

Specification of Competency Standards of the Insurance Industry

Unit of Competency

Functional Area: Operational Support & Services

Title	Price new or revamped products
Code	105687L6
Range	This unit of competency is applicable to those who are responsible for designing and pricing new or revamped products. It involves analyzing the probability and financial consequences of the risks to be covered and developing premium rates and policy contract terms for the new or revamped products.
Level	6
Credit	4 (for reference only)
Competency	<p>Performance Requirements</p> <ol style="list-style-type: none"> 1. Possess knowledge in economics, statistics, and financial theories <ul style="list-style-type: none"> • Familiarize with insurance market • Comprehend company's product terms and features • Comprehend corporate profitability strategies • Fully aware of relevant regulatory requirements on risk exposures, reserve and liquidity • Able to apply economics, statistics and financial modeling techniques to determine the probability of the occurrence of events • Able to use statistical software applications 2(a). Analyze risks to be covered <ul style="list-style-type: none"> • Work with product development personnel to gather requirements of new or revamped products • Identify types of risks to be covered • Analyze statistical information to develop probability tables for the risks to be covered 2(b). Develop premium rates to price new or revamped products <ul style="list-style-type: none"> • Gather historical claims records on same or similar coverage to estimate costs • Analyze historical claims records and apply projection factors (e.g. tort reform, loss development and trends) to determine the expected claim values • Adjust expected claim values by relevant factors (e.g. expenses, present value adjustment, risk appetite, risk margin, etc.) • Work with underwriters, sales and marketing personnel, to develop premium rates that balance company profitability and product competitiveness • Work with underwriters to develop policy contract terms • Conduct profitability test/sensitivity tests 3. Price new or revamped products that support both corporate profitability and development strategies <ul style="list-style-type: none"> • Conduct comprehensive analysis on the probability and financial implications of the risks to be covered in new or revamped products • Develop premium rates and policy terms of new or revamped products that balance company profitability and product competitiveness.
Assessment Criteria	<p>The integrated outcome requirements of this unit of competency are:</p> <ul style="list-style-type: none"> • Able to analyze historical claims records and apply appropriate factors to estimate expected claim values • Able to work with relevant personnel to develop premium rates and policy terms that balance company profitability and product competitiveness.
Remark	This unit of competency is also applicable to general insurers and life insurers.