

# The Economic Impact of the Insurance Industry in Illinois: 2016 Study

By Katie School of Insurance and Financial Services at Illinois State University

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# The Economic Impact of the Insurance Industry in Illinois

This Study was conducted in 2016 by the Katie School of Insurance at Illinois State University under the direction of Katie School Executive Director, James R. Jones. Questions regarding the content of this study should be directed to [james.jones@ilstu.edu](mailto:james.jones@ilstu.edu)

## Key Findings of the Study

- ✓ The Illinois insurance industry is exceptionally robust and competitive. As of 2015, there were 192 property and casualty insurers, 40 life insurers, and 39 health insurers domiciled in Illinois.
- ✓ One out of every five dollars of property and casualty insurance premium in the U.S. is underwritten by Illinois insurance companies.
- ✓ The Illinois insurance industry GDP in 2014 was fourth in the entire nation with respect to the national insurance industry. .
- ✓ The insurance industry in Illinois contributes 3.67 percent of the GDP to the state of Illinois. This is higher than construction, transportation, information, and accommodation and food services industries, and many times more than industries such as agriculture or mining.
- ✓ According to SNL Financial, Illinois insurance companies wrote nearly \$190 billion in insurance premiums for property-casualty, life, and health insurance combined in 2015. This placed Illinois second overall in the country and ranks higher than in every sector compared to other “insurance industry rich” states like Wisconsin, California, and Ohio, and much higher than the surrounding states of Indiana, Iowa, and Missouri.
- ✓ \$126 billion comes from the Property & Casualty sector. This represents a remarkable 21.64 percent of the entire P&C insurance sector in the United States.
- ✓ 144, 723 people are employed directly by the insurance industry in Illinois. This is more than any of the surrounding states and in fact is more than twice the insurance industry employment of Indiana or Iowa.
- ✓ The median wage for insurance workers was nearly 50 percent higher than median for all workers in Illinois.
- ✓ The median wage for insurance workers in Illinois was 15 percent higher than the median wage for workers in insurance nationally.
- ✓ Over 300,000 people are employed either directly or indirectly related to insurance industry for Illinois.

- ✓ Illinois insurer's investments totaled over \$412 billion; with nearly \$306 billion in bonds of which nearly \$29 billion were in the government bonds. This means the insurance industry serves to finance a wide array of projects such as schools, roads, bridges, mass transit initiatives and health care facilities
- ✓ In 2015, Illinois insurers paid out \$122 billion for P&C, life, and health losses and over \$61 billion to policyholders in the U.S for losses to homes, autos, and businesses. That represents 21.27 percent of all property and casualty claims made in the entire country!
- ✓ \$186 billion in policyholder surplus was held on Illinois insurer balance sheets in 2015.
- ✓ Illinois has just under 5 percent of the workforce in the insurance industry. However, some occupations are particularly present in Illinois, such as insurance underwriters with more than 10 percent of those in the country working in Illinois.
- ✓ Workers in the insurance industry in Illinois earned just over \$12 billion or nearly 3 percent of the total earnings for workers in the state.
- ✓ Illinois revenue from insurers through taxes, licenses, fees, and fines totaled \$411,371,823 in 2015.
- ✓ Insurance workers were estimated to have paid over \$1.5 billion in taxes to the state of Illinois in 2014.

## **Introduction to Study**

This study conducted in 2016 by the Katie School of Insurance at Illinois State University examined the role of the insurance industry in Illinois with respect to its impact on the economy, including its role in state employment, loss indemnification, and institutional investment in government and corporate bonds, and its role as a contributor to state tax revenues.

Data was sourced from SNL Financial database, the Bureau of Economic Analysis (BEA), the Bureau of Labor Statistics (BLS), U.S. Census Bureau, Illinois Comptrollers Website, Illinois Insurance Department website, Illinois Information Workforce Center, Illinois Department of Employment Security (IDES), and then with the Insurance Information Institute, and other sources to confirm data. The most recent available information was included in this study. For insurance company financial data the last available year is the 2015 results. The most recent available economic and employment data was 2014.

Thanks to Illinois State University Economics graduate assistant, S. Azfar Hussain for his hard work on this project. A special thanks to the Independent Insurance Agents of Illinois, the Illinois Insurance Association and the National Association of Insurance and Financial Advisors Illinois for sponsoring this study.

### **About the Katie School at Illinois State University**

The Katie School at Illinois State University has a mission to support students interested in pursuing careers in the insurance industry. The Katie School provides scholarships, internships, education, extracurricular programs, and cutting-edge research in which students can participate. The Katie School supports high school students by hosting summer risk management and insurance camps. The Katie School supports applied, relevant research focused on providing insights on real industry issues, and supports continuous learning and professional development for industry practitioners, through seminars and workshops.

## **The Insurance Industry as Contributor to the Economy of Illinois**

The insurance industry favorably affects the state economy through both direct and indirect economic activity. Typical direct contributions expected by any business, include contribution to the local economy's GDP, employment of workers, and payment of corporate taxes. Insurance also has some unique direct economic impacts both through its role as protector of economic loss, and through its role as institutional investor in government and business.

A less recognized, but arguably equally significant indirect contribution is its ability to promote economic development via a better understanding of the risks, encouragement of loss mitigation, and enabling individuals and businesses to engage in productive activities that involve risk.

Insurance is a financial risk management tool that allows individuals and businesses to reduce or avoid risk through the transfer, pooling or sharing of risk with a third party, usually an insurer. While various risk-sharing arrangements have been in existence for centuries, risk today is usually contractually transferred (via an insurance policy) to and absorbed by an insurance company in exchange for a payment (i.e., the premium). The insurer contractually obligates itself to pay the losses of policyholders.

Individuals and businesses who are insured against a variety of potentially catastrophic losses, are then enabled to engage in activities that produce or preserve wealth, create jobs, and foster investment, innovation and entrepreneurship. As individuals and businesses have greater security to protect themselves from loss they need to hold less capital which means people and business have more to consume and invest in things like human capital and technology, making state economies more competitive and robust.

