

INSURANCE INDUSTRY IN NORTHEAST INDIANA

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HIGHLIGHTS

The following recaps our findings and recommendations on the insurance cluster:

- Insurance is a major industry in Northeast Indiana, particularly in Allen County. Life and annuity products, specialty insurance, and reinsurance are products in which Northeast Indiana has a national reputation.
- Northeast Indiana has experienced significant growth in insurance since 2005. The insurance sector lost employment over the decade with the relocation of Lincoln Life's headquarters and Aetna's claim processing center, but recovered some of its employment since 2005.
- Northeast Indiana has a significant cost advantage over the five competitor communities examined in the Tamerica analysis. Since a high proportion of the insurance workforce has a bachelors or advanced degree, the pool of college graduates is an important location issue. Northeast Indiana has about the same number of college graduates as Sioux Falls and Des Moines (two of its competitors for insurance) but only about half the ratio of Columbus, OH or Hartford, CT.
- Students that majored in insurance or actuarial science are more important in the talent pipeline for the insurance industry than other degrees. Insurance has complex accounting requirements; companies must maintain records to satisfy GAAP, federal tax law, and state regulations. Each of the fifty states has different accounting regulations that must be learned and applied. Because much of the initial hiring in insurance is through internships, communities with degree programs in insurance and actuarial science have a competitive advantage for locating insurance operations.
- Insurance companies in Northeast Indiana struggle to fill mid-level management positions. Having a pool of talent with bachelor's degrees in insurance and actuarial science would improve the region's competitive position.
- The national insurance industry is not expected to grow significantly in employment over the next decade. Growth in the region can be stimulated by the acquisition and relocation of insurance lines and carriers from outside the region. Northeast Indiana has the top management talent and expertise to execute an acquisition strategy but companies in the industry would need to find a venture capital type of vehicle for assembling the financial resources to execute the strategy.
- Companies interviewed by Tamerica generally were of the opinion that the region could grow its insurance cluster if the state improved its regulatory climate for startups and for being domiciled in Indiana. Most insurance regulation is based on the premise that reserves must be domiciled in the U.S. Hurricanes, terrorism, and new risks are so large they require global risk pools with reserves located outside the U.S. Indiana has not been a leader in redesigning its regulations to allow companies to profitably underwrite these risks. A concerted effort by Northeast Indiana companies to work with insurance regulators in Indiana could enhance the state's competitive position in insuring such property and casualty risks.



CONTENTS

Highlights2

Introduction4

Insurance in Indiana.....5

Employment Growth Trends in Northeast Indiana and Competitor Communities7

Location Factors that Drive Regional Growth in Insurance8

Workforce and Talent Pipeline9

Findings from Insurance Focus Groups and Interviews16

The Outlook for the National Insurance Industry18

National Trends Affecting the Outlook for the Insurance Industry21

 Federal Regulation of Carriers21

 Outsourcing22

Outlook for Insurance Cluster Growth in Northeast Indiana.....22

Recommendations for Growing the Insurance Cluster in Northeast Indiana.....23



INTRODUCTION

Based on feedback from the Northeast Indiana Cluster Steering Committee, this report will focus primarily on the insurance industry and more specifically on the life insurance and specialty insurance components of this industry.

Based on the NAICS code, the following industries included in this insurance sub-cluster are:

NAICS Industry

- **5241** Insurance carriers
 - 524113 Direct Life Insurance Carriers
 - 524114 Direct Health and Medical Insurance Carriers
 - 524126 Direct Property and Casualty Insurance Carriers
 - 524127 Direct Title Insurance Carriers
 - 524128 Other Direct Insurance (except Life, Health, and Medical) Carriers
 - 524130 Reinsurance Carriers
- **5242** Insurance agencies, brokerages, and related
 - 524210 Insurance Agencies and Brokerages
 - 524291 Claims Adjusting
 - 524292 Third Party Administration of Insurance and Pension Funds
 - 524298 All Other Insurance Related Activities
- **5251** Insurance and employee benefit funds
- **5259** Other investment pools and funds

Additionally, there are also large numbers of consulting firms, claims processing firms, data collection firms, and myriad other specialized fields serving the insurance industry.

In Northeast Indiana, the insurance industry consists of life and annuity carriers, a significant number of nationally prominent specialty insurers, and several major reinsurers. The degree of specialization in Northeast Indiana is not apparent from an analysis of NAICS statistics since specialty insurance is not broken out from other types of property and casualty insurance.

The insurance industry consists mainly of insurance carriers and insurance agencies and brokerages. In general, insurance carriers are large companies that provide insurance and assume the risks covered by the policy; insurance agencies and brokerages sell insurance policies for the carriers. While some of



agencies and brokerages are directly affiliated with a particular carrier and sell only that carrier's policies, many are independent and are thus free to market the policies of a variety of insurance carriers.¹

In addition to these two primary components, the insurance industry includes establishments that provide other insurance-related services, such as claims adjustment or third-party administration of insurance and pension funds. These other insurance industry establishments also include a number of independent organizations that provide a wide array of insurance-related services to carriers and their clients. One such service is the processing of claims forms for medical practitioners. Other services include loss prevention and risk management. Also, insurance companies sometimes hire independent claims adjusters to investigate accidents and claims for property damage and to assign a dollar estimate to the claim.²

The majority of establishments in the insurance industry are small; however, a few large establishments account for many of the jobs in this industry. Insurance carriers, for example, tend to be large establishments, often employing 250 or more workers. On the other hand, agencies and brokerages tend to be much smaller, frequently employing fewer than 20 workers.

