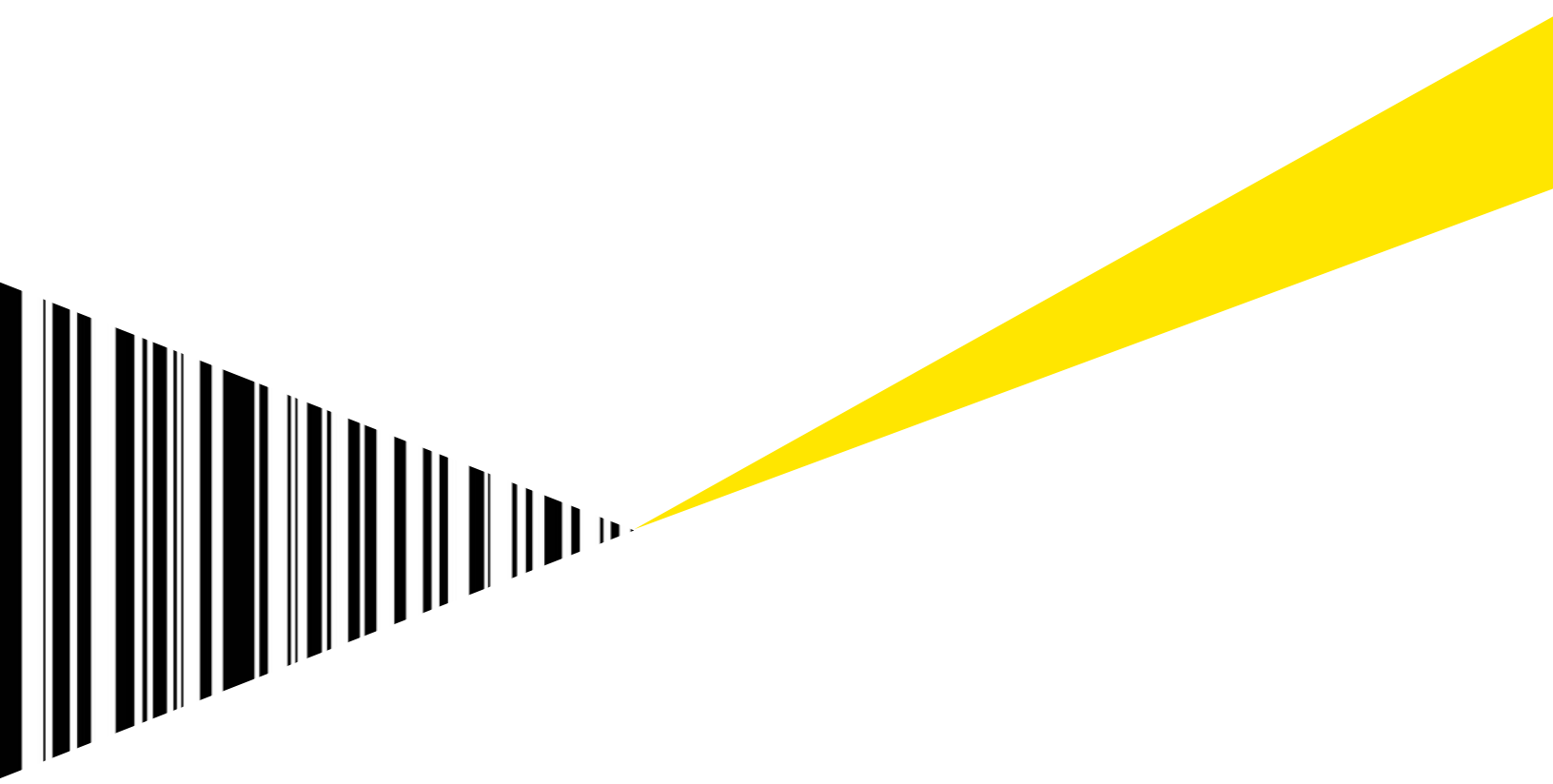


# Economic and Fiscal Contributions of the Ohio Insurance Industry

March 3, 2010



## Executive Summary

This report analyzes the economic contributions of insurance companies, insurance agencies, and other insurance related activities to the State of Ohio. It includes information about the insurance industry's role in Ohio employment and the taxes paid to the State by the industry. In addition, the study provides an interstate comparison of insurance premium tax rates and evaluates effective state and local tax rates across industries in Ohio.