Having adequate insurance protection for homes and businesses in times of increasing catastrophic losses is important for governments as the need for state government disaster relief is mitigated. This is especially important in the current climate where federal disaster relief is highly politicized, and state funding is uncertain. Regardless of the political party in control of Congress, funding for disaster relief and FEMA will continue to be uncertain. This uncertainty affects state budgets to the extent that they may have to contribute for more of their own local disaster relief. Private market solutions will continue to be sought, and a competitive and robust insurance industry in a state can reduce uninsured rates, and the need for public disaster assistance, and may in some cases, obviate the need for state subsidized insurance.

The Illinois insurance industry is exceptionally robust and competitive. As of 2015, there were 192 property and casualty insurers, 39 life insurers, and 41 health insurers domiciled in Illinois. In fact 1 out of every 5 dollars of property and casualty insurance premium in the U.S. is underwritten by Illinois insurance companies!

This has a tremendous positive impact on the economy of Illinois. We can look at the contribution of Illinois insurers in several ways. The percentage to the overall insurance industry's contribution to our national GDP, and as a percentage of the state of Illinois GDP for all industries. Exhibit 1 shows the contribution to the insurance industry's national GDP.

<b>Exhibit 1- Percentage of U.S. Insurance Industry Contribution to National GDP</b>		
	Millions of Dollars	% of National INS IND
New York	39,978	9.74%
California	31,352	7.64%
Texas	26,495	6.46%
<b>Illinois</b>	<b>26,283</b>	<b>6.41%</b>
Pennsylvania	20,882	5.09%

Source: Bureau of Economic Analysis,

Exhibit 2 shows the insurance industry’s contribution to Illinois GDP in comparison to other industries in Illinois. As detailed in Exhibit 2, the insurance industry in Illinois contributes 3.67% percent of the GDP to the state of Illinois. This is higher than construction, transportation, information, and accommodation and food services industries, and many times more industries such as agriculture or mining. Although insurance is not the top contributing industry to the state GDP, it is one of the more significant industries. Appendix C lists all industries and their contribution to the state GDP.

<b>Exhibit 2- Illinois Gross Domestic Product by Industry</b>		
<b>Gross Domestic Product by State (millions of current dollars) Illinois 2013</b>	<b>Millions of Dollars</b>	<b>% of State GDP</b>
<b>Insurance carriers and related activities</b>	<b>26,283</b>	<b>3.67%</b>
Transportation and warehousing	25,897	3.62%
Information	24,702	3.45%
Construction	24,441	3.42%
Accommodation and food services	18,181	2.54%
Agriculture, forestry, fishing, and hunting	11480	1.61%
Mining	3797	0.53%

Source: 2013 Bureau of Economic Analysis, State GDP

Another way to consider the economic impact is to consider the premiums written (revenue generated) by Illinois insurers compared to other states. According to SNL Financial, Illinois insurance companies wrote \$189.61 billion in insurance premiums for property-casualty, life, and health insurance combined. This placed Illinois second overall in the country.

Exhibit 3 depicts where Illinois placed in each of the three insurance sectors, P&C, Life, and Health. Illinois ranks higher in every sector compared to Wisconsin, California, and Ohio, and ranks much higher than the surrounding states of Indiana, Iowa, and Missouri.

<b>Exhibit 3 - Ranking of Illinois Insurance Premiums Written to Other States</b>				
State, District, Territory Ranking By Sector				
Direct Premiums 2015				
States, District, Territory	Rank-Overall	Rank P&C	Rank Health	Rank Life
CT	10	8	29	2
<b>IL</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>14</b>
NY	1	3	4	1
WI	7	10	3	12
PA	8	11	2	17
OH	3	2	6	10
NE	11	5	35	5
CA	17	9	27	22
TX	4	7	5	7
FL	15	14	8	30
IN	16	26	21	6
IA	14	15	33	3
MO	18	18	15	27

**Source: SNL Database 2015**

Exhibit 4 illustrates the extent to which the Illinois insurance industry dominates the property and casualty industry (often referred to as P&C, which covers items such as personal and commercial autos, homes, buildings, and professional legal liability). \$125.947 billion of the total \$582 billion comes from the P&C sector represents a 21.64 percent of the entire P&C insurance sector! That is extraordinary for any product for one state to be so dominate. This is more than the percentage of autos manufactured in Michigan.<sup>1</sup>

<b>Exhibit 4 – Premiums Written by Insurance Sector Compared to U.S. Total Premiums Written</b>			
Area	P&C Ins	Life Ins	Health Ins
	Direct Premiums Written 2015 Total All Lines (\$000)	Direct Premiums & Annuity Consid: Life, A&H 2015 Y Total All Lines (\$000)	Direct Premiums Written 2015 Y AR: Total All Lines (\$000)
ILLINOIS	125,946,981.658	18,313,896.374	45,355,965.657
U.S. Total	582,041,689.038	680,150,362.327	516,867,636.692
Percentage of U.S. Total	21.64%	2.69%	8.78%

**SNL Database – 2015**

<sup>1</sup> <http://www.detroitchamber.com/econdev/chamber-initiatives/michauto-universal-name/the-auto-industry-in-michigan/>

The size alone conveys only one dimension of the industry’s importance. The benefits that accrue to individuals, businesses, the economy and society as a whole are many and varied in nature.

Although specific sections of this study cover the topics of the role of the insurance industry as investor, employer, and contributor to Illinois tax revenues, it is worthwhile mentioning in this section that the economic impact to Illinois goes beyond the direct employment and compensation paid to workers in the insurance industry. Indirect effects of their employment and compensation include transactions increasing the demand for goods and services in other directly affected industries. This is known as the multiplier effect and is well-recognized in econometric modeling systems. It can be estimated that the insurance industry supports over 300,000 jobs in Illinois using econometric modeling systems such as REMI, RIMS II, and IMPLAN

Direct employment and compensation to insurance industry workers will be discussed later in detail in the section dedicated to that topic.