INSURANCE IN INDIANA

In 2008, Indiana ranked 17th among the states in the number of employees in the insurance carrier industry. According to the Indiana Department of Insurance, there are 181 insurance companies and farm mutual's domiciled in Indiana. Overall employment in the industry has remained fairly stable since September 2008 and, if anything, has added a few jobs, according to data from the U.S. Bureau of Labor Statistics. According to the BLS, Indiana had 4,139 firms in the insurance business in 2008, with 43,145 employees. This is an increase from 2005, which saw 4,011 firms and 41,497 employees. More than half of those jobs are in the Indianapolis metro area. More detail on each of the sectors of the insurance industry in Indiana is found in Table 1, which demonstrates the greatest growth in health and medical insurance carriers.

Northeast Indiana has had a nationally prominent insurance industry since the 1920s, including the headquarters of major national carriers like Lincoln National Life Insurance.

¹ BLS, "Insurance," *Career Guide to Industries, 2010-2011 Edition*.

² BLS, "Insurance," *Career Guide to Industries, 2010-2011 Edition*.

Table 1. Insurance Industry Employment in Indiana, 2005-2008

Industry	Annual Average Employment 2005	Annual Average Employment 2008	Change in Employment 2005-08
Direct Life Insurance Carriers	6,916	7,008	92
Direct Health/Medical Insurance Carriers	5,260	6,681	1,421
Direct Property & Casualty Insurers	10,019	10,158	139
Direct Title Insurance Carriers	1,399	1,017	-382
Other Direct Insurance Carriers	586	695	109
Reinsurance Carriers	337	303	-34
Insurance Agencies & Brokerages	13,199	13,629	430
Claims Adjusting	678	755	77
Third Party Administration of Insurance Funds	2,754	2,274	-480
All Other Insurance-Related Activities	349	627	478
Pension Funds	57	56	-1
Health & Welfare Funds	305	303	-2
Other Insurance Funds	34	21	-13

Source: Bureau of Labor Statistics, "Occupational Employment Projections to 2018," published in the *November 2009 Monthly Labor Review*.

Despite modest growth, the insurance industry in Indiana has taken some hits in employment in recent years. In 2009, Indianapolis-based WellPoint Inc. announced 1,500 job cuts nationwide. In that same year, Indianapolis-based OneAmerica Financial Partners trimmed 114 jobs, and declining investment values pushed Carmel-based Conseco Inc. to the brink of financial disaster. Deteriorating finances led Grain Dealers Mutual Insurance Co. to sell itself in 2009 to a Florida firm.

Since 2006, it appears that a significant portion of the growth that did occur in the insurance industry was due in large measure by out-of-state companies looking to write more business in Indiana. For example, Illinois-based Allstate Corp. launched a campaign in 2009 to sign up new agents in Indiana. Allstate itself employs 455 in Indiana, most of them at a claims center in Indianapolis.



EMPLOYMENT GROWTH TRENDS IN NORTHEAST INDIANA AND COMPETITOR COMMUNITIES

The decline in the broader finance and insurance cluster employment during the past decade in Ft. Wayne is apparent in Table 2. Ft. Wayne is the only one of the comparison regions with a decline in employment in this sector. Des Moines IA and Lincoln NE, which were cited in the Tamerica field work as the most successful communities in the insurance industry, had double digit growth rates during the same period. The share of total regional employment in finance and insurance declined in Ft. Wayne during the decade while it grew in Des Moines and Lincoln.

Table 2. Employment Trends in Ft. Wayne and Finance and Insurance Comparison Locations

Metro	F&I Employment*			All Sectors	
	2001	2008	Growth	F&I Share	Growth
Columbus, OH	70,718	73,295	4%	6%	7%
Des Moines-West Des Moines	44,536	55,599	25%	14%	14%
Fort Wayne, IN	14,365	12,548	-13%	5%	2%
Hartford-West Hartford	80,637	84,134	4%	10%	7%
Sioux Falls, SD	16,157	19,211	19%	11%	18%
Lincoln, NE	11,053	14,167	28%	7%	10%

*in Finance & Insurance

Source: Bureau of Economic Analysis

Since most of the finance and insurance employment in Northeast Indiana is in the Ft. Wayne metro area, we examine cluster composition and growth trends at the metro level. According to *County Business Patterns*, Allen County accounted for 90 percent of the employment in the insurance sector (NAICS 524) in 2008 in that region. Allen County gained 1,057 jobs in the insurance industry from 2005 to 2008 (the latest data currently available). During that same time period, total employment growth for the county was only 3,042. Almost all of that job growth in the insurance industry was due to growth in the insurance carriers sector, with the agencies and other insurance-related activities losing employment (see Table 3).



Table 3. Insurance Employment in Allen County, 2005-2008

NAICS	Insurance sector	Employment March 2005	Employment March 2008
5241	Insurance Carriers	2,050	4,222
52411	Direct Life, Health & Medical Insurance Carriers	1,127	3,209
524113	Direct Life Insurance Carriers	712	2,740
524114	Direct Health & Medical Insurance Carriers	415	469
52412	Direct Insurance Carriers (Other)	(est.) 548	766
524126	Direct Property & Casualty Insurance Carriers	310	718
524127	Direct Title Insurance Carriers	(est.) 238	48
52413	Reinsurance Carriers	(est.) 375	247
5242	Agencies, Brokerages, Other Ins. Related Activities	2,843	1,728
52421	Insurance Agencies & Brokerages	2,671	1,552
52429	Other Insurance –Related Activities	172	176
524291	Claims Adjusting	26	(est.) 20
524292	Third Party Administration of Ins. & Pension Funds	129	155
524298	All Other Insurance-Related Activities	17	1
	TOTAL	4893	5950

Source: County Business Patterns, 2005 and 2008

As was stated earlier, based on feedback from the Northeast Indiana Cluster Steering Committee, this report will focus primarily on the insurance industry.

LOCATION FACTORS THAT DRIVE REGIONAL GROWTH IN INSURANCE

The location factors of most importance in the insurance industry are the presence and cost of talent, and state business climate and taxation of insurance companies. While the cost and supply of office space or the frequency of air passenger service can influence the location of some insurance functions, talent supply is the critical resource in the industry, followed by taxation and business climate. The importance of these location factors was reinforced by the insurance industry focus group and interviews in Northeast Indiana. These factors will form the framework for this discussion on the insurance cluster in NE Indiana.

