



Outsource

Best Innovative Underwriting Services, Inc.

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Determining the Cost of Underwriting

There are several factors to consider in determining the cost of underwriting. Certainly, a company's underwriting expenses go far beyond just salary. Considerations include incentives and mandatory withholdings such as Medicare, Workers' Comp and Social Security. Benefits, including Health, Dental, Disability, Life Insurance, 401K and Profit Sharing, must all be encompassed within the process. In addition, we need to factor in non-productive time such as vacation, holidays, sick time, breaks, etc. Do you know that, with the advent of the Internet, *the average employee wastes 8.3 hours every week?*

On the average, an underwriter is

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LABOR BURDEN ANALYSIS FORM / WORKSHEET					
DATE:	0-Jan-00	EMPLOYEE:	Example		
			POSITION:	Underwriter	
	Hrs per wk	Wks in oper.	No. Hours	Hourly Rate	
1. Annual Gross Pay:	40	52	2080	\$31.25	\$65,000.00
2. Annual Incentive/Bonus					
3. Other Compensation (SEP/401)					\$4,500.00
					Less: Section 125 adjustment (for pre-tax calculations)
4. TOTAL ANNUAL PAY: (Add Lines 1 thru 3)					\$69,500.00
Factor:	Limit:	Rate:			BURDEN UPLIFT:
a) FICA		7.50%			\$5,212.50
b) FUTA	7000	0.80%			\$56.00
c) SUI	7000	3.20%			\$224.00
d) Medicare		1.45%			\$1,007.75
e) Worker's Comp		1.36%			\$945.20
f) SDI	46327	0.90%			\$416.94
g) ETT	7000	0.10%			\$7.00
5. TOTAL (ADD LINES A THRU F)					\$7,869.39
6. Health Insurance (Monthly Pmts)			\$371.36 x 12 Mo		\$4,456.32
7. Dental Insurance (Monthly Pmts)			\$17.00 x 12 Mo		\$204.00
8. Other LIFE INS.			\$100.00 x 12 Mo		\$1,200.00
9. Other Disability			\$25.00 x 12 Mo		\$300.00
10. TOTAL ANNUAL COMPANY COST (add lines 6-9)					\$14,029.71
	Hrs per wk	Wks in oper.	No. Hours		
11. Regular Hours	40	52	2080		
12. Less: Vacation Pay	1.538461538	52	-80		
13. Less: Holiday Pay	1.538461538	52	-80		
14. Less: Sick Time	0.769230769	52	-40		
15. Less: Break Time	2.5	47	-118		
16. Less: Wasted Hours	8.3	47	-390		
17. Less: Standby	10	47	-470		
18. TOTAL ANNUAL PRODUCTIVE HOURS (sum 11 thru 17)			902		
TOTAL EMPLOYEE COST					\$83,529.71
EFFECTIVE HOURLY RATE					\$92.61
EFFECTIVE OVERTIME RATE (does not include ins.)					\$52.18
EMPLOYEE LABOR BURDEN %					196.34%

The actual cost of an underwriter

CEO's Corner



It is essential today for Senior Management to understand the true cost of underwriting. Underwriting is one of the largest budget components of an insurance company. Having a handle on

these costs helps management make decisions that impact the company's overall spending, thereby maximizing profits.

Chief Underwriters need to seriously consider options, as there are few better ways for them to contribute to their company's bottom line than by containing underwriting costs at an acceptable level. Cutting costs without sacrificing quality is an excellent way for a Chief Underwriter to come to the attention of Senior Management. This type of team player attitude resonates with Senior

Management and goes a long way in achieving recognition and creating upward mobility for a Chief Underwriter.

Outsourcing not only saves money, as is evident from the above article, but it also improves time service, underwriter morale, agent satisfaction and management of fluctuations in business volume. In future issues, we will address some of these other significant benefits.

Patrick Ramotar, FLMI, CLU, ChFC
President/CEO

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supported by two underwriting assistants. The reality of the situation is that the underwriter and the two assistants together constitute a “true revenue-generating unit”. Therefore, any discussion of the actual cost of underwriting should include the compensation of these three personnel as one unit.