### **The Insurance Industry as Investor in Government and Businesses**

As policyholders take out insurance, insurers invest the premiums until claims are paid. Insurers boost the economy by increasing investments heavily in both government and corporate bonds. The insurance industry’s need to maintain large holdings of assets to back claims and satisfy regulator and ratings agency requirements means that the industry is one of the largest institutional investors in world. Indeed, the industry is usually ranked among the top three institutional investors across a broad range of asset categories. Insurers are necessarily conservative investors and as such concentrate their investments in relatively low risk, highly liquid securities, especially bonds. This conservative portfolio allocation is illustrated by an Insurance Information Institute study showing on average two-thirds of invested assets for property-casualty insurers are in the form of bonds, and three-quarters of life insurers’ portfolio is in fixed income securities.<sup>2</sup>

Exhibit 5 shows that Illinois insurers’ investments totaled over \$412.4 billion, of these investments nearly \$305.3 billion were in bonds.

<b>Exhibit 5 - Investments of Illinois Insurers 2015 (\$000)</b>			
<b>Insurance Sector</b>	<b>Total Cash &amp; Investments</b>	<b>Investment in Govt. Bonds:</b>	<b>NET ADM Bonds 2015</b>
Health Insurers	11,401,188.97	2,245,757.65	8,304,415.97
Life Insurers	164,207,148.90	8,471,864.61	128,896,047.71
P&C Insurers	236,839,740.64	17,934,849.52	168,095,934.55
Total	412,448,078.50	28,652,471.78	305,296,398.23
<b>SNL Database - 2015</b>			

<sup>2</sup> <http://financialservices.house.gov/uploadedfiles/hhrg-112-ba04-wstate-rhartwig-20120724.pdf>



On average, about 10 percent of the insurance industry's bond portfolio is invested in government securities issued by states and counties, and cities. What this means for state and local economies is that the insurance industry serves to finance a wide array of projects such as schools, roads, bridges, mass transit initiatives and health care facilities.

## **The Insurance Industry as Protector from Financial Loss**

The main role of the insurance industry is to protect policyholders from financial loss covered under insurance policies. The three major sectors of insurance industry are property-casualty, life, and health. Although there are a few insurers who participate in all three sectors, in general the insurers in each sector are different for each sector. A complete list of Illinois insurers, as of 2015, by insurance sector can be found in the appendix of this study.

In the P&C industry each year auto and home insurers pay billions to hundreds of thousands of policyholders whose vehicles or homes were damaged or destroyed in accidents or by natural disasters as well as to individuals who suffered bodily injuries as the result of liability losses covered by these policies. A similar sum is paid each year to business owners for claims arising from a wide spectrum of property and liability claims, including injuries suffered by workers in occupational settings (via worker compensation insurance policies).

The life insurance industry provides individuals and families (beneficiaries) with financial protection against the possibility of loss of income due to death of an insured individual. They also provide payments for annuities. An annuity, in its simplest form, is a contract between an individual and a life insurance company specifying a future stream or series of payments that will be made in exchange for a payment made to that insurance company today. The annuity arrangement allows the purchaser of the annuity to transfer to the insurer the risk associated with outliving one's assets.

Health insurers pay for medical expenses including routine health care and prescriptions, as well as acute care requiring hospitalization, surgeries, and treatments for chronic and terminal illnesses. Health insurance also included disability coverages and long term care and nursing care.

In 2015, Illinois insurers paid out \$122.129 billion for P&C, life, and health losses. Exhibit 6 highlights the losses paid out in 2015 by insurance sector, and the percentage of losses paid out by Illinois insurers compared to the U.S. as a whole.

What is perhaps most striking from this exhibit is that the U.S. economy as a whole is a beneficiary of insurers in Illinois, which are significantly non-life property and casualty losses. In 2015, Illinois property and casualty insurance paid out over \$61 billion to policyholders in the U.S for losses to homes, autos, and businesses. That represents 21.27 percent of all property and casualty claims made in the entire country, helping individuals and communities recover from disasters.

<b>Exhibit 6 - Losses Paid By Illinois Insurers as Percentage of U.S. Payments By Insurance Sector</b>			
<b>Area</b>	<b>P&amp;C Ins</b>	<b>Life Ins</b>	<b>Health Ins</b>
	Losses Paid Less Salvage 2015 Y AR: Total All Lines (\$000)	Benefits & Losses 2015 Y AR: Total All Lines (\$000)	Medical Losses Incurred 2015 Y AR: Total All Lines (\$000)
ILLINOIS	61,108,034.86	19,888,312.96	41,133,438.52
U.S. Total	287,316,065.75	616,779,676.13	470,675,350.68
Percentage of U.S. Total	21.27%	3.22%	8.74%
<b>Source: SNL Database – 2015</b>			

Insurers also play a role in preventing losses and encouraging loss prevention and mitigation by offering discounts for not smoking, taking driver’s education classes, installing sprinklers and alarms, participating in worker safety programs, buying cars with higher safety ratings, and many other discounts to encourage policyholders to prevent and reduce losses. Insurers also sponsor organizations such as the Insurance Institute for Highway Safety which performs tests on automobile crashworthiness. Over the years insurance industry funded studies have contributed to automobile safety via, seat belts, head rests, airbags, reducing teen related highway deaths, reduced alcohol fatalities, auto crash tests, breakaway light poles, guard rails, compression zones on highway barriers, and other initiatives. The industry funds the Institute for Business & Home Safety which studies how to make buildings safer from disasters. Illinois insurers play a significant role in funding these organizations and others related organizations.

### Illinois Insurer Strength and Trust

Because insurers assume trillions of dollars of exposure in exchange for premiums received from millions of policyholders each year, insurers necessarily hold assets large enough to pay any reasonable—and even highly improbable—levels of claim activity. Insurers maintain surpluses according to regulatory and rating agency requirements in order to be able to meet their financial obligations in times of catastrophes.

Exhibit 7 details the \$186.2 billion in policyholder surplus held on Illinois insurer balance sheets in 2015.

