



WOODGROVE FINANCIAL

Insurance Underwriting Submissions

JUNE 2023 | VERSION 1.0

Important Questions Insurance Underwriters Need to Answer when reviewing applicants' financial, such as annual statements and 10-Ks.

When insurance underwriters review a customer's financial reports, such as an annual statement or 10-K (a comprehensive report filed by publicly traded companies with the U.S. Securities and Exchange Commission), they need answers to several important questions. These questions help underwriters assess the financial stability and risk profile of the customer. Here are some key questions:

- **Revenue and Growth:** What is the customer's revenue profile? Underwriters need to understand the customer's revenue sources, growth trends, and the stability of their income stream. This information helps assess the financial health and sustainability of the business.
- **Profitability and Margins:** What is the customer's profitability? Underwriters evaluate the customer's profit margins, net income, and earnings before interest, taxes, depreciation, and amortization (EBITDA). This information helps assess the customer's ability to meet financial obligations, including insurance premiums.

- **Assets and Liabilities:** What is the composition of the customer's assets and liabilities? Underwriters review the customer's balance sheet to understand the asset base, including cash, investments, accounts receivable, inventory, and property. They also examine liabilities such as loans, debt obligations, and accounts payable. This analysis helps assess the customer's financial strength and debt capacity.
- **Solvency and Capitalization:** What is the customer's solvency position? Underwriters assess the customer's capital structure, including equity, retained earnings, and debt-to-equity ratios. They evaluate the customer's ability to absorb potential losses and their overall financial resilience.
- **Cash Flow:** What is the customer's cash flow position? Underwriters analyze the customer's cash flow statement to understand the sources and uses of cash. Positive cash flow indicates the ability to generate sufficient funds to meet financial obligations, including insurance premiums.

- **Debt Obligations:** What are the customer's existing debt obligations? Underwriters review the customer's debt agreements, repayment terms, interest rates, and maturity dates. They assess the customer's ability to meet debt obligations without compromising their financial stability.
- **Financial Ratios:** What are the key financial ratios of the customer? Underwriters calculate various ratios such as liquidity ratios (current ratio, quick ratio), profitability ratios (gross profit margin, operating margin), and leverage ratios (debt-to-equity ratio, interest coverage ratio). These ratios provide insights into the customer's financial health, efficiency, and risk exposure.
- **Industry Comparisons:** How does the customer's financial performance compare to industry benchmarks? Underwriters assess the customer's financial reports in the context of industry norms and standards. This comparison helps determine

whether the customer's financial performance is typical or deviates from industry standards.

- **Auditor's Opinion:** What is the auditor's opinion on the customer's financial statements? Underwriters consider the opinion provided by the independent auditor who reviews the customer's financial reports. The auditor's opinion helps evaluate the reliability and accuracy of the financial statements.
- **Material Disclosures:** Are there any material disclosures or risks highlighted in the financial reports? Underwriters review the footnotes and management discussion and analysis sections of the financial reports to identify any significant disclosures or risks that could impact the customer's financial stability or insurability.

By obtaining answers to these questions, insurance underwriters can assess the financial strength, stability, and risk profile of the customer. This information helps underwriters make informed decisions regarding insurance coverage terms, conditions, and premiums.

What Problem is Being Solved:

Today underwriters and/or underwriting assistants spend exorbitant time reading lengthy documentation. AOAI will help them drastically reduce the time they spend researching insights, aggregating insights, and formulating PoV.

Key skills: Summarization, Semantic Search