Insurance & Risk Management

Overview of the Insurance Industry

Insurance companies calculate the likely cost of a given loss, divide it by the number of people who want protection against it, add something for profit, and reach an amount that they charge each customer for a policy guaranteeing compensation should the loss occur. But that’s only the beginning. Insurance companies also mount huge marketing campaigns to convince customers that they need protection in general and the company’s products in particular.

They also function as financiers, deriving a large part of their revenues from investments. Insurance companies must maintain enormous reserves of capital to back up potential claims obligations. They invest those reserves in stocks, bonds, and real estate, within the U.S. and overseas, providing an enormous amount of liquidity to financial markets and giving the industry an influence on the national economy far out of proportion to its size. That can be a risk, as when industry-wide over-investment in Latin America during the ’70s led to huge losses for the entire industry and repercussions far beyond the insurance industry itself.

About 1,800 U.S. insurance companies offer personal and commercial product lines including basic health/life and property/casualty protection as well as a long list of other coverages ranging from automobiles to mortgages to insurance for insurance companies (known as reinsurance). These products protect customers from losses resulting from illegal actions, medical needs, theft, earthquakes and hurricanes, and a variety of other causes.

Types of Insurance

Life and Health Insurance: The policies in this sector provide benefits packages that policyholders pay a premium to enjoy.

Property and Casualty Insurance: The focus in this sector is on protection for owners of cars, homes, and businesses from loss, damage, and injury.

Reinsurance: The insurance of insurance companies. Insurance companies pay reinsurers to assume some or all of the risk the insurers have taken on in writing policies for their clients. Insurers use reinsurance to protect against the risk of unusual losses. Reinsurers write reinsurance because their business allows them to pool enormous numbers of individual insurance risks, making their risks even more predictable than the risks faced by primary insurers.

Skills

- Good communication skills
- Knowledgeable of social trends and laws
- Personable
- Negotiable
- Tactful
- Assertive
- Truthful
- Reliable
- Analytical
## Office of Personal & Career Development

### Insurance and Risk Management

<table>
<thead>
<tr>
<th>Position</th>
<th>Skills</th>
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<tbody>
<tr>
<td>Actuary: predicts the risk to insure people, property, and businesses</td>
<td>Math, statistics, or actuarial-science major is highly recommended. This job is high-level math and hard core.</td>
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<tr>
<td>Agent or Broker: advises people on how they can best protect their valuables then sells them a policy to do this</td>
<td>Good for people who like selling, have an entrepreneurial spirit, and a good network of leads. Agents often have underwriting certification, financial planning credentials, as well as SEC licensing so they can handle mutual funds, stocks, and bonds.</td>
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<td>Claims Adjuster: negotiates claims with others after a loss of something by fire, theft, flood, etc.</td>
<td>Good customer contact skills to interact with the client at the scene of the accident are important in this position, as well as patience and time management skills. A good eye for determining whether claims are fraudulent is also important.</td>
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<tr>
<td>Service Representative: liaison between the agent selling the policy and the company writing the policy</td>
<td>Good customer service skills are necessary in this job. Knowledge of the policies is important.</td>
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<tr>
<td>Loss-Control Specialist: prevents losses by scouting out problems and advising on safety and protection</td>
<td>Good people skills are necessary as well as a keen eye for problems.</td>
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<tr>
<td>Risk Manager: works with large companies to try to help them figure out ways to save money, advise on the best type of insurance to buy; and help manage employee benefit plans</td>
<td>Good field for engineers or corporations people who have knowledge about medicine, art, the environment, or other areas where a company offers Insurance coverage.</td>
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<tr>
<td>Underwriter: determines whether to insure a person or company based on the risk determined</td>
<td>Successful underwriters are able to analyze risk, read and understand contracts, market insurance products, and understand legal and financial issues.</td>
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</tbody>
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### Internet Resources

- **American Institute for Chartered Property & Casualty Underwriters**
  
  www.aicpcu.org

- **American Insurance Association**
  
  www.aiadc.org/aidpub

- **Coalition Against Insurance Fraud**
  
  www.insurancefraud.org

- **American Risk and Insurance Association**
  
  www.aria.org

- **Risk Management Association**
  
  www.rmahq.org/rma

- **Insurance Information Institute**
  
  www.iii.org

- **National Association of Insurance Commissioners**
  
  www.naic.org

- **National Association of Professional Insurance Agents**
  
  www.pianet.com

- **Society of Actuaries**
  
  www.soa.org

- **General info about actuaries**
  
  www.beanactuary.org
  
  www.actuary.com