<b>Exhibit 7 - Illinois Insurers Policyholder Surplus</b>	
<b>Insurer Type</b>	<b>Surplus as Regards Policyholders 2015 Y (\$000)</b>
Health Insurers	11,456,889
Life Insurers	20,957,660
P&C Insurers	153,777,254
<b>Source: SNL Database - 2015</b>	

Consumers also benefit from Illinois insurers. Several Illinois insurers have consistently been rated highly for customer satisfaction. For example, in 2015, two out of the top three auto insurers (as rated by J.D. Powers for customer satisfaction) were insurers domiciled in Illinois.<sup>3</sup>

## Insurance Industry as Employer

The insurance industry in the U.S. employs nearly 3 million people. In 2014, 144,723 people were employed directly by the insurance industry in Illinois. This is more than any of the surrounding states and in fact is more than twice the employment of Missouri, Indiana, or Iowa. These people work in various occupations in insurance industry, in organizations ranging in size from large insurance companies to single person insurance agencies. Exhibit 8 provides detailed employment numbers from 2007 to 2014, for the U.S., Illinois, and surrounding states.

<b>Exhibit 8 - Total full and part-time employment in Insurance Industry</b>									
<b>SA25N Insurance carriers and related activities (number of jobs)</b>									
	<b>State or Area</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>United States</b>	2919200	2931300	2922200	2900000	3024700	3013000	3022800	3109200
	<b>Illinois</b>	145519	144670	143198	143034	145741	144807	142500	144723
<b>Surrounding States</b>									
	<b>Wisconsin</b>	80793	81247	81619	80273	82453	82411	80748	79188
	<b>Missouri</b>	61752	61695	61579	62518	65324	65590	64878	66641
	<b>Indiana</b>	57766	58988	58502	58152	60329	59495	59016	61502
	<b>Iowa</b>	54267	55681	53938	53605	55174	54248	54341	55423
Source: Bureau of Economic Analysis : <a href="http://www.bea.gov/regional/index.htm">http://www.bea.gov/regional/index.htm</a>									

Although the state of Illinois has just under 5 percent of the workforce in the insurance industry, some occupations are more present in Illinois. For example, Illinois is home to almost 10 percent of insurance underwriters in the country. What may be interesting for some is to see that while four of the top five occupations are somewhat industry specific, most of the occupations are not. For example, Illinois has over 13 percent of all the business operation specialists and all the commodities and securities sales force in the industry. Illinois is home to more than its share of several other well-paying occupations such as accountants, financial analysts, management analysts, computer systems analysts, and computer software engineers.

## Demographic Changes Requiring New Hires

What is not reflected in the percentage growth is the change in the demographics of the workforce of the insurance industry. Insurers also have greater exposure to the aging workforce

<sup>3</sup> <http://www.jdpower.com/press-releases/2015-us-auto-insurance-study>

than most industries due to its long time focus on experienced workers. For this reason, even the underwriting occupation, where the absolute number is declining, new hiring opportunities exist as younger workers replace retiring workers. The number of insurance workers 55 or older has increased by 74 percent in the last 10 years, compared to a 45 percent increase for the overall workforce. This means that 20 percent of the insurance workforce is near retirement age (compared to 15 percent of the broader financial services workforce). By 2018, this number is projected to rise to 25 percent.<sup>4</sup>

High growth insurance occupations through 2020 in Illinois are expected to be computer systems analysts, insurance agents, customer service representatives, and claims adjusters, and marketing.

## The Sales Force in Illinois Insurance Industry

One unique and important part of the industry relates to insurance agents and brokers. Contrary to popular belief, insurance agents and brokers are not becoming obsolete in a digital environment. Insurance is a relationship business built on trust, and technology may enhance that relationship customers, but for many products and services an agent or broker is still preferred. Illinois is home to some of the largest insurance brokerage firms in the world.

Exhibit 9 shows the breakdown of the insurance agents and brokers' workforce in 2014, including self-employed agents, principals, managers and customer service representatives working for insurance agents and brokers.

<b>Exhibit 9 Insurance Agents and Brokers Workforce in Illinois, May 2014</b>			
NAICS 524210 - Insurance Agencies and Brokerages, Illinois, May 2014			
Occupation Code	Occupational Title	Employment (Estimated)	Percentage of Total Emp.
	All Occupations*	5,765,880	100%
<b>41-3021</b>	<b>Insurance Sales Agents</b>	<b>18,200</b>	<b>0.32%</b>
43-4051	Customer Service Representatives*	117,520	2.04%
43-9041	Insurance Claims and Policy Processing Clerks*	11,420	0.20%
13-0000	Business and Financial Operations Occupations*	299,620	5.20%
11-0000	Management Occupations*	368,230	6.39%
Self Employed	Insurance Sales**	16802	
	Total Agent and Brokers Workforce including Self-employed	74,242	
*NOTE- The Insurance Sales Agent figure is reported specifically in the IDES. The other occupations numbers are based on the national average of percentage of these occupations within the Insurance Agents and Brokers industry sub-category. ** This is based on Census Data for 2010 for "non-employer" status working as agent or broker in Illinois. "Non-employers" are self-employed individuals operating unincorporated businesses (known as sole proprietorships), which may or may not be the owner's principal source of income.			

<sup>4</sup> <http://www.griffithfoundation.org/uploads/McKinsey-Talent-white-paper-FINAL.pdf>

## Wages and Salaries of Insurance Workers

According to the Bureau of Economic Analysis, workers in the insurance industry in Illinois earned just over \$12 billion in 2014. The jobs in the insurance industry jobs compare favorably to the average employment in Illinois. According to the BLS workers in the insurance industry earn nearly 50 more than the median for all workers in Illinois.<sup>5</sup>In addition wages for Illinois workers in the insurance industry compare favorable to national averages for the same occupations<sup>6</sup>.

As mentioned in the section on economic impact, the employment and income in the insurance industry has significant impact on employment and income in other industries, this is especially true for Illinois which hosts an industry with such high-paying occupations.