The advantages for the insurance industry, according to the Indiana Department of Insurance, are the following:

- In 2008, the insurance premium tax reached a five-year phase-down rate of 1.3 percent.
- Indiana has one of the most favorable demutualization laws in the country. It provides the cleanest process for converting mutual companies into stock companies and avoids depleting the converting company's cash and surplus.
- Indiana State University is recognized by Business Insurance Magazine as one of the three schools nationally to offer undergraduate courses that expose students to all aspects of property/casualty and life/health insurance, as well as risk management techniques and concepts.



- Insurance training is being introduced at the high school level in cooperation with InVEST to educate teenagers about insurance, to encourage their interest in considering insurance as an occupation and to generate additional interest in the Indiana State and Ball State insurance major programs.

Indiana has witnessed a static job situation in the insurance sector during the last decade. Iowa, by contrast, has seen its insurance cluster grow by 25 percent. Among the advantages that Iowa offers the industry are:

- Iowa has lowered its insurance premium tax by half, to just 1 percent, one of the lowest rates in the nation. In addition:
- Iowa does not charge premium taxes on sales of annuities or qualified life insurance plans.
- Iowa does not assess any additional surtaxes or income taxes on insurance carriers.
- Iowa's New Jobs Training Program provides funding for various costs associated with new worker training and education.
- Iowa is acknowledged as a leader in insurance regulation. The Iowa Insurance Division has earned a reputation for oversight that is efficient, responsive and fair.

Some of these tax advantages for insurance operations have obviously had an impact on the industry's growth in Iowa.

WORKFORCE AND TALENT PIPELINE

Ft. Wayne has the lowest wages in the insurance cluster of any of the five comparison communities that were examined (see Table 4 at end of this section). The apparent median wage in Northeast Indiana is 10 to 34 percent lower than in the comparison communities, although some of the difference is due to different mixes of mid-level jobs in the various regions. The average for Sioux Falls appears lower than in Ft. Wayne, but much of this differential is due to the absence of the Business Operations specialists, which is a high wage occupation in this cluster.

The size of the insurance talent pool in a region is more important than its cost. The challenge faced by insurance companies operating in Northeast Indiana cited most often in the focus groups was a need to recruit mid-level and senior level talent from other regions. If the regional workforce and talent pipeline in insurance were larger, this would be less of an issue.

The smaller size of the office talent pool in Ft. Wayne is apparent from looking at the prevalence of insurance occupations in Northeast Indiana and comparison communities (see Table 5). This list of occupations was developed from the national occupational profile for the insurance industry. The occupations shown in Table 5 are the 11 most common in the insurance industry. These 11 occupations account for more than half of the national workforce in insurance. Three occupations, which can be termed "Insurance Headquarters Captive", are exclusively employed within the insurance sector. Again, the concentration of these occupations is only half as high in Ft. Wayne as in Des Moines IA or Lincoln NE. In terms of head count for Headquarter Captive occupations, all of the comparison communities except Sioux Falls have four to six times the head count of Ft. Wayne. These figures suggest that the size of the insurance talent pool is a major issue for sustaining the insurance sector in Northeast Indiana.



The insurance industry has a high proportion of workers with college degrees. Many of the strategic occupations that support the operations of the insurance industry require at least a bachelor's degree. Educational attainment is of more importance in this industry than in the other Northeast Indiana clusters.

Data was collected on the number of associates and bachelor's degrees awarded in fields related to insurance for Northeast Indiana and the competitor communities (see Table 6). Most of the academic disciplines are in computer science, legal studies, mathematics, and business. Health professions are also important in the health insurance lines as the industry hires a substantial number of nurses. While Ft. Wayne has about the same number of bachelor's level graduates in these fields as Des Moines or Sioux Falls (on a population weighted basis), the talent pool emerging from regional universities is about half the size as in Columbus OH, Hartford CT, or Omaha-Lincoln NE. The absolute size of the talent pools in Columbus and Hartford are even more pronounced than the population-adjusted numbers. Columbus had seven times the number of college graduates as Ft. Wayne.

A number of the focus group participants and interviewed firms suggested that degrees in insurance and actuarial science are more important to the industry than general business studies. The principal reason is that the insurance industry has a complex accounting requirement. Insurance companies must maintain records according to three accounting systems: GAAP, federal tax, and state regulatory. Each of the fifty states have different accounting regulations for insurance.

The talent pipeline that Des Moines and Lincoln offer for the technical needs of the insurance industry are apparent in Tables 7 and 8. Both communities are generating a large pool of actuarial degrees (see Table 8) but are not focusing on general insurance (see Table 7). These data suggest that an undergraduate degree in actuarial science in the Ft. Wayne area would provide a tool for supporting the growth and development of the insurance industry.



