UNDERWRITING IN INSURANCE

Insurance underwriters are professionals who evaluate and analyze the risks involved in insuring people and assets. Insurance underwriters establish pricing for accepted insurable risks. The term underwriting means receiving remuneration for the willingness to pay a potential risk. Underwriters use specialized software and actuarial data to determine the likelihood and magnitude of a risk.

 Insurance underwriters evaluate the risks involved in insuring people and assets and establish pricing for a risk.

 Underwriters in investment banking guarantee a minimum share price for a company planning an IPO (initial public offering).

 Commercial banking underwriters assess the risk of lending to individuals or lenders and charge interest to cover the cost of assuming that risk.

 Insurance underwriters assume the risk of a future event and charge premiums in return for a promise to reimburse the client an amount in the event damage or occurs.

 Two major categories of exclusion in insurance underwriting are moral hazard and correlated losses. With a moral hazard, the consequences of the customer's actions are insured, making the customer more likely to take costly actions. Correlated losses are those that can affect a large number of customers at the same time, thus potentially bankrupting the insurance company. This is why typical homeowner's policies cover damage from fire or falling trees (usually affecting an individual house), but not floods or earthquakes (which affect many houses at the same time).