

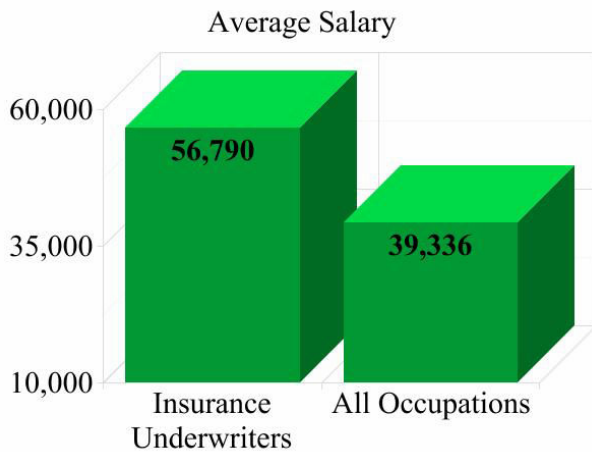
Insurance Underwriters

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WHAT THEY DO

Insurance companies protect individuals and organizations from financial loss by assuming billions of dollars in risk each year—risks of car accident, property damage, illness, and other occurrences. Underwriters decide whether insurance is provided and, if so, under what terms. They identify and calculate the risk of loss from policyholders, establish who receives a policy, determine the appropriate premium, and write policies that cover this risk. An insurance company may lose business to competitors if risk underwriting is too conservative, or it may have to pay excessive claims if the underwriting actions are too liberal.

Using sophisticated computer software, underwriters analyze information in insurance applications to determine whether a risk is acceptable and will not result in a loss. Insurance applications often are supplemented with reports from loss-control representatives, medical reports, reports from data vendors, and actuarial studies. Underwriters then must decide whether to issue the policy and, if so, determine the appropriate premium. In making this determination, underwriters consider a wide variety of factors about the applicant. For example, an underwriter working in health insurance will consider age, family history, lifestyle, and current health, whereas an underwriter working for a property-casualty insurance company is concerned with the causes of loss to which property is exposed, such as hurricanes or earthquakes, and the safeguards taken by the applicant. Therefore, underwriters serve as the main link between the insurance carrier and the insurance agent.



Technology plays an important role in an underwriter's job. Underwriters use computer applications called "smart" systems to calculate risks more efficiently and accurately. Such systems analyze and rate insurance applications, recommend acceptance or denial of the risk, and adjust the premium rate according to the risk.

To start the process, underwriters create software rules to screen applicants based on certain criteria, such as income and credit score for mortgage applicants or age and family medical history for life insurance applicants. After the software completes its assessment, underwriters can either approve or refute the decision, or, if it is questionable, request additional information from the applicant. These automated systems allow underwriters to quickly make decisions and, in most cases, effectively make sound judgments and minimize losses.

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

Although there are many lines of insurance work, most underwriters specialize in one of four broad categories: life, health, mortgage, and property and casualty. Life and health insurance underwriters may further specialize in individual or group policies.

An increasing proportion of insurance sales, particularly in life and health insurance, are being made through group contracts. A standard group policy insures everyone in a specified group through a single contract at a standard premium. The group underwriter analyzes the overall composition of the group to ensure that the total risk is not excessive. Another type of group policy provides members of a group with individual policies that reflect their particular needs.

EDUCATION REQUIRED

For entry-level underwriting jobs, most large insurance companies prefer college graduates who have a degree in business administration or finance. However, a bachelor's degree in almost any field—plus courses in business law and accounting—provides a good general background and may be sufficient to qualify entry-level jobseekers. Because computers are an integral part of most underwriters' jobs, some coursework with computers is also beneficial. Still, many employers prefer to hire candidates who have several years of related experience in underwriting or insurance.

New employees usually start as underwriter trainees or assistant underwriters. Under the supervision of an experienced risk analyst, beginning underwriters may help collect information on applicants and evaluate routine applications. 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, which generally last from a few months to a year. As trainees gain experience, they are assigned policy applications that are more complex and cover greater risks.

The computer programs many underwriters use to assess risk are continually being updated, so on-the-job computer training may continue throughout an underwriter's career.