Table 4. Wage Rates for Leading Occupations in Insurance Cluster in May 2009

Occupations	Columbus, OH	Des Moines, IA	Fort Wayne, IN	Hartford, CT	Indianapolis, IN	Sioux Falls, SD
Bookkeeping, accounting, and auditing clerks	\$ 16.45	\$ 16.34	\$ 14.53	\$ 18.42	\$ 16.51	\$ 13.50
Business operations specialists, all other	\$ 29.60	\$ 25.31	\$ 28.76	\$ 33.18	\$ 28.01	
Claims adjusters, examiners, and investigators	\$ 24.03	\$ 22.65	\$ 23.87	\$ 29.71	\$ 28.11	\$ 27.04
Customer service representatives	\$ 14.42	\$ 14.03	\$ 13.44	\$ 17.29	\$ 14.99	\$ 12.06
Executive secretaries and administrative assistants	\$ 20.28	\$ 20.11	\$ 17.63	\$ 22.78	\$ 18.43	\$ 15.94
First-line supervisors/mgrs. of office and admin. support workers	\$ 23.09	\$ 22.99	\$ 20.69	\$ 25.10	\$ 22.29	\$ 21.10
Insurance claims and policy processing clerks	\$ 16.29	\$ 15.98	\$ 15.23	\$ 17.52	\$ 15.89	\$ 13.10
Insurance sales agents	\$ 19.30	\$ 27.77	\$ 22.93	\$ 23.34	\$ 24.61	\$ 18.91
Insurance underwriters	\$ 29.18	\$ 28.72	\$ 33.37	\$ 31.62	\$ 30.50	\$ 27.75
Office clerks, general	\$ 13.41	\$ 13.79	\$ 11.94	\$ 14.65	\$ 12.27	\$ 10.63
Secretaries, except legal, medical, and executive	\$ 15.60	\$ 14.75	\$ 14.26	\$ 18.39	\$ 14.74	\$ 11.63
Weighted Median Wage	\$ 18.23	\$ 17.96	\$ 15.72	\$ 21.00	\$ 17.33	\$ 14.08
As Percent of Ft. Wayne Labor Market	116%	114%	100%	134%	110%	90%

Source: Bureau of Labor Statistics



Table 5. Concentration of Insurance Occupations in Ft. Wayne and Comparison Communities in 2008

Jobs in Occupation per 1000 jobs in Labor Market	Columbus, OH	Des Moines, IA	Fort Wayne, IN	Hartford, CT	Indianapolis , IN	Sioux Falls, SD
Bookkeeping, accounting, and auditing clerks	13.4	15.2	13.8	12.3	14.1	18.6
Business operations specialists, all other	12.1	10.5	2.3	6.8	4.9	
Claims adjusters, examiners, and investigators*	2.8	9.7	2.1	7.2	3.0	2.6
Customer service representatives	22.5	26.8	14.8	18.4	17.5	39.0
Executive secretaries and administrative assistants	11.4	11.6	6.0	14.3	10.3	7.8
First-line supervisors/mgrs. of office and admin. support workers	10.3	10.0	8.4	12.9	10.4	8.1
Insurance claims and policy processing clerks*	3.4	5.6	3.6	6.1	3.4	5.8
Insurance sales agents	3.1	3.3	3.1	3.8	3.0	4.9
Insurance underwriters*	1.5	3.8	1.3	4.2	1.1	1.3
Office clerks, general	21.5	23.2	19.5	17.9	18.2	8.0
Secretaries, except legal, medical, and executive	10.4	10.5	12.6	16.1	13.0	9.7
Number of workers in insurance occupations in labor market	102,190	41,980	17,770	67,430	86,070	14,200
As Percent of Ft. Wayne Labor Market	129%	149%	100%	137%	113%	121%
Insurance HQ "Captive" Occupations/1000 jobs (shown with *)	7.8	19.1	7.0	17.4	7.5	9.7
"Captive" Workers in labor market	7,050	6,140	1,410	9,790	6,510	1,300

Source: Bureau of Labor Statistics



Table 6. Undergraduate Degrees Awarded in Ft. Wayne and Comparison Communities in 2008

Population		Computer and information sciences and support services.	Legal professions and studies.	Math and statistics.	Health professions and related clinical sciences.	Business, management, marketing, and related support services.	Grand total	Grand Total per 1000 Pop.
BACHELOR's LEVEL								
2,009,151	Columbus-Marion-Chillicothe, OH CSA	417	0	97	1165	3264	14659	7.3
623,335	Des Moines-Newton-Pella, IA CSA	52	21	36	186	548	2128	3.4
606,929	Fort Wayne-Huntington-Auburn, IN CSA	74	0	17	134	744	2054	3.4
1,308,481	Hartford-West Hartford-Willimantic, CT CSA	93	4	127	520	1419	10057	7.7
874,927	Omaha-Council Bluffs-Fremont, NE-IA CSA	297	10	33	1057	1818	5611	6.4
232,930	Sioux Falls, SD MSA	33	7	12	62	224	754	3.2
ASSOCIATE's LEVEL								
2,009,151	Columbus-Marion-Chillicothe, OH CSA	224	73		1100	633	3619	1.8
623,335	Des Moines-Newton-Pella, IA CSA	63	68		485	472	2282	3.7
606,929	Fort Wayne-Huntington-Auburn, IN CSA	108	33		774	440	1866	3.1
1,308,481	Hartford-West Hartford-Willimantic, CT CSA	29	21		472	393	2300	1.8
874,927	Omaha-Council Bluffs-Fremont, NE-IA CSA	164	31	0	529	254	2271	2.6
232,930	Sioux Falls, SD MSA	44	6		74	219	636	2.7

Source: IPEDS



Table 7. Bachelors Degrees in Insurance Awarded in 2008

Institution	City	ST	Completions
University of Georgia	Athens	GA	104
Georgia State University	Atlanta	GA	60
Mississippi State University	Mississippi State	MS	54
Temple University	Philadelphia	PA	53
University of Mississippi Main Campus	University	MS	44
Florida State University	Tallahassee	FL	42
University of Louisiana at Lafayette	Lafayette	LA	30
University of Wisconsin-Madison	Madison	WI	29
Olivet College	Olivet	MI	24
University of Central Arkansas	Conway	AR	19
University of Hartford	West Hartford	CT	19
Indiana State University	Terre Haute	IN	19
Delta State University	Cleveland	MS	19
Illinois State University	Normal	IL	18
St. John's University-New York	Queens	NY	15
Appalachian State University	Boone	NC	12
Missouri State University	Springfield	MO	11
University of Louisiana Monroe	Monroe	LA	10
University of North Texas	Denton	TX	10
Ohio State University-Main Campus	Columbus	OH	9
Baylor University	Waco	TX	9
Howard University	Washington	DC	8
Eastern Kentucky University	Richmond	KY	8
Saint Cloud State University	Saint Cloud	MN	7
Bradley University	Peoria	IL	6
University of South Carolina-Columbia	Columbia	SC	6
University of Connecticut	Storrs	CT	5
Illinois Wesleyan University	Bloomington	IL	5
University of Minnesota-Twin Cities	Minneapolis	MN	4
Gannon University	Erie	PA	3

