
Insurance Underwriters

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Significant Points

- Most large insurance companies prefer to hire people who have a college degree in business administration or finance with courses in accounting.
- Continuing education is necessary for advancement.
- Employment is expected to grow more slowly than average as the spread of underwriting software increases worker productivity.
- Job opportunities should be best for those with a background in finance and strong computer and communication skills.

Nature of the Work

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 if insurance is provided and under what terms. They are needed to 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 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 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 to charge. In making this determination, underwriters consider a wide variety of factors about the applicant. For example, an underwriter working in health insurance may consider age, family history, 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 and the safeguards taken by the applicant. Therefore, 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 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 various databases on the Internet that allow immediate access to information—such as driving records—necessary in deter-



Underwriters consider many factors when determining eligibility for an insurance policy.

mining a potential client's risk. This kind of access reduces the amount of time and paperwork necessary for an underwriter to complete a risk assessment.

Although there are many possible lines of insurance to work in, 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 group or individual 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 rate. 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—senior citizens, 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.

Property and casualty underwriters usually specialize in either commercial or personal insurance and then by type of risk insured, as in fire, homeowners', automobile, marine, or liability insurance, as well as workers' compensation. In cases where property-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.

Work environment. Underwriters have desk jobs that require no unusual physical activity. Their offices usually are comfortable and pleasant. Most underwriters are based in a company headquarters 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.

Although underwriters typically work a standard 40-hour week, more are working longer hours due to the downsizing of many insurance companies. For some underwriters, evening and weekend hours are not uncommon.

Training, Other Qualifications, and Advancement

Although there are no formal education requirements for becoming an underwriter, many employers prefer candidates with a bachelor's degree or professional designation, some insurance-related experience, and strong computer skills. Much of what an underwriter does may be learned through on-the-job training, so the majority of underwriters start their careers as trainees.

Education and training. 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 may be sufficient to qualify an individual. Because computers are an integral part of most underwriters' jobs, some coursework with computers is also beneficial. Many employers prefer to hire candidates with several years of related experience in underwriting or insurance.

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.

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

Other qualifications. 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.

Certification and advancement. Continuing education is necessary for advancement. Independent-study programs for experienced underwriters are available. The Insurance Institute of America offers a training program for beginning underwriters. It also offers the designation of Associate in Commercial Underwriting (ACU) for those starting a career in underwriting business insurance policies. People interested in underwriting personal insurance policies may earn the Associate in Personal Insurance (API) designation. To earn either the ACU 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 Chartered Property and Casualty Underwriter (CPCU) designation to experienced underwriters. Earning the CPCU designation requires passing 8 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.

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.

Employment

Insurance underwriters held about 104,000 jobs in 2006. Insurance carriers employed 65 percent of all underwriters. 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, mainly 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.

Job Outlook

Although growth is expected to be more slowly than the average for all occupations, job prospects will remain good because of the continuous turnover experienced in this occupation.

Employment change. Employment of underwriters is expected to grow by 6 percent during the 2006-16 decade, which is slower than the average for all occupations. Underwriting software will continue to make workers more productive, but it does not do away with the need for human skills. As a result, employment of underwriters will increase as a growing economy and population expands the insurance needs of businesses and individuals.

Demand for underwriters also is 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

Projections data from the National Employment Matrix

Occupational Title	SOC Code	Employment, 2006	Projected employment, 2016	Change, 2006-16	
				Number	Percent
Insurance underwriters.....	13-2053	104,000	111,000	6,600	6

NOTE: Data in this table are rounded. See the discussion of the employment projections table in the *Handbook* introductory chapter on *Occupational Information Included in the Handbook*.

revenues. This renewed interest in underwriting should result in some long-term growth for underwriters.

Job prospects. Job opportunities should be best for those with experience in related insurance jobs, a background in finance, and strong computer and communication skills. In addition to openings arising from job growth, openings also will be created by the need to replace underwriters who retire or transfer to another occupation.

New and emerging fields of insurance will be the source of the most job opportunities for underwriters. Insurance carriers are always assessing new risks and offering new types of policies to meet changing circumstances. Underwriters are needed particularly in the area of product development, where they assess risks and set the premiums for new lines of insurance. One new line of insurance being offered by life insurance carriers is long-term care insurance and it may provide job opportunities for underwriters.

Earnings

Median annual earnings of wage and salary insurance underwriters were \$52,350 in May 2006. The middle 50 percent earned between \$40,000 and \$71,070 a year. The lowest 10 percent earned less than \$32,270, while the highest 10 percent earned more than \$92,240. Median annual earnings of underwriters working with insurance carriers were \$52,900, while underwriters' median annual earnings in agencies, brokerages, and other insurance related activities were \$51,820.

Insurance companies usually provide better-than-average benefits, including retirement plans and employer-financed group life and health insurance. Insurance companies usually pay tuition for underwriting courses that their trainees complete, and some also offer salary incentives.

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 managers, loan 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 insurance companies.

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

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

Information about the health insurance field can be obtained by contacting:

➤ National Association of Health Underwriters, 2000 North 14th Street, Suite 450, Arlington, VA 22201.

Internet: <http://www.nahu.org>

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

➤ American Institute for Chartered Property and Casualty Underwriters and Insurance Institute of America, 720 Providence Rd., P.O. Box 3016, Malvern, PA 19355.

Internet: <http://www.aicpcu.org>

➤ CPCU Society, 720 Providence Road, Malvern, PA 19355.

Internet: <http://www.cpcusociety.org>

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

➤ American College, 270 South Bryn Mawr Ave., Bryn Mawr, PA 19010. Internet: <http://www.theamericancollege.edu>