Insurance Underwriters - Continued

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OTHER USEFUL SKILLS

Underwriters must pay attention to detail and possess good judgment to make sound decisions. Additionally, good communication and interpersonal skills are beneficial because much of the underwriter's work involves dealing with agents and other professionals.

HOW TO ADVANCE

Continuing education is necessary for advancement, because changes in tax laws, government benefits programs, and other State and Federal regulations can affect the insurance needs of clients and businesses. Independent-study programs for experienced underwriters are also available. The Insurance Institute of America offers a training program for beginning underwriters. The Institute also offers the designation of Associate in Commercial Underwriting (ACU) for those starting a career in underwriting business insurance policies, or an Associate in Personal Insurance (API) for those interested in underwriting personal insurance policies. To earn either the ACU or API designation, underwriters complete a series of courses and examinations that generally last 1 to 2 years.

The American Institute for Chartered Property Casualty Underwriters awards the Chartered Property and Casualty Underwriter (CPCU) designation to experienced underwriters. Earning the CPCU designation requires passing eight exams, having at least 3 years of insurance experience, and abiding by the Institute's and CPCU Society's code of professional ethics.

The American College offers the equivalent Chartered Life Underwriter (CLU) designation and the Registered Health Underwriter (RHU) designation for life and health insurance professionals. For those new to the industry, the American College also offers the Life Underwriter Training Council Fellow (FUTCF), an introductory course that teaches basic insurance concepts.

WORK ENVIRONMENT

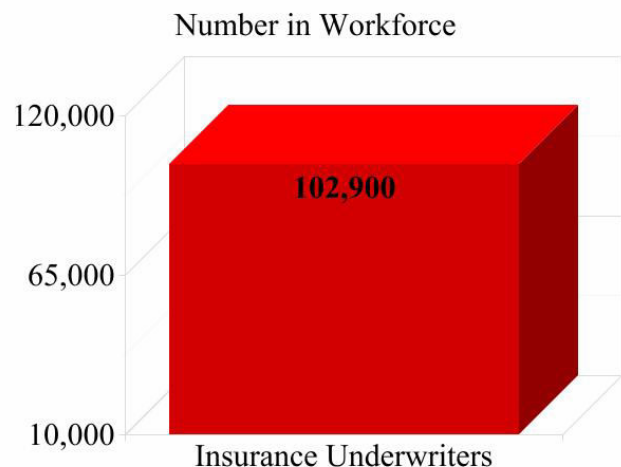
Underwriters mainly have sedentary desk jobs that do not require strenuous physical activity. Most underwriters are based in a company headquarters or regional branch office, but they occasionally attend meetings away from home. Construction and marine underwriters frequently travel to inspect worksites and assess risks.

Although some overtime may be required, underwriters typically work a standard 40-hour week. Those in managerial positions often work more than 40 hours per week.

JOB GROWTH

Employment of underwriters is expected to decline 4 percent during the 2008-18 decade. Demand for underwriters will continue to be offset by automation and technological advancement—factors that have resulted, in large part, to stagnant employment levels over the past two decades. For example, upgrades to underwriting software have helped increase underwriter productivity. Automated underwriting quickly rates and analyzes insurance applications, reducing the need for underwriters. In addition, adoption of this technology into other segments of insurance, such as life and health and long-term care, will continue to impede employment growth through the projection period, although at a slower rate than in the past. Nonetheless, even as automated underwriting continues to be adopted and upgrades to underwriting software makes workers more productive, the need for humans to verify information will continue.

Additionally, some demand for underwriters may arise as insurance carriers try to restore profitability. As the carriers' returns on their investments have declined, insurers may place more emphasis on underwriting to generate revenues. An expected increase in sales of health insurance and long-term care insurance, designed specifically for the elderly, also may result in some new jobs. As members of the baby-boom generation grow older and a growing share of the Nation's population moves into the older age groups, more people are expected to purchase these kinds of insurance products.



Job opportunities should be best for those with experience in related insurance jobs, a background in finance, and strong computer and communication skills. The need to replace workers who retire or transfer to another occupation will create many job openings. In fact, high turnover will account for most job openings. High turnover among underwriters results, in part, from the limited upward mobility of workers in the occupation.