Source: IPEDS



Table 8. Bachelors Degrees in Actuarial Science Awarded in 2008

Institution	City	ST	COMPL.
University of Illinois at Urbana-Champaign	Champaign	IL	74
Pennsylvania State University-Main Campus	University Park	PA	45
University of Connecticut	Storrs	CT	44
Temple University	Philadelphia	PA	39
Ohio State University-Main Campus	Columbus	OH	27
University of Wisconsin-Madison	Madison	WI	27
Drake University	Des Moines	IA	26
University of Nebraska-Lincoln	Lincoln	NE	25
Florida State University	Tallahassee	FL	18
Georgia State University	Atlanta	GA	18
St. John's University-New York	Queens	NY	18
CUNY Bernard M Baruch College	New York	NY	16
University of St Thomas	Saint Paul	MN	15
Bryant University	Smithfield	RI	14
Brigham Young University	Provo	UT	13
Maryville University of Saint Louis	Saint Louis	MO	12
Bradley University	Peoria	IL	11
Robert Morris University	Moon Township	PA	10
University of Central Florida	Orlando	FL	9
Ball State University	Muncie	IN	9
Central Michigan University	Mount Pleasant	MI	9
University of Iowa	Iowa City	IA	8
Ohio University-Main Campus	Athens	OH	8
Central Washington University	Ellensburg	WA	7
University of Pennsylvania	Philadelphia	PA	6
Eastern Michigan University	Ypsilanti	MI	5
University of Central Oklahoma	Edmond	OK	5
Concordia University-Wisconsin	Mequon	WI	5
North Central College	Naperville	IL	4
Roosevelt University	Chicago	IL	4
Rider University	Lawrenceville	34	4
CUNY Queens College	Flushing	NY	4
Lincoln University of Pennsylvania	Lincoln University	PA	4
Lebanon Valley College	Annville	PA	3
Saint Joseph's University	Philadelphia	PA	3
University of Wisconsin-Milwaukee	Milwaukee	WI	3
Indiana University-South Bend	South Bend	IN	2
Valparaiso University	Valparaiso	IN	2
Northwestern College	Orange City	IA	2
Bellarmine University	Louisville	KY	2
University of Michigan-Flint	Flint	MI	2
Otterbein College	Westerville	OH	2
The University of Texas at San Antonio	San Antonio	TX	2
Butler University	Indianapolis	IN	1
Indiana University-Northwest	Gary	IN	1
Arcadia University	Glenside	PA	1
Thiel College	Greenville	PA	1
Bob Jones University	Greenville	SC	1
Southern Adventist University	Collegedale	TN	1
Carroll University	Waukesha	WI	1

Source: IPEDS, a national database maintained by the US Dept. of Education. Programs listed are those with degrees awarded during 2008. Colleges that did not report graduates in these majors to IPEDS are not shown.



FINDINGS FROM INSURANCE FOCUS GROUPS AND INTERVIEWS

Tamerica conducted a focus group of insurance executives in August 2010. The focus groups were supplemented with interviews with CEOs and senior executives in the largest insurance and reinsurance companies in Allen County in January 2011.

In addition to the findings from the Tamerica field work with respect to workforce and talent, several other findings should also be noted based on feedback from industry representatives in several focus groups:

- Insurance companies in Ft. Wayne struggle to fill any technical skill sets, such as actuaries, underwriters, accountants, and legal.
- The talent pool in the area is good at the entry level, but companies have to recruit from outside for mid-level positions. Ft. Wayne is a relatively small pond with few players in this industry. One of the big recruitment issues is what happens if the job doesn't work out; who else will hire them? This is not an issue in major metro areas like Chicago.
- Better university preparation for insurance would be a help in Ft. Wayne recruitment. Local higher education institutions need an insurance undergrad degree or degrees in Actuary Science, underwriters, and insurance accountants.
- Some familiarity with general insurance would make local workers more promotable to mid-level positions and lessen the need to recruit from outside. Drake University is a good model to study in terms of programs. Internships are a big part of this training.
- The area is outstanding for back offices because of well-trained workers, good work ethic, customer-oriented people, access to colleges, and low cost of operation.
- The presence of college students is a big issue for the back office operations of insurance companies. For example, the biggest presence in the area for Lincoln Life is now in back office operations. They use a considerable number of part-time students in their back office, and do their annuity programs in Ft. Wayne.
- Lincoln's move to Philadelphia hollowed out the labor market for insurance companies. The community lost the high end, high pay skills, public company skills, investment function skills, and the sales function.
- Key suppliers to this industry also moved. For example, the Ernest & Young office moved from Ft. Wayne.
- Internships are an important recruitment tool for entry-level jobs in the insurance industry. Insurance companies prefer to hire college students on internship before offering them permanent employment. The larger the local pool of college students with interest in insurance, the better the talent pipeline for the insurance industry.
- Outsourcing is a predominate issue today in insurance operations. As a low margin business, insurance companies are cost sensitive. Most outsourcing in this industry is domestic rather than offshore. Outsourcing is both a threat and opportunity for Northeast Indiana.
- Northeast Indiana lacks a strong presence of the "Third-Party Administration" companies that are located in Lincoln and Des Moines. Third-Party administration is the fastest growing function in the insurance industry and offers strong opportunities for insurance industry growth in Ft. Wayne if the region can attract some of the leading third party functions.
- Indiana does not have any significant business climate issues for the insurance sector. Both taxation and regulation in Indiana are favorable for the insurance industry.



