

Brokers' Cheatsheet: Underwriting Terminology



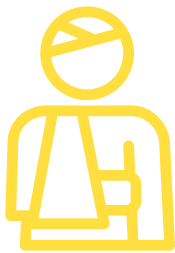
Premium:

The amount of money paid by an individual or business to an insurer. It includes the cost of business to the insurer for 'taking on' the insured's risk and is based on the likelihood that the insured will make a claim



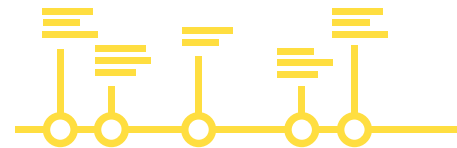
Gross Written Premium (GWP):

The total premiums received by an insurer before commissions and reinsurance has been deducted



Claim:

A claim exists when an insurer accepts a claim afforded by the coverage under their policy for an accident, illness or incident outside the control of the insured



Paid Claim vs Claim Reserve:

Paid claim is the amount already compensated on a claim. The Claim Reserve is funds expected to be paid in the future on existing (unsettled) claims



Gross Loss Ratio:

The percentage of gross written premium that is paid out to cover the cost of claims



Reinsurance:

Insurance taken out by an insurer to help minimise the impact of large claims

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Premiums - Get the best value for your clients:
The devil is in the detail, a little time invested at the front end by brokers means underwriters can ensure clients receive the right cover at a premium that reflects their true risk.

TRAVEL

Accuracy of trip estimates and locations

GROUP PERSONAL ACCIDENT

Number of insured persons and wage roll estimates



GWP - How much do insurers really make?
By the time we remove all the costs associated with a policy, insurer targets can vary from as little as 1% on some products to well over 50% on others. Typically, most insurers aim for 10% or less of premium



GWP

— minus



Reinsurance

— minus



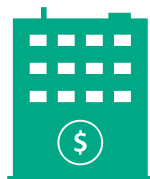
Broker commissions

— minus

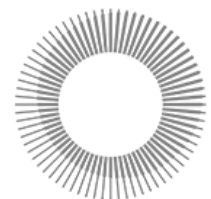


Cost of claims paid and reserved

— minus



Business cost (AHI's agency commission to cover costs such as our in-house claims team, expert underwriters, TPA's and Provider Fees)



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Claims Loss Ratio - How do we calculate the claims loss ratio over time?

Below is an example 'legacy of a policy', to show how the ongoing cost of the claim on the initial policy can continue for years. This impacts the claims loss ratio across each of these years.

