

# Insurance Underwriters

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## Significant Points

- Because insurance is considered a necessity for people and businesses, there will always be a need for underwriters.
- Most large insurance companies prefer college graduates who have a degree in business administration or finance with courses in accounting; however, a bachelor's degree in any field—plus courses in business law and accounting—may be sufficient to qualify.

## Nature of the Work

Insurance companies protect individuals and organizations from financial loss by assuming billions of dollars in risks each year. Underwriters are needed to identify and calculate the risk of loss from policyholders, establish appropriate premium rates, and write policies that cover these risks. An insurance company may lose business to competitors if the underwriter appraises risks too conservatively, or it may have to pay excessive claims if the underwriting actions are too liberal.

With the aid of computers, underwriters analyze information in insurance applications to determine if a risk is acceptable and will not result in a loss. Applications are often supplemented with reports from loss-control consultants, medical reports, data vendors, and actuarial studies. Underwriters then must decide whether to issue the policy and the appropriate premium to charge. In making this determination, underwriters serve as the main link between the insurance carrier and the insurance agent. On occasion, they accompany sales agents to make presentations to prospective clients.

Technology plays an important role in an underwriter's job. Underwriters use computer applications called "smart systems" to manage risks more efficiently and accurately. These systems automatically analyze and rate insurance applications, recommend acceptance or denial of the risk, and adjust the premium rate in accordance with the risk. With these systems, underwriters are better equipped to make sound decisions and avoid excessive losses.

The Internet also has affected the work of underwriters. Many insurance carriers' computer systems are now linked to different databases on the Internet that allow immediate access to information—such as driving records—necessary in determining a potential client's risk. This reduces the amount of time and paperwork necessary for an underwriter to complete a risk assessment.

Most underwriters specialize in one of three major categories of insurance—life, health, or property and casualty. Life and health insurance underwriters may further specialize in group or individual policies.

Property and casualty underwriters usually specialize in either commercial or personal insurance, and then by type of risk insured, such as fire, homeowners, automobile, marine, liability, or workers' compensation. In cases where casualty companies provide insurance through a single "package" policy, covering various types of risks, the underwriter must be familiar with different lines of insurance. For business insurance, the underwriter often must be able to evaluate the firm's entire operation in appraising its application for insurance.

An increasing proportion of insurance sales, particularly in life and health insurance, is being made through group contracts. A

standard group policy insures everyone in a specified group through a single contract at a standard premium rate. The group underwriter analyzes the overall composition of the group to assure that the total risk is not excessive. Another type of group policy provides members of a group—a labor union, for example—with individual policies reflecting their needs. These usually are casualty policies, such as those covering automobiles. The casualty underwriter analyzes the application of each group member and makes individual appraisals. Some group underwriters meet with union or employer representatives to discuss the types of policies available to their group.

## Working Conditions

Underwriters have desk jobs that require no unusual physical activity. Their offices usually are comfortable and pleasant. Although underwriters typically work a standard 40-hour week, more are working longer hours due to the downsizing of many insurance companies. Most underwriters are based in a home or regional branch office, but they occasionally attend meetings away from home for several days. Construction and marine underwriters frequently travel to inspect worksites and assess risks.

## Employment

Insurance underwriters held about 102,000 jobs in 2002. The majority of underwriters—about 64 percent—work for insurance companies called "carriers." Most of the remaining underwriters work in insurance agencies or for organizations that offer insurance services to insurance companies and policyholders. A small number of underwriters work in agencies owned and operated by banks, mortgage companies, and real estate firms.

Most underwriters are based in the insurance company's home office, but some, mostly in the property and casualty area, work out of regional branch offices of the insurance company. These underwriters usually have the authority to underwrite most risks and determine an appropriate rating without consulting the home office.

## Training, Other Qualifications, and Advancement

For entry-level underwriting jobs, most large insurance companies prefer college graduates who have a degree in business administration or finance, with courses or experience in accounting. However, a bachelor's degree in almost any field—plus courses in business law and accounting—provides a good general background and



*Insurance underwriters review insurance applications and decide whether to issue a policy.*

may be sufficient to qualify. Because computers are an integral part of most underwriters' jobs, computer skills are essential.

New employees usually start as underwriter trainees or assistant underwriters. They may help collect information on applicants and evaluate routine applications under the supervision of an experienced risk analyst. Property and casualty trainees study claims files to become familiar with factors associated with certain types of losses. Many larger insurers offer work-study training programs, lasting from a few months to a year. As trainees gain experience, they are assigned policy applications that are more complex and cover greater risks. These require the use of computers for more efficient analysis and processing.