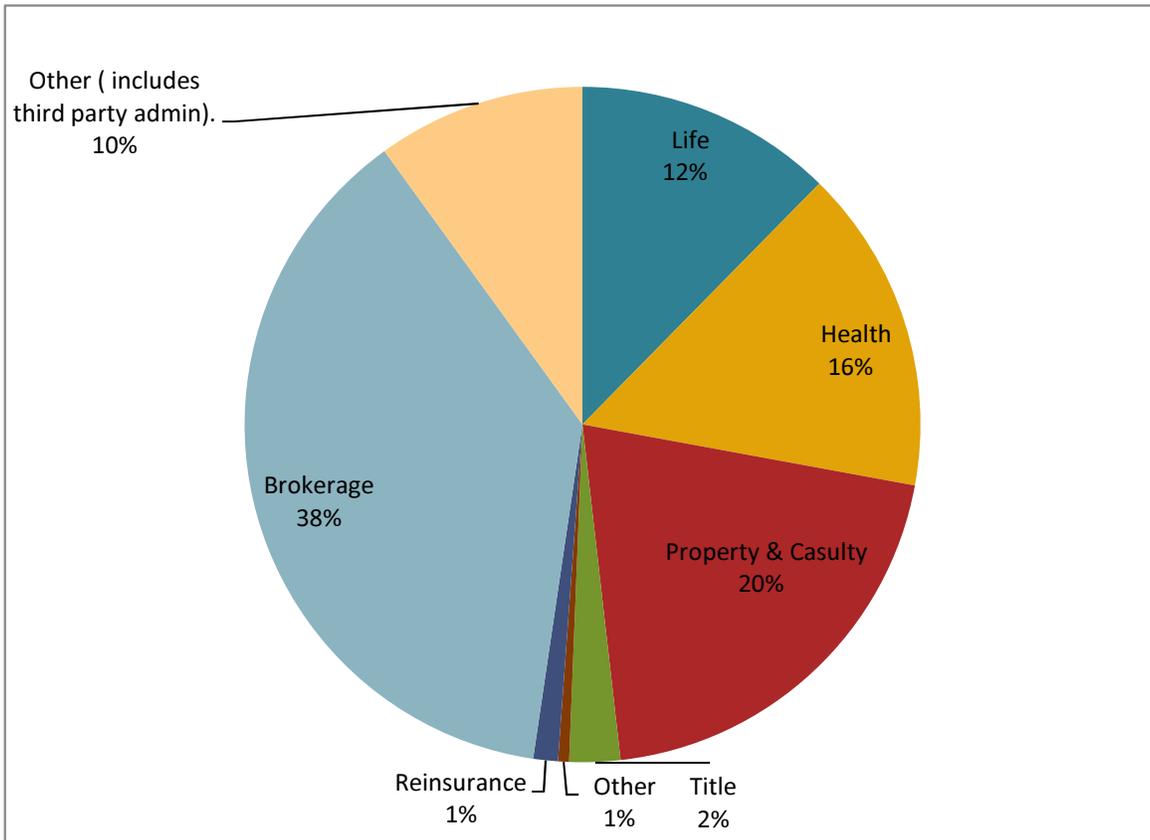
- It is difficult to craft effective incentives to influence insurance company locations.
- Commercial air travel is poor in and out of Ft. Wayne compared to major metro areas, which limits its appeal to corporate operations.
- Office space costs are an advantage in Northeast Indiana relative to Chicago and the other major Midwestern insurance centers.
- It is hard to attract highly educated younger families to the region. It is also difficult to appeal to young singles and empty nesters. Senior management people are reluctant to move here. Younger families with children are probably the strongest recruitment opportunity.
- The forecast for the future of the insurance industry generally is:
 - Significant growth in the annuity and life insurance side;
 - P&C is highly cyclical, 20 to 30 percent smaller today in terms of premiums, and the housing market affects P&C more than other factors;
 - National health insurance is not perceived to have a big impact on the local market at this time.
- Des Moines has been a winner in insurance. It would be a good community to examine in terms of what to do to stimulate the insurance business.



THE OUTLOOK FOR THE NATIONAL INSURANCE INDUSTRY

The national insurance industry is segmented into insurance carriers, reinsurance, brokerage, and other services. Insurance carriers account for half of the total employment in the industry (see Chart 1).

Chart 1. Distribution of Employment in the US Insurance Industry in 2009



Source: BLS ES-202 reports

According to the BLS, approximately 4,500 companies underwrite insurance in America, but the industry is dominated by a handful of major players.³ Property and casualty account for most of the employment among insurance carriers.

The last decade has been a difficult one for the insurance industry. Employment decreased in all of the lines of insurance carriers except for Health and Other insurance (see Table 9). The drop in employment was highest in life insurance, the primary line of insurance underwritten by carriers operating in Northeast Indiana. Health and Other Insurance are the two lines which witnessed growth during the decade. Other

³ BLS, "Insurance," *Career Guide to Industries, 2010-2011 Edition*.



insurance services, which includes third party administration, witnessed significant employment growth during the decade. This segment of the insurance industry accounts for about two percent of insurance employment in the Ft. Wayne area but ten percent of national insurance employment. This is a segment of the industry that focus group participants felt could be expanded in Northeast Indiana and the employment data certainly supports that view.

Table 9. National Insurance Industry Employment Changes, 2001-09

Carriers	Employment			Change	
	2001	2005	2009	2001-09	2005-09
Life	350,949	297,996	288,942	-18%	-3%
Health	338,481	337,922	363,515	7%	8%
Property & Casualty	498,744	489,692	475,140	-5%	-3%
Title	77,556	97,090	56,889	-27%	-41%
Other	9,619	11,606	12,382	29%	7%
Reinsurance	29,083	29,019	27,283	-6%	-6%
Brokerage	802,452	875,109	881,703	10%	1%
Other (incl. 3rd party admin).	202,926	224,153	233,317	15%	4%

Source: BLS ES-202 reports

About 42 percent of insurance workers are in office and administrative support jobs such as those found in every industry (see Table 10). Many office and administrative support positions in the insurance industry, however, require skills and knowledge unique to the industry. Another 29 percent of insurance workers are in management or business and financial operations occupations. Approximately 17 percent of wage and salary employees in the industry are sales and related workers, selling policies to individuals and businesses, and 11 percent are in professional and related occupations, including many computer and mathematical science occupations.⁴

⁴ BLS, "Insurance," *Career Guide to Industries, 2010-2011 Edition*.



