



## FACT SHEET: ECONOMIC AND FISCAL CONTRIBUTIONS OF THE OHIO INSURANCE INDUSTRY

### About the study

The purpose of this study is to analyze the economic contributions and impact of insurance companies, agencies and other industry-related businesses that operate in Ohio. It includes information about the industry's role as a major employer and contributor to Ohio's tax base. The study also compares Ohio's insurance company premium tax rates to other business sectors.

Most of the report reflects the impact of Ohio's entire insurance industry including life, P/C and health insurance companies, title insurance, reinsurers, agents and brokers, claims adjusters, third party administrators and other insurance-related services. Data specific to life and P/C insurance companies is identified as such. The Ohio Insurance Institute and Association of Ohio Life Insurance Companies commissioned this study, prepared by Ernst & Young. This is an update of a study originally completed in 1993.

### Major findings

#### ➤ Employment

- Insurance companies, insurance agencies and other insurance-related businesses employed nearly 110,000 Ohioans in 2007, accounting for 2.3% of the state's employment. An additional 106,000 jobs from businesses that support the insurance industry bring the direct and indirect employment contribution to over 216,000 jobs statewide.
- Ohio's insurance industry employment grew by 36% between 1986-2007. The industry's average annual growth rate of 1.5% is higher than the state's annual employment growth rate of 1.1% for the same period.
- Insurance industry payroll increased every year between 1986-2007. In 2007, the payroll of insurance industry employees was 3.6% of Ohio's total annual payroll.
- Ohio's 110,000 direct insurance industry employees earn close to \$6.5 billion annually and generate \$27 billion in economic output. Another 106,000 indirect employees contribute an additional \$3.8 billion in payroll.
- The average annual salary for an Ohioan working in insurance was \$59,042 in 2007, 56% above the Ohio average of \$37,848. Earnings grew by an average of 4.9% annually between 1986-2007.

#### ➤ Taxes

- Premium taxes paid by insurance companies to the State of Ohio increased 23% between 1998-2008. This increase occurred despite legislation enacted in 1996 that phased down the premium tax rate for Ohio life and P/C insurers from 2.5% to 1.4% between 1997-2002. Total collections increased at an average annual rate of 2.1% during this 11-year period.
- Since 1995, 13 states and the District of Columbia lowered insurance premium tax rates for P/C, life or both insurance lines. Ohio lowered tax rates for both life and P/C insurers. States with low premium tax rates have a competitive advantage in attracting and retaining insurance companies and related jobs. Between 1997-2007 Nebraska and Iowa were the largest gainers, attracting a net of 24 P/C and life insurance companies with \$208 billion in assets. Both states tax life and P/C insurance companies at a 1% rate compared to Ohio's 1.4% premium tax rate for these insurance lines.
- Between 1997-2007 a net of 10 insurance companies with \$2.7 billion in assets relocated to Ohio. Ohio ranks 9<sup>th</sup> among the 50 states and the District of Columbia by total assets gained.
- In 2008 insurance premium taxes accounted for 66% of state and local business taxes paid by Ohio insurers. Other industry taxes by category include: Real property taxes: 21%; unemployment insurance taxes: 4%; and sales and use taxes: 2%. Other state and local taxes accounted for the remainder.
- The effective tax rate for Ohio's insurance companies is 5.6%. This is 33% higher than Ohio's average rate for other business sectors (4.2%). In comparison, the transportation industry's effective tax rate is 4.6%, financial services sector is 4.2% and manufacturing's effective tax rate is 3.5%.

### For more information

[Dan Kelso](#), OII, 614.228.1593/[Faith Williams](#), AOLIC, 614.227.2374

### Online resources

- [Industry report](#)
- [Industry report fact sheet](#)
- Ohio Insurance Institute "[Insurance in Ohio](#)"
- Ohio Dept. of Insurance [2008 Annual Report](#)
- Ohio Dept. of Development - [Office of Insurance & Financial Development](#)
- Insurance Information Institute "[A Firm Foundation: How Insurance Supports the Ohio Economy](#)"