## The Insurance Industry as Contributor to State Tax Revenue

Illinois's tax policy with respect to the insurance industry is different from other industries and has some unique taxes. Exhibit 10 illustrates some of the various sources of revenue the state of Illinois gets from the insurance industry. The state of Illinois collected \$411,371,823 from the insurance industry as of December 2015 and \$396,537,356 in 2014.

<b>Exhibit 10- Illinois Revenue from Insurers 2014 and 2015 Taxes, Licenses, Fees, and Fines</b>			
<b>Code</b>	<b>Revenue Source</b>	<b>Year 2015</b>	<b>Year 2014</b>
	Total	\$411,371,823	\$396,537,356
394	PRIVILEGE TAX-INSURANCE	\$182,795,367	\$171,284,230
468	RETALIATORY TAX	\$127,743,620	\$122,390,880
915	LICENSES FEES OR REGISTRATION	\$9,137,017	\$6,746,775
1846	SURPLUS LINE TAX - INSURANCE	\$43,389,062	\$40,123,259
111	FIRE MARSHALL TAX	\$26,896,407	\$25,441,508
780	FINES PENALTIES OR VIOLATIONS	\$14,492,366	\$12,457,481
713	SELF INSURERS ASSESSMENTS	\$1,148,452	\$2,593,531
104	EMPLOYER PAY/EMPLOYEE COMP	\$1,107,508	\$1,035,177
344	1/2% COMP PYMT MADE EMPLOYER	\$4,662,023	\$14,464,514
<b>Source:</b> <a href="http://www.wh1.ioc.state.il.us/Expert/Rev/ERControl.cfm?Control=State&amp;Reset=Y&amp;GroupBy=Fund&amp;SortName=No&amp;CFID=2890450&amp;CFTOKEN=ae38ac89dfa1e555-BB476730-5056-93B5-5E7DFB23B62CE5B3">http://www.wh1.ioc.state.il.us/Expert/Rev/ERControl.cfm?Control=State&amp;Reset=Y&amp;GroupBy=Fund&amp;SortName=No&amp;CFID=2890450&amp;CFTOKEN=ae38ac89dfa1e555-BB476730-5056-93B5-5E7DFB23B62CE5B3</a>			

<sup>5</sup> Median for all workers was \$48,780 for 2014 compared to the median wage of workers employed in the insurance industry in Illinois which was \$72,370.

<sup>6</sup> Source: SOC code: Standard Occupational Classification code -- see [http://www.bls.gov/oes/current/oes\\_il.htm#13-0000](http://www.bls.gov/oes/current/oes_il.htm#13-0000); [http://www.bls.gov/oes/current/naics3\\_524000.htm](http://www.bls.gov/oes/current/naics3_524000.htm)

The two largest categories are privilege taxes and retaliatory taxes. Both of these are related to taxes on insurance premiums.

<b>Exhibit 11- State Government Tax Collections: 2014</b>						
<b>(Amounts in thousands)</b>						
<b>Item</b>	<b>United States</b>	<b>Illinois</b>	<b>Indiana</b>	<b>Iowa</b>	<b>Missouri</b>	<b>Wisconsin</b>
Insurance premium Tax	18,094,904	359,240	223,072	105,532	302,166	185,502
Total taxes	865,752,089	39,182,894	16,846,961	8,271,839	11,240,657	16,410,925
Percent of State Tax	2.09%	0.92%	1.32%	1.28%	2.69%	1.13%
<a href="http://www.census.gov/govs/statetax/">http://www.census.gov/govs/statetax/</a>						

Premium Taxes in 2014 (which does not include license fees and some other revenue items) equaled \$359,240,000 representing 0.92% of the Illinois state's revenues. This is the least compared to surrounding states where insurers play significant economic roles in their states' economies. The percentage of premium insurance taxes to overall state revenue in Illinois was less than Indiana (1.32%); Iowa (1.28%), and Wisconsin (1.13%) as detailed below in Exhibit 11.

### **Explanation of Tax Calculation**

Per Section 409 of the Illinois Insurance Code (215 ILCS 5/409, effective May 29, 1998), there is a premium tax of 0.4% on the net taxable premium for all accident and health written, 0.5% on the net taxable premiums written for all other types of insurance premiums written. This premium tax is paid by the insurers for the "privilege" of writing insurance in Illinois. This applies to all insurers doing business in Illinois. However, some insurers domiciled in other states (foreign insurers) are required to pay an additional tax to retaliate for the higher taxes charged against Illinois insurers doing business in their home states.

Illinois law (215 ILCS 5/444, Reg. 2515.10 to 2515.100) states that "Any taxes, licenses or other fees in the aggregate, or any fines, penalties, deposit requirements as would be imposed on Illinois insurers as a condition precedent to their doing business in other states that would exceed those Illinois imposes on insurers, agents or representatives of insurers domiciled in other states, shall result in a retaliatory tax." The purpose of the retaliatory tax is "to promote the interstate business of domestic insurance companies and thus attempt to prevent other states from handicapping Illinois domestic companies with excessive taxes."

The way in which states enforce this tax is by charging a retaliatory tax on insurers from other states whose premium tax is higher than its own. For example, insurers from state #1 incur a higher tax when operating in state #2, then state #1 will charge the higher tax to insurers of state #2 who wish to do business in state #1. For example, consider an insurance firm domiciled in Ohio writing a policy in Illinois. Illinois's privilege (premium) tax rate was 0.5%. The Ohio rate was 1.4%. The Ohio insurer must pay the 0.5% Illinois premium tax on policies written in Illinois. Additionally, the Ohio insurer must pay the state of Illinois a retaliatory tax of .9% (the Ohio premium tax rate of 1.4% minus the Illinois rate of .5%).

In addition to taxes from insurance organizations, the state collects incomes, sales, excise, and property taxes from employees working in the industry. Taxes paid by insurance workers to the state of Illinois are estimated to be over \$1.5 billion.<sup>7</sup>

## **Insurance Industry as Citizen of the State**

Property/casualty and life/health insurance companies contribute to the economy far beyond their core function of helping to manage risk. According to the Insurance Information Institute, the insurance industry is the 11th largest charitable giver in the U.S. and the 7th largest globally by employee. U.S. property/casualty insurers have increased their charitable giving by an average of 15 percent since 2011, to an industry total of \$575 million in 2014 benefiting communities in which they operate throughout the United States.

