

## **Ohio House Insurance Committee Overview of Ohio's Property and Casualty Insurance Industry Testimony of Dean Fadel on behalf of the Ohio Insurance Institute February 15, 2017**

Mr. Chairman, Vice Chair Henne, Ranking member Bocchieri and members of the House Insurance Committee, I am Dean Fadel and I am here today on behalf of the Ohio Insurance Institute which is a trade and information association representing 58 Ohio-based property and casualty insurance companies and related affiliate organizations.

On behalf of the OII members thank you for the invitation to appear before you today to provide a brief overview of the property and casualty insurance industry in Ohio and of the OII membership.

OII members are the writers of the majority of 87% of the auto insurance, 83% of the homeowners insurance and 44% of the commercial risks covered in the state of Ohio.

### **Strength and stability of Ohio's insurance industry**

There are over 240 insurance companies located in Ohio and the state ranks 6th in the country based on the number of companies headquartered in the state.

Many of these insurance companies have been in existence in this state for over 100 years.

Overall there are 972 property and casualty companies licensed to do business in the state of Ohio.

Ohio's property and casualty insurance market has a long history as one of the most competitive markets in the nation, which has proven to greatly benefit Ohio insurance consumers.

### **Insurance affordability and availability to Ohioans**

Our state's average homeowners insurance premium expenditure ranks 9th lowest in the nation, based on the National Association of Insurance Commissioner's 2014 homeowners insurance data released in January 2017.

Ohio's average auto insurance premium expenditure is 12th lowest in the country, based on NAIC's 2014 auto insurance data, also released in January 2017.

These are the same state rankings reported based on 2013 NAIC auto and homeowners insurance data.

Ohioans pay \$335 less for homeowners insurance than the US average. Ohio's average 2014 homeowners' insurance expenditure of \$797 is nearly 30% less than the US average of \$1,132.

Ohioans pay \$183 less for auto insurance than the US average. Ohio's average 2014 auto insurance expenditure of \$683 is over 21% less than the US average of \$866.

When you look at the other states with a lower average auto insurance premium and consider the population, urbanization and amount of traffic on Ohio highways, I often argue that we have the very lowest auto insurance premiums in the nation.

The 11 states with lower average auto insurance expenditures than Ohio (from lowest) are: Idaho (\$572), Iowa (\$586), South Dakota (\$601), Maine (\$607), North Dakota (\$630), Indiana (\$642), North Carolina (\$644), Wisconsin (\$646), Nebraska (\$663), Vermont (\$665) and Wyoming (\$669).

In addition to providing Ohio insurance consumers with the benefits of a robustly competitive marketplace the industry is also a major contributor to the state's economy.

#### **Insurance as an economic driver**

A recently updated economic study completed in September of 2016 identified the insurance industry as one of Ohio's economic drivers based upon the fact that Ohio's insurance employment is greater than average and its long-term growth is faster than average – as well as the fact that Ohio insurance companies serve significant numbers of customers outside of Ohio.

This study also measured the insurance industry's contribution to the state's output, or Gross Domestic Product (GDP). According to this study private-sector insurance carriers and related activities in 2014 contributed \$20.8 billion to Ohio GDP – an impact 39 percent greater than would be expected in an economy Ohio's size. Insurance-related GDP grew 23.2 percent after inflation between 2010 and 2014. Meanwhile, U.S. growth was 40 percent less (13.5 percent).

Insurance employment is also a larger-than-average share of total Ohio employment and has grown much faster than average over the past decade. There were more than 104,000 insurance industry jobs in Ohio in 2015 – an employment concentration 23 percent greater than average.

Insurance employment in Ohio grew far faster than the U.S. average during the expansion of the last decade and declined at a slower-than-average rate during the recession.

Employment grew 6.3 percent in Ohio between 2003 and 2007, compared to U.S. growth of 2.2 percent. Employment declined 4.2 percent between 2007 and 2011 in Ohio, while falling 5.6 percent nationwide.