Table 10. Employment of Wage and Salary Workers in Insurance, 2008 and Projected Change, 2008-2018.

Occupation	Employment, 2008		Percent Change, 2008-18
	Number (000)	Percent	
All Occupations	2,308.8	100.0	2.9
Management, business, and financial occupations	672.2	29.1	1.4
General and operations managers	40.4	1.8	-6.9
Financial managers	27.6	1.2	0.5
Claims adjusters, examiners, and investigators	212.8	9.2	3.6
Management analysts	34.5	1.5	-3.9
Accountants and auditors	40.0	1.7	3.0
Insurance underwriters	90.8	3.9	-4.3
Professional and related occupations	263.0	11.4	4.8
Computer systems analysts	36.1	1.6	11.1
Legal occupations	41.3	1.8	-7.9
Sales and related occupations	381.5	16.5	11.7
Supervisors, sales workers	17.5	0.8	1.4
Insurance sales agents	321.6	13.9	14.1
Office and administrative support occupations	973.7	42.2	0.2
Bookkeeping, accounting, and auditing clerks	43.1	1.9	2.2
Customer service representatives	271.3	11.8	8.4
Secretaries and administrative assistants	123.1	5.3	-1.1
Insurance claims and policy processing clerks	223.9	9.7	-1.7
Office clerks, general	95.4	4.1	3.2

NOTE: Columns may not add to totals due to omission of occupations with small employment.

Source: BLS National Employment Matrix, 2008-18.

Employment in insurance has been flat over the last decade. The recent financial crisis has resulted in large losses for the insurance industry. Industry conditions in the near term remain difficult, particularly as many companies continue to experience declining revenues, investment losses, and credit rating downgrades, which can affect an insurer's ability to repay debt by having to pay a higher interest rate. The high unemployment rate, low inflation, and the slow growth of the economy is projected to continue at least through 2011, which means that the short-term outlook for profitable results for the industry is not bright.⁵ In addition, outsourcing, productivity enhancements from technology, and industry consolidation have contributed to job losses in the industry.

Prospects for job growth in the insurance sector are mixed. Demand for insurance is likely to increase in the future, but employment in the insurance industry will probably increase more slowly than employment growth across all industries. According to the BLS, wage and salary employment in the insurance industry is projected to grow about three percent between 2008 and 2018, compared to the 11 percent growth projected for wage and salary employment in all industries combined. Thousands of openings are expected to arise reflecting the need to replace workers who leave the industry, retire, or stop working for

⁵ BLS, "Insurance," *Career Guide to Industries, 2010-2011 Edition*.



other reasons. It is estimated that the industry in Northeast Indiana will have to replace a tenth of its workforce over the next decade.⁶

Growing areas of the insurance industry are medical services and health insurance. However, the U.S. health insurance industry may be in for massive changes. America is unique among the world's most highly-developed economies in that the government does not offer or oversee a universal health coverage system. As a result, health coverage in the United States is provided by a wide variety of providers ranging from firms that operate hospital systems and sell policies that provide care within those hospitals, to companies that only underwrite health insurance. For most Americans, market-based health insurance remains the predominant form of health coverage. The number of people with health insurance increased to 255.1 million in 2008 up from 253.4 million in 2007. At the same time, the federal government pays for about 35 percent of all U.S. health costs via Medicare and other systems, while the states pay for 12.6% largely via Medicaid. Government now provides about half of the medical insurance in the U.S. economy.

Several national trends, discussed below, provide for significant uncertainty on the future growth of the insurance industry nationally and regionally.

NATIONAL TRENDS AFFECTING THE OUTLOOK FOR THE INSURANCE INDUSTRY

The insurance industry is expected to undergo profound changes in the next decade, many of which will affect employment levels in different regions. The PricewaterhouseCoopers report, entitled "Emerging from the Storm: The Day After Tomorrow for Insurance," outlines key developments that are expected to reshape the insurance industry and their strategic implications during the next five years. The most significant of these developments for U.S. insurers will likely be sweeping regulatory changes resulting from legislation to reform health insurance and increased federal oversight of insurance .

FEDERAL REGULATION OF CARRIERS

For over 150 years, states have held the sole authority to regulate the business of insurance. The McCarran-Ferguson Act in 1945 established the states' exclusive role as regulators of insurance as a matter of federal law. However, there have been a number of occasions within the last two decades when either some within the insurance industry or Congress have tried to repeal McCarran-Ferguson or to set up a dual system of insurance regulation, similar to the present system for state and federally chartered banks. While the Independent Insurance Agents of America oppose the creation of a federal regulatory environment, they suggest an alternative to streamline and modernize the current system. Under the "state-friendly" model, Congress would play a role in achieving desired state reforms by using existing legislative tools to bring about greater consistency across state lines and to enact needed reforms.⁷

⁶ BLS, "Insurance," *Career Guide to Industries, 2010-2011 Edition*.

⁷ Insurance Information Institute, *Insurance Handbook*, 2010, p.1.

It is difficult to predict the outcome of the “battle” between the states and federal government regarding insurance. Nonetheless, the outcome is likely to have major effects on the growth and location of insurance jobs.

OUTSOURCING

One of the trends in the insurance industry is the growing use of out-sourcing. A driver in the trend towards outsourcing is the growth of e-Insurance. Web-based distribution of insurance products places a heavy burden on IT departments. With the rapid evolution of technology, along with the increased pressure on in-house IT personnel to keep certifications up to date, outsourcing becomes an obvious solution for insurance companies who want to maintain a competitive advantage.

