are in place.
- Concentration in insurance risks can emerge from multiple sources, e.g. single large exposures, geographical exposures, and concentrations in parts of the population. These concentrations are identified and where necessary mitigated. To allow for such actions proper aggregation mechanisms are in place at local and group levels.
- As all risks underwritten must remain within predefined limits, appropriate mitigation actions (such as reinsurance, acceptance limits…) are implemented and regularly reviewed.
- Contracts are only underwritten when the risk is well understood, and the contract terms clearly represent the risks assumed.

- Underwriting guidelines are formalized and in place. These documents stipulate the process and procedures in place and are in line with the requirements and constraints as put forward in this policy.
- A set of clear acceptance rules is established and documented to support informed decision making. This includes acquiring the right tools to identify and manage adverse outcomes of the risks underwritten.
- The Underwriting Process guarantees that insurance policies are properly priced and thus cover both expected and unexpected risks.
- We ensure that the wording of contracts clearly and in a non-misleading way mentions what is covered and what is not covered. Ageas performs regular product reviews with input from the claims department(s) and relevant Legal expertise to ensure that the product remains appropriate in relation to the type of risk being underwritten and legislation in the country. From a fairness to customer perspective, all product and pricing wording are stated clearly and easily understandable. Upon request of the customer, additional information or clarifications are provided to avoid lengthy claims handling.
- The Underwriting Process complies with laws and regulations.
- Customer fairness implies correct, open and clear communication. Information on the risks and benefits to the customer is provided in a transparent and understandable way.
- To be able to make informed decisions, management is periodically provided with relevant, up to date, and accurate reporting in a timely manner. To support this reporting, regular assessments on the newly business written and in force portfolio is performed.
- Underwriters have appropriate skills and competences to fulfil their duties. Underwriters participate in continuous programme of training and development aimed at each level of underwriting seniority that ensures underwriting strategy, principles and practices are fully understood for the products underwritten. A training programme for the underwriting function is to be formalized, implemented and reviewed regularly. This training programme is aligned with the objectives of the unit and takes into account the recruitment activities.
- Sustainability factors, meaning Environmental (e.g. impact on climate, biodiversity…), Social (issues like respect for Human Rights, social inclusion…) and Governance factors (e.g. right balance between all stakeholder expectations, respect for anti-corruption and anti-bribery matters, …) are considered during the Underwriting Process as defined in the Responsible Underwriting Standards.

  ESG factors should also be included into risk management, and capital adequacy decision-making processes, including research, models, analytics, tools and metrics.

GOVERNANCE

All Line Managers are expected to inform the Policy Owner in case they become aware of any material breaches of the principles included this policy.

All Staff members are expected to adhere to the policy principles.

The Local Board approves the Underwriting Risk Policy.

The Local Executive Committee approves the underwriting strategy and ensures compliance with the Ageas Group policy. It defines the local operational indicators and related limits. The Local Executive Committee defines the role and responsibilities of the Underwriting Director, and the role and composition of the Underwriting Committee.

The Underwriting Function is the responsibility of the Underwriting Director. The Underwriting Director can delegate to other individuals in its organisation, but he remains accountable to make sure that all requirements in this policy are implemented. The authority delegation should be appropriate and clearly documented.

The authority delegation proposed by the Underwriting Director is approved by the Local Executive Committee.

The Underwriting Director is responsible for making informed decisions on the acceptability of risks. As first line of defence, the Underwriting director ensures that processes are effectively carried out. Specific responsibilities of the Underwriting Director include setting up annual budgets in line with risk appetite statements at entity level, implementing the overall underwriting strategy in day-to-day business activities, and ensuring that processes and internal controls are in place at a minimum in line with the requirements stated in this policy, and annually proposing the underwriting strategy to the Local Executive Committee.

The Local Underwriting Committee is responsible for the monitoring and aggregation of risks, for reviewing the underwriting performance (including business review audits and pricing), and for the identification of emerging risks and development of appropriate responses.

The Local Underwriting Committee reports to the Local Executive Committee and ensures the access of the local Risk Function and of the Local Actuarial function to information allowing proper monitoring of risk exposures.

The Risk Function is responsible for independently verifying and reporting that the controls as laid down in this policy are implemented by the Underwriting function and followed appropriately.

The local Actuarial Function regularly reviews the following aspects related to underwriting: (a) sufficiency of the premiums to be earned to cover future claims and expenses, and the impact of options and guarantees included in insurance and reinsurance contracts on the sufficiency of premiums; (b) the effect of inflation, legal risk, sustainability risk, change in the composition of the undertaking portfolio, and of systems which adjust the premiums policyholders pay upwards or downwards depending on their claims history; (c) the progressive tendency of a portfolio of insurance contracts to attract or retain insured persons with a higher risk profile (anti-selection); (d) the adequacy of the reinsurance arrangements.

To enable the group level to aggregate and monitor group wide insurance risk exposures and to ensure compliance to the group risk appetite statements, aggregation of risks at subsidiary level and escalation to Group is required. The risk function will provide on a quarterly basis to group insights on insurance risk exposures and the assurance that these risks are managed effectively, additionally reporting on specific actions undertaken. No underwriting is conducted at the Group level.