The Insurance Industry Charitable Foundation, established by the property/casualty insurance industry in 1994, has contributed more than \$23.5 million in local community grants and nearly 200,000 volunteer hours to hundreds of community nonprofit organizations. Some of the most charitable firms are domiciled in Illinois. Insurers such as State Farm, Allstate, Zurich North America, and CNA for example all have foundations that make charitable contributions to local causes.

## **Summary**

The insurance industry in Illinois has an exceptional impact on both the economy of Illinois and on the U.S. economy as a whole. The insurance industry's employment, contribution to state GDP, premiums written, losses paid, and investments made placed the Illinois insurance industry as one of the top ranking industry's in the nation. The importance of Illinois property and casualty insurers as one of the country's most significant mechanisms for insuring losses to homes, autos, and businesses is difficult to overstate. The insurance industry in Illinois is a key driver of the Illinois, and arguable U.S. economy. Efforts should be made to ensure that employment in the industry continues to grow, as these well-paying jobs are able to support Illinois state and local communities.

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<sup>7</sup> Employee compensation for workers in Illinois in 2014 was \$409.93 billion. Insurance industry workers were paid 3% of overall employee compensation for the state therefore the estimated individual income taxes paid by industry workers to the state was \$ 1, Additionally data from the taxfoundation.org was used to estimate sales, excise, and property taxes for 144,723 workers. These added an addition (\$206,230,275 sales and excise taxes, and 287,275,155 Property tax). This is likely to be underestimated because sales tax and property taxes correlate with income, so the 50 percent higher income would make that \$1.5 billion even more.

# Appendix

Appendix A- Ranking of State Insurance Industries

Appendix B- Gross Domestic Product for Insurance by State

Appendix C- Gross Domestic Product Illinois (millions of current dollars) 2013

Appendix D- Illinois Insurers Key Financials Compared to Surrounding States

Appendix E- Insurance Industry Occupations in Illinois 2008-2018

Appendix F- Illinois Life and Health Insurers

Appendix G- Illinois Property and Casualty Insurers

Appendix A State, District, Territory Ranking By Sector				
Net Premiums 2015				
States, District, Territory	Rank-Overall	Rank P&C	Rank Health	Rank Life
AK	45	40	.	.
AL	28	17	25	39
AR	38	39	26	38
AZ	36	38	47	15
CA	17	9	27	22
CO	20	29	23	16
CT	10	8	29	2
DC	40	46	24	.
DE	37	52	42	8
FL	15	14	8	30
GA	22	21	14	37
HI	43	41	30	43
IA	14	15	33	3
ID	49	50	39	42
<b>IL</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>14</b>
IN	16	26	21	6
KS	30	32	36	19
KY	25	23	13	40
LA	26	24	20	33
MA	6	4	9	11
MD	27	28	22	29
ME	33	33	41	20
MI	5	12	7	4



MN	12	6	31	9
MO	18	18	15	27
MS	31	22	34	32
MT	52	48	50	47
NC	32	27	19	45
ND	51	49	46	44
NE	11	5	35	5
NH	42	43	45	25
NJ	9	13	10	13
NM	44	45	32	.
NV	21	30	17	.
NY	1	3	4	1
OH	3	2	6	10
OK	41	36	44	28
OR	23	34	18	21
PA	8	11	2	17
PR	48	51	.	36
RI	34	16	40	41
SC	29	35	28	23
SD	46	44	43	34
TN	13	19	11	18
TX	4	7	5	7
UT	35	37	37	24
VA	19	25	16	26
VT	39	20	48	35
WA	24	31	12	31
WI	7	10	3	12
WV	47	47	38	.
WY	50	42	49	46

### Appendix B- Gross Domestic Product by State (millions of current dollars)

Gross domestic product (GDP) by state (millions of current dollars)			
Bureau of Economic Analysis			
Insurance carriers and related activities			
Fips	Area	2013	Percent of State GDP
0	United States	410277	
1000	Alabama	3594	0.90%
2000	Alaska	357	0.10%
4000	Arizona	7921	1.90%

5000	Arkansas	1700	0.40%
6000	California	31352	7.60%
8000	Colorado	5912	1.40%
9000	Connecticut	17139	4.20%
10000	Delaware	5874	1.40%
11000	District of Columbia	1163	0.30%
12000	Florida	19845	4.80%
13000	Georgia	9869	2.40%
15000	Hawaii	1267	0.30%
16000	Idaho	926	0.20%
17000	Illinois	26283	6.40%
18000	Indiana	8796	2.10%
19000	Iowa	10821	2.60%
20000	Kansas	4098	1.00%
21000	Kentucky	4084	1.00%
22000	Louisiana	3523	0.90%
23000	Maine	1593	0.40%
24000	Maryland	6945	1.70%
25000	Massachusetts	13201	3.20%
26000	Michigan	11459	2.80%
27000	Minnesota	10933	2.70%
28000	Mississippi	1580	0.40%
29000	Missouri	7377	1.80%
30000	Montana	626	0.20%
31000	Nebraska	5374	1.30%
32000	Nevada	1762	0.40%
33000	New Hampshire	3037	0.70%
34000	New Jersey	19688	4.80%
35000	New Mexico	1085	0.30%
36000	New York	39978	9.70%
37000	North Carolina	6809	1.70%
38000	North Dakota	760	0.20%
39000	Ohio	17673	4.30%
40000	Oklahoma	2754	0.70%
41000	Oregon	3499	0.90%
42000	Pennsylvania	20882	5.10%
44000	Rhode Island	2087	0.50%
45000	South Carolina	3613	0.90%
46000	South Dakota	916	0.20%
47000	Tennessee	6902	1.70%