Initially, insurance companies sub-contracted their support functions such as accounting, payroll, and human resource management that were not critical to their core businesses. As their comfort with outsourcing and offshore service providers grew, the list of functions that were outsourced grew as well. Table 11 shows processes that have been finding their way offshore.

Table 11. Commonly Offshored Processes

New Business Acquisition	Policy Management	Claims Processing	Financial Accounting	Support Functions
Proposal generation	Policy holder correspondence	Claim set up	Closed book accounting	Helpdesk
Digitalization	Mailroom services	Account settlement	Fund performance analysis	Broker support
Policy issuance		Validation and eligibility		Payroll processing
Risk assessment	Record changes	Excess re-insurance	Compliance verification	Facilities management

Source: ValueNotes’ Report on Insurance Outsourcing

OUTLOOK FOR INSURANCE CLUSTER GROWTH IN NORTHEAST INDIANA

The insurance industry in Northeast Indiana is expected to grow at close to national rates over the next decade. The forecast for the future at the national level (see Table 12) is:

- Decline among the overall insurance carriers industry;
- Some growth in annuities and life insurance;
- Slow growth in the property and casualty market because of the profound affects that the slowdown in the housing market plays in P&C lines;
- National health insurance is not perceived to have a big impact on the local market.



Table 12. Employment of Wage and Salary Workers in Insurance, 2008 and Projected Change, 2008-2018.

Industry	Employment		Annual Pct. Change, 2008-18
	2008 Number (000)	2018 Number (000)	
Insurance Carriers	1,401.8	1,338.2	-0.5
Agencies and Brokerages	907.0	1,038.2	1.4
Funds and Trusts	90.3	105.9	1.6

Source: BLS National Employment Matrix, 2008-18.

RECOMMENDATIONS FOR GROWING THE INSURANCE CLUSTER IN NORTHEAST INDIANA

Companies in Ft. Wayne almost universally reported that they had added employment and business regionally during the last two years. The sector appears to be growing faster than the national industry at this point. Tamerica offers four suggestions based on the analysis :

1). Acquisition and relocation of insurance lines from outside the region

Companies that were interviewed suggested that the insurance industry in Northeast Indiana can accelerate its growth through the acquisition and relocation of existing companies and product lines to Northeast Indiana. The region has a superb track record at launching and growing specialty insurance companies and reinsurance companies. It has a low cost structure and good pool of available talent for growing the insurance industry. It would take some pooling of financial resources and the creation of academic programs in insurance/risk management and actuarial science in the region to make this strategy viable, however.

2). Regional academic programs in insurance and actuarial science

The resources needed to launch an academic insurance program are modest in comparison to the resources needed in the sciences and engineering. Insurance and risk management is typically offered as an undergraduate major in the college of business. Faculty requirements are modest. The University of Georgia, which has the largest insurance and risk management program in the nation, has a faculty of six, including the department chair. The undergraduate program at Georgia offers a total of 9 courses in insurance and risk management, one of which is an internship and a second of which is a directed study course.

3). Third party administration

Another factor that could accelerate growth in Northeast Indiana is the attraction of the other operations of third party administrators. Third party administration is one area where the Northeast Indiana region has a presence, but it isn't a major center. This is the part of insurance that is growing the fastest. Lincoln NE is an example of a successful third party administration hub.

A Third Party Administrator (TPA) is an organization that processes insurance claims or certain aspects of employee benefit plans for a separate entity. Often, in the case of insurance claims, a TPA handles the claims processing for an employer that self-insures its employees. Thus, the employer is acting as an



insurance company and underwrites the risk. An insurance company may also use a TPA to manage its claims processing, provider networks, utilization review, or membership functions. While some third-party administrators may operate as units of insurance companies, they are often independent.⁸

Third party administrators also handle many aspects of other employee benefit plans such as the processing of retirement plans and flexible spending accounts. Many employee benefit plans have highly technical aspects and difficult administration that can make using a specialized entity such as a TPA more cost effective than doing the same processing in house.⁹

It was stated that higher-end back offices might be possible in the region, such as actuarial, since there is a good pool of skills for actuaries. The focus of NEIRP should be on the attraction of entrepreneurs serving as third party administrators and the retention/expansion of existing insurance firms.

4). Enhanced state regulatory climate for domestication in Indiana

Several companies interviewed in this assignment felt that the industry could grow its employment if the climate for domiciling in Indiana were improved. Risk management has become global yet most state regulations require reserves to be located in domestic institutions. This increases the costs of capital for insurance and limits the size of risk pools in the U.S. for major exposures such as hurricanes and terrorist attacks. Other states are taking the lead on this issue by redesigning their regulatory process to recognize global risk pools and modern insurance practices. A joint initiative by insurance companies in Northeast Indiana could have a significant impact on modernizing the regulatory climate.

Industry executives were of a mixed opinion regarding the effectiveness of the Indiana Department of Insurance in serving the needs of the insurance industry..

5). Form an insurance executive working group

Insurance executives that were interviewed stated that they would support joint efforts to improve insurance education, improve the regulatory climate for insurance, and evaluate further the concept of acquisition and relocation of insurance lines to Northeast Indiana. Some of the executives interviewed offered to serve as conveners for such a group. Tamerica recommends that the Northeast Indiana Regional Partnership and Fund organize a small working group for this purpose. The group should not be structured as a traditional cluster committee but should consist of a small group of senior insurance executives from the region who meet quarterly to explore the other four recommendations outlined in this section of the report. Many of the executives that were interviewed expressed an interest in these four core ideas, yet none were aware that these issues were of wide interest among insurance companies in Northeast Indiana. An insurance group would provide a forum for collective action, which is important for implementing the other four recommendations outlined in this section.

⁸ Wikipedia, "Third Party Administrator."

⁹ Wikipedia, "Third Party Administrator."