In determining these costs, we calculated the average salary of underwriters and assistants from three states, which have the largest concentration of companies, i.e., Connecticut, Illinois and Texas. You will notice the initial salary of \$69,500 for an underwriter inflates to \$83, 530 when taking into account all of the added costs. In addition, when you consider this amount is paid for 902 hours (not 2080), then the effective hourly rate becomes \$92.61 (approx. 3 times the original rate).

If you apply the same computations to the two assistants, and add the result to the underwriter, the total hourly rate of the “revenue-generating unit” becomes \$186.29. Of course, this result will vary based on your individual circumstances.

If we assume an underwriter reviews 4 cases an hour, then, multiplying that by the actual 902 productive hours per year, gives us 3,608 cases per year. Therefore, if your actual labor burden per hour is \$186.29, it costs you \$47 for an underwriter to review one case.

However, this is not the full story; since an underwriter reviews one case an average of 2.5 times before final action. Consequently, a case costs \$47 x 2.5 or \$117.50.

How BIUS, Inc. Saves You Money

BIUS, Inc. charges a fixed fee per case, not per review. There are no

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LABOR BURDEN ANALYSIS FORM / WORKSHEET						
DATE:	2-Oct-03		EMPLOYEE:	Example		
			POSITION:	U/W Asst		
	Hrs per wk	Wks in oper.	No. Hours	Hourly Rate		
1. Annual Gross Pay:	40	52	2080	\$14.42	\$29,993.60	
2. Annual Incentive/Bonus						
3. Other Compensation (SEP/401)					\$2,200.00	
	Less: Section 125 adjustment (for pre-tax calculations)					\$0.00
4. TOTAL ANNUAL PAY: (Add Lines 1 thru 3)						\$32,193.60
Factor:	Limit:	Rate:	BURDEN UPLIFT:			
a) FICA		7.50%	FICA: Per statement.		\$2,414.52	
b) FUTA	7000	0.80%	SDI: Per EDD contribution.		\$56.00	
c) SUI	7000	3.20%			\$224.00	
d) Medicare		1.45%			\$466.61	
e) Worker's Comp		1.36%	Preferred Employers Insurance Company		\$437.83	
f) SDI	46327	0.90%			\$289.74	
g) ETT	7000	0.10%			\$7.00	
5. TOTAL (ADD LINES A THRU F)						\$3,895.90
6. Health Insurance (Monthly Pmts)		\$371.36	x 12 Mo		\$4,456.32	
7. Dental Insurance (Monthly Pmts)		\$17.00	x 12 Mo		\$204.00	
8. Other LIFE INS.		\$100.00	x 12 Mo		\$1,200.00	
9. Other Disability		\$25.00	x 12 Mo		\$300.00	
10. TOTAL ANNUAL COMPANY COST (add lines 6-9)						\$10,056.22
	Hrs per wk	Wks in oper.	No. Hours			
11. Regular Hours	40	52	2080			
12. Less: Vacation Pay	1.538461538	52	-80			
13. Less: Holiday Pay	1.538461538	52	-80			
14. Less: Sick Time	0.769230769	52	-40			
15. Less: Break Time	2.5	47	-118			
16. Less: Wasted Hours	8.3	47	-390			
17. Less: Standby	10	47	-470			
18. TOTAL ANNUAL PRODUCTIVE HOURS (sum 11 thru 17)						902
TOTAL EMPLOYEE COST						\$42,249.82
	EFFECTIVE HOURLY RATE					\$46.84
	EFFECTIVE OVERTIME RATE (does not include ins.)					\$24.25
EMPLOYEE LABOR BURDEN %						224.83%

The actual cost of an underwriting assistant.

hidden costs or long-term contracts, and you only pay for work actually done. There is no downtime, vacation, etc., to consider.

We invite you to receive a free quote from us. You will be astounded when you see what we charge per case compared to your in-house underwriting costs. We are convinced, that given the opportunity, we can improve your time service, provide a seamless interface, enhance your relationship with your producers and bring you significant cost savings.



Increase Your Revenue

Improve Your Time Service

Make Life Easier for Your Underwriters

Improve Underwriter Morale

Send Us Your Trial Inquires. They're an Opportunity Cost to Your Production

Contact BIUS, Inc. for Details

661-255-0112