48000	Texas	26495	6.50%
49000	Utah	2173	0.50%
50000	Vermont	777	0.20%
51000	Virginia	6240	1.50%
53000	Washington	5943	1.40%
54000	West Virginia	1110	0.30%
55000	Wisconsin	12220	3.00%
56000	Wyoming	264	0.10%
91000	New England	37835	9.20%
92000	Mideast	94529	23.00%
93000	Great Lakes	76430	18.60%
94000	Plains	40277	9.80%
95000	Southeast	68869	16.80%
96000	Southwest	38255	9.30%
97000	Rocky Mountain	9901	2.40%
98000	Far West	44180	10.80%

**Legend / Footnotes:**

*Note-- NAICS Industry detail is based on the 2007 North American Industry Classification System (NAICS).*

*Note-- Per capita real GDP statistics for 1997-2014 reflect Census Bureau mid-year population estimates available as of December 2014.*

## Appendix C

<b>Appendix C- Gross domestic product (GDP) by industry in Illinois</b>			
<b>Industry</b>	<b>Description</b>	<b>2012</b>	<b>2013</b>
101	All industry total	709257	715239
102	Private industries	635484	640680
103	Agriculture, forestry, fishing, and hunting	6170	11480
104	Farms	5723	11039
105	Forestry, fishing, and related activities	448	441
106	Mining	3522	3797
107	Oil and gas extraction	229	210
108	Mining, except oil and gas	3112	3418
109	Support activities for mining	180	168
110	Utilities	9397	9382
111	Construction	23013	24441

112	Manufacturing	103370	96339
113	Durable goods manufacturing	52219	49757
114	Wood products manufacturing	393	448
115	Nonmetallic mineral products manufacturing	1512	1628
116	Primary metals manufacturing	2442	2237
117	Fabricated metal products	9546	9274
118	Machinery manufacturing	20153	16492
119	Computer and electronic products manufacturing	4963	6132
120	Electrical equipment, appliance, and components manufacturing	3066	3200
121	Motor vehicles, bodies and trailers, and parts manufacturing	4090	4099
122	Other transportation equipment manufacturing	866	832
123	Furniture and related products manufacturing	962	1014
124	Miscellaneous manufacturing	4226	4400
125	Nondurable goods manufacturing	51151	46583
126	Food and beverage and tobacco products manufacturing	10950	11980
127	Textile mills and textile product mills	180	196
128	Apparel and leather and allied products manufacturing	329	350
129	Paper products manufacturing	1808	2096
130	Printing and related support activities	2535	2557
131	Petroleum and coal products manufacturing	11949	8930
132	Chemical products manufacturing	18393	15297
133	Plastics and rubber products manufacturing	5007	5178
134	Wholesale trade	52467	54246
135	Retail trade	36709	36976
136	Transportation and warehousing	25374	25897
137	Air transportation	5642	5889
138	Rail transportation	2563	2857
139	Water transportation	360	400
140	Truck transportation	6565	6540
141	Transit and ground passenger transportation	1705	1743
142	Pipeline transportation	314	328
143	Other transportation and support activities	5038	5053
144	Warehousing and storage	3188	3086

145	Information	23681	24702
146	Publishing industries, except Internet (includes software)	6177	6050
147	Motion picture and sound recording industries	2125	2166
148	Broadcasting and telecommunications	12995	13849
149	Data processing, internet publishing, and other information services	2384	2637
150	Finance, insurance, real estate, rental, and leasing	156480	154615
151	Finance and insurance	67071	63964
152	Federal Reserve banks, credit intermediation, and related services	24170	24395
153	Securities, commodity contracts, and investments	12974	12122
154	Insurance carriers and related activities	26840	26283
155	Funds, trusts, and other financial vehicles	3086	1164
156	Real estate and rental and leasing	89409	90651
157	Real estate	80473	81647
158	Rental and leasing services and lessors of intangible assets	8936	9004
159	Professional and business services	95798	97186
160	Professional, scientific, and technical services	55458	56029
161	Legal services	13275	13389
162	Computer systems design and related services	9018	9542
163	Miscellaneous professional, scientific, and technical services	33165	33098
164	Management of companies and enterprises	17132	17719
165	Administrative and waste management services	23209	23437
166	Administrative and support services	21247	21505
167	Waste management and remediation services	1961	1932
168	Educational services, health care, and social assistance	58854	60140
169	Educational services	10153	10241
170	Health care and social assistance	48700	49900
171	Ambulatory health care services	20599	21188
172	Hospitals and nursing and residential care facilities	24123	24559
173	Social assistance	3979	4153
174	Arts, entertainment, recreation, accommodation, and food services	24104	24781
175	Arts, entertainment, and recreation	6443	6600
176	Performing arts, spectator sports, museums, and related activities	3205	3373

177	Amusements, gambling, and recreation industries	3238	3227
178	Accommodation and food services	17660	18181
179	Accommodation	4208	4540
180	Food services and drinking places	13452	13641
181	Other services, except government	16546	16700
182	Government	73772	74559
183	Federal civilian	11071	10672
184	Federal military	3432	3290
185	State and local	59269	60597
186	Natural resources and mining	9692	15277
187	Trade	89176	91221
188	Transportation and utilities	34771	35279
189	Private goods-producing industries	136075	136057
190	Private services-providing industries	499410	504624
<b>Footnotes:</b> NAICS Industry detail is based on the 2007 North American Industry Classification System (NAICS).			
<b>Source:</b> U.S. Department of Commerce / Bureau of Economic Analysis / Regional Product Division			