Underwriting can be a satisfying career for people who enjoy analyzing information and paying attention to detail. In addition, underwriters must possess good judgment in order to make sound decisions. Excellent communication and interpersonal skills also are essential, as much of the underwriter's work involves dealing with agents and other insurance professionals.

Continuing education is necessary for advancement. Insurance companies usually pay tuition for underwriting courses that their trainees successfully complete; some also offer salary incentives. Independent study programs for experienced property and casualty underwriters also are available. The Insurance Institute of America offers a program called "Introduction to Underwriting" for beginning underwriters, and the specialty designation, Associate in Commercial Underwriting (AU), the second formal step in developing a career in underwriting business insurance policies. Those interested in developing a career underwriting personal insurance policies may earn the Associate in Personal Insurance (API) designation. To earn either the AU or API designation, underwriters complete a series of courses and examinations that generally lasts 1 to 2 years.

The American Institute for Chartered Property Casualty Underwriters awards the designation Chartered Property and Casualty Underwriter, or CPCU, the third and final stage of development for an underwriter. Earning the more advanced CPCU designation takes about four years, and requires passing eight examinations covering risk management; insurance operations and regulations; business and insurance law; financial management; financial institutions; and a three course concentration in either personal or commercial insurance coverage. Although the CPCU may be mainly for underwriters, it is also meant for everyone working in all aspects of property and casualty insurance. The American College offers the Chartered Life Underwriter (CLU) designation and the Registered Health Underwriter (RHU) designation for all life and health insurance professionals.

Experienced underwriters who complete courses of study may advance to senior underwriter or underwriting manager positions. Some underwriting managers are promoted to senior managerial jobs. Some employers require a master's degree to achieve this level. Other underwriters are attracted to the earnings potential of sales and therefore obtain State licenses to sell insurance and related financial products as agents or brokers.

### Job Outlook

Employment of underwriters is expected to grow as fast as the average for all occupations through 2012. Underwriting software will continue to make workers more productive; however, because computer software does not do away with the need for human skills, underwriter employment will increase as economic and population growth result in increased insurance needs by businesses and individuals. In addition, job openings will be generated to replace underwriters who transfer or leave the occupation.

Insurance carriers are always assessing new risks and offering policies to meet changing circumstances. Underwriters are particularly needed in the area of product development, where underwriters assess risks and set the premiums for new lines of insurance. One new line of insurance being offered by life insurance carriers that may provide job opportunities for underwriters is long term care insurance.

Demand for underwriters is also expected to improve as insurance carriers try to restore profitability to make up for an unusually large number of underwriting losses in recent years. As the carriers' returns on their investments have declined, insurers are placing more emphasis on underwriting to generate revenues. This renewed interest in underwriting will result in favorable job opportunities for underwriters in the near term.

Employment of underwriters has historically been relatively steady. Overall, the best prospects for underwriter jobs will be for persons with the right skills and credentials, such as excellent computer and communication skills coupled with a background in finance. Because insurance is considered a necessity for people and businesses, there will always be a need for underwriters. It is a profession that is less subject to recession and layoffs than other fields.

### Earnings

Median annual earnings of insurance underwriters were \$45,590 in 2002. The middle 50 percent earned between \$35,190 and \$60,890 a year. The lowest 10 percent earned less than \$28,840, while the highest 10 percent earned over \$79,400. Median annual earnings in insurance carriers were \$46,690, while earnings in agencies, brokerages, and other insurance related activities were \$43,560.

Insurance companies usually provide better than average benefits, including employer-financed group life and health insurance, and retirement plans.

### Related Occupations

Underwriters make decisions on the basis of financial and statistical data. Other workers with the same type of responsibility include accountants and auditors, actuaries, budget analysts, cost estimators, financial analysts and personal financial advisors, financial managers, loan counselors and officers, and credit analysts. Other related jobs in the insurance industry include insurance sales agents and claims adjusters, appraisers, examiners, and investigators.

### Sources of Additional Information

Information about a career as an insurance underwriter is available from the home offices of many life, health, and property-casualty insurance companies.

Information about the property-casualty insurance field can be obtained by contacting:

► The Insurance Information Institute, 110 William St., New York, NY 10038. Internet: <http://www.iii.org>

Information on careers in the life insurance field can be obtained from:

► LIMRA International, P.O. Box 203, Hartford, CT 06141.

Information on the underwriting function and the CPCU and AU designations can be obtained from:

► The American Institute for Chartered Property and Casualty Underwriters/Insurance Institute of America, 720 Providence Rd., P.O. Box 3016, Malvern, PA 19355-0716. Internet: <http://www.aicpcu.org>

Information on the CLU and RHU designations can be obtained from:

► The American College, 270 South Bryn Mawr Ave., Bryn Mawr, PA, 19010-2196. Internet: <http://www.amercoll.edu>