Economic drivers lead to the state's economy performing better than it otherwise would. Further, because drivers serve customers outside of Ohio, they bring dollars into the state's economy – which is considered the only way that household incomes can increase and Ohioans' living standards can improve.

For these reasons, economic drivers deserve special attention by economic developers and workforce developers alike. Another implication of the fact that the Ohio insurance industry is larger and faster-growing than average is that the companies in the industry are more competitive than their counterparts elsewhere, likely because of some set of economic and/or environmental characteristics in Ohio that favor these companies.

Part of nurturing the growth of the economic drivers is caring for the underlying factors that make them successful in the first place. The availability and quality of the workforce is certainly one of those factors.

#### **Insurance as a workforce creator**

In 2012 the insurance industry began to tackle the workforce issue with the creation of the Insurance Industry Resource Council (IIRC). The IIRC includes 17 insurance companies and trade associations and is dedicated to addressing the looming shortfall of insurance workers.

The economic study I referenced earlier estimates that by 2024 Ohio's insurance industry will require 29,000 new workers to fill positions coming open that will be newly created through growth or vacant as a result of employee turnover. This is more than the 26,000 requirement estimated in a similar 2013 report.

This report further shows that the Ohio insurance industry is larger now than it was in 2011, the year on which the previous projection was based.

The key point now, as it was then, is that if these positions are not filled, the growth of Ohio insurance companies will suffer. In the extreme case, Ohio might lose these companies to other states that are able to offer a convincing argument that they are better equipped to provide a steady flow of talent.

Also in 2012 there were no Ohio-based higher education institutions offering any specific insurance-based degree or certificate curriculum. However as of today there are nine degree or certificate programs that exist at Ohio universities or colleges, with another to begin in fall 2017.

This is due solely to the efforts of the IIRC, which is now pivoting its focus on populating these programs that exist at the following institutions:

- **Bowling Green State University:** Specialization and Minor in Insurance
- **Clark State Community College:** Associate Degree in Business Management with an Insurance Option and Property Insurance Claims Department Certificate

- **Columbus State Community College:** Foundations of Insurance Certificate
- **Franklin University:** Bachelor's in Risk Management and Insurance
- **Kent State University:** Bachelor's in Insurance Studies (Property & Casualty and Life & Health concentrations available)
- **Ohio Dominican University:** Bachelor's in Insurance and Risk Management
- **Ohio Northern University:** Bachelor's in Risk Management and Insurance
- **Owens Community College:** Associates of Applied Business Insurance Studies
- **University of Cincinnati:** Insurance and Risk Management Program

These are also high-paying jobs. The average annual salary for an Ohioan working in insurance in 2014 was \$70,088, and that's higher than Ohio's average private sector annual salary of \$45,486.

It is also important to note that the types of available insurance jobs include a wide variety of skills – not just sales related. Accountants, auditors, claims adjusters, examiners, investigators, financial analysts, managers, training and development specialists, operations research analysts, computer programming and computer support, human resources, marketing, database administrators, web development and lawyers are but a few of a wide variety of positions within the industry.

In closing I would like to call your attention to the brochure, *Insurance Industry in Ohio*, to this testimony which further identifies the important role insurance plays in Ohio's economy.

Thank you again for the opportunity to appear today and on behalf of my colleague, Michael Farley, and myself we look forward to working with all of you in the 132nd Ohio General Assembly. Please do not hesitate to contact either of us if we can ever be of assistance.

I would be happy to attempt to answer any questions the Committee members may have.

## RESOURCES

- [2016 Ohio Insurance Workforce Report: Workforce Characteristics and Workforce Development in Ohio's Insurance Industry – 2016 Update](#)
- OII: [Insurance Industry in Ohio](#)
- OII: [2017 Auto & Homeowners Insurance Trend Report](#)
- OII: [Ohio's Insurance Industry \(resource list\)](#)
- OII: [Insurance Careers site](#)
- OII: [Careers in Insurance \(resource list\)](#)
- IIRC: [Insuring Ohio Futures site](#)