## Appendix D- Illinois Insurers Key Financials Compared to Surrounding States

Premiums Written by Insurance Sector Compared to U.S. Total Premiums Written						
States	P&C Ins		Life Ins		Health Ins	
	Direct Premiums Written 2015 Total All Lines (\$000)	Percentage of U.S. Total	Direct Premiums & Annuity Consid: Life, A&H 2015 Y Total All Lines (\$000)	Percentage of U.S. Total	Direct Premiums Written 2015 Y AR: Total All Lines (\$000)	Percentage of U.S. Total
<b>ILLINOIS</b>	<b>125,946,981.658</b>	<b>21.64%</b>	<b>18,313,896.374</b>	<b>2.69%</b>	<b>45,355,965.657</b>	<b>8.78%</b>
IOWA	15,124,192.009	2.60%	61,422,876.857	9.03%	3,448,671.387	0.67%
INDIANA	22,413,776.533	3.85%	39,933,682.008	5.87%	8,322,079.584	1.61%
KENTUCKY	1,175,947.648	0.20%	166,774.606	0.02%	14,074,554.330	2.72%
MISSOURI	8,678,403.177	1.49%	2,074,304.181	0.30%	12,371,372.175	2.39%
WISCONSIN	27,268,149.273	4.68%	24,682,806.825	3.63%	36,923,362.193	7.14%
<b>U.S. Total</b>	<b>582,041,689.038</b>		<b>680,150,362.327</b>		<b>516,867,636.692</b>	

**SNL Database - 2015**

Losses Paid By Illinois Insurers and surrounding states as Percentage of U.S. Payments By Insurance Sector						
Area	P&C Ins		Life Ins		Health Ins	
	Losses Paid Less Salvage 2015 Y AR: Total All Lines (\$000)	Percentage of U.S. Total	Benefits & Losses 2015 Y AR: Total All Lines (\$000)	Percentage of U.S. Total	Medical Losses Incurred 2015 Y AR: Total All Lines (\$000)	Percentage of U.S. Total
<b>ILLINOIS</b>	<b>61,108,034.86</b>	<b>21.27%</b>	<b>19,888,312.96</b>	<b>3.22%</b>	<b>41,133,438.52</b>	<b>8.74%</b>
IOWA	4,187,740.19	1.46%	58,957,424.36	9.56%	3,040,976.89	0.65%
INDIANA	6,158,626.18	2.14%	36,170,238.43	5.86%	7,167,478.01	1.52%
KENTUCKY	747,310.68	0.26%	282,764.64	0.05%	12,024,179.60	2.55%
MISSOURI	2,959,908.95	1.03%	9,193,609.84	1.49%	10,226,830.29	2.17%
WISCONSIN	12,597,504.96	4.38%	24,034,976.24	3.90%	31,645,624.51	6.72%
<b>U.S. Total</b>	<b>287,316,065.75</b>		<b>616,779,676.13</b>		<b>470,675,350.68</b>	

**Source: SNL Database - 2015**

<b>U.S Insurers Policyholder Surplus</b>			
<b>States</b>	<b>Surplus as Regards Policyholders 2015 Y (\$000)</b>		
	<b>Health Ins</b>	<b>Life Ins</b>	<b>P&amp;C Ins</b>
<b>ILLINOIS</b>	<b>11,456,888.82</b>	<b>20,957,659.50</b>	<b>153,777,253.97</b>
IOWA	1,573,674.42	29,526,530.48	10,320,384.98
INDIANA	1,229,428.06	13,192,151.64	21,945,468.63
KENTUCKY	1,828,762.20	284,167.20	1,529,423.59
MISSOURI	2,742,251.38	14,870,290.90	9,741,635.61
WISCONSIN	5,935,699.04	22,489,695.03	29,907,587.80
<b>Source: SNL Database - 2015</b>			

### **Appendix E Insurance Industry Occupations in Illinois 2008-2018**

<b>Occupation</b>	<b>Illinois Employment 2008</b>	<b>Projected 2018</b>	<b>National Employment</b>	<b>Percent Of National Insurance Industry</b>
Insurance Agents	13,578	15,705	308320	4.4%
Customer Service	9,813	10,781	247,080	4.0%
Claims Adjusters	9,278	9,743	184,650	5.0%
Insurance Claims Processing	9,157	9,131	194820	4.7%
Insurance Underwriters	8,100	7,863	83510	9.7%
Business Operations Specialists	4,133	4,074	31590	13.1%
Secretary Admin Support	3,641	3,588	58650	6.2%
First Line Office Managers	2,270	2,243	52670	4.3%
Accountants	2,235	2,335	34,430	6.5%
Management Analysts	2,182	2,127	34030	6.4%
Computer Systems Analysts	2,026	2,283	37,410	5.4%
Managers	1,761	1,735	38340	4.6%
Financial Analysts	1,408	1,523	18,090	7.8%
Computer Software Engineers Applications	1,324	1,620	24,830	5.3%
Financial Managers	1,258	1,282	26,630	4.7%
Commodities and Securities Sales	1,241	1,301	9540	13.0%



Computer Programmers	1,144	904	13,140	8.7%
Computer and IS Managers	742	834	17,750	4.2%
Actuaries	598	646	13020	4.6%
Insurance Appraiser	344	346	10340	3.3%
Personal Financial Advisors	N/A		6940	N/A

Source: Illinois Information Workforce Center 2008-2018 (IDES 2012)

### Comparison of 2014 Wages for Insurance Occupations in Illinois Compared to National Average

<b>Illinois Insurance Industry Occupation (SOC code) 2014</b>	<b>Illinois Annual Mean Wage 2014</b>	<b>National Annual Mean Wage 2014 Insurance Industry</b>
<b>All Insurance Carriers (NAICS 524000)</b>	<b>\$72,370</b>	<b>\$62,510</b>
Claims Adjusters Examiners and Investigators(131031)	\$63,830	\$63,500
Personal Financial Advisors(132052)	\$98,640	\$108,090
Insurance Underwriters(132053)	\$65,250	\$70,570
Insurance Sales Agents(413021)	\$73,860	\$63,730
Securities Commodities and Financial Services Sales Agents(413031)	\$104,660	\$103,260
Insurance Claims and Policy Processing Clerks(439041)	\$38,030	\$38,740
Actuaries 15-2011	\$99,460	\$110,090

Source: SOC code: Standard Occupational Classification code -- see

[http://www.bls.gov/oes/current/oes\\_il.htm#13-0000](http://www.bls.gov/oes/current/oes_il.htm#13-0000);

[http://www.bls.gov/oes/current/naics3\\_524000.htm](http://www.bls.gov/oes/current/naics3_524000.htm)