This study was prepared by Ernst & Young LLP at the request of the Association of Ohio Life Insurance Companies and the Ohio Insurance Institute.

Our findings include:

- The Ohio insurance industry includes several types of activities: insurance companies, insurance agencies, and other insurance related service companies. It is a major contributor to Ohio's economy and employment, and is a significant source of tax revenue to Ohio's state and local governments.
- Insurance companies, insurance agencies, and other insurance related activities employed nearly 110,000 Ohio workers in 2007, accounting for 2.3% of employment in the State. Insurance companies employed 75,000 (68%) of the 110,000 insurance industry employees in the state. Insurance agencies and related service companies employ the remaining 35,000 (32%).
- The insurance industry paid \$6.5 billion in total payroll to Ohio employees in 2007, accounting for 3.6% of total Ohio private-sector payroll. Of this amount, insurance companies paid \$4.8 billion and agencies and related services companies paid \$1.6 billion. The average annual salary for an Ohioan working in the insurance industry was \$59,042 in 2007, 56% above the Ohio average.
- The nearly 110,000 direct jobs in the Ohio insurance industry (including insurance companies, agencies, and related services) sustain an additional 106,000 indirect jobs in other industries that support the Ohio insurance industry and its employees. Combining these direct and indirect impacts, the insurance industry's total Ohio employment contribution exceeds 216,000 jobs. Similarly, the \$6.5 billion in payroll paid by insurance companies, agencies, and related services in Ohio generated an additional \$3.8 billion in payroll in other industries that support insurance industry, bringing the total payroll contribution of the Ohio insurance industry to \$10.3 billion.
- The effective total state and local business tax rate on the Ohio insurance industry, including all state and local taxes, was 5.6% in FY2008, significantly exceeding the 4.2% average tax rate for all other Ohio industries and the 2.4% paid by the broader services sector. Insurance premium taxes account for 66% of the total taxes paid by the insurance industry in Ohio.
- Premium taxes paid by insurance companies to the State of Ohio increased by 23% from fiscal year 1998 to 2008. This increase occurred despite legislation enacted in 1996, which phased down the premium tax from 2.5% to 1.4% during this period.
- Since 1997, a net of 10 insurance companies and \$2.7 billion in assets have relocated to Ohio.

## Introduction

The insurance industry is a major contributor to Ohio's economy and employment. The insurance industry encompasses many activities and in this study, the term "insurance industry" refers to insurance companies, insurance agencies, and other insurance related activities, such as claims adjusting and third-party claims processing services. Insurance industry employees make up 2.3% of total employment in Ohio and 3.6% of total payroll in Ohio. Including both direct and indirect economic effects, the Ohio insurance industry's total contribution to the state economy is \$10.3 billion in payroll and more than 216,000 total jobs.

In addition, the insurance industry pays a significant proportion of taxes to Ohio compared to many other industries. The 1997 reform of Ohio's premium tax system included a reduction of the insurance premium tax rate, which was fully phased in by 2002. Throughout the period from 1997 to 2007, total premium taxes paid by the insurance industry have increased steadily and substantially.

## Ohio Insurance Employment and Payroll

The insurance industry employed nearly 110,000 Ohio workers in 2007, the most recent year for which complete data is available.<sup>1</sup> These employees include insurance company statutory employees, insurance agents, and employees of related services companies.<sup>2</sup> These employees account for 2.3% of total employment in Ohio. Insurance companies, agencies and other insurance related activities paid over \$6 billion in payroll to Ohio employees, equal to 3.6% of the total private sector payroll in Ohio.

Table 1 shows the employment in the insurance industry in Ohio from 1986 to 2007. Insurance industry employment grew by 36% over the period and has remained a relatively constant share of total Ohio employment. Growth in insurance industry employment averaged 1.5% per year from 1986 to 2007, slightly above the 1.1% annual growth rate for total Ohio employment. Annual growth in employment by insurance companies averaged 1.1% per year, while employment in agencies and other insurance related activities grew at an average annual rate of 2.5%.

<sup>1</sup> Based on U.S. Census Bureau, County Business Patterns data for insurance companies, agents, and employees in insurance related activities. Health insuring corporations that provide health care services are not included.

<sup>2</sup> Payroll and employment data are based on the following industry classifications from the North American Industry Classification System (NAICS): 5241 Insurance Carriers, and 5242 Agencies, Brokerages and Other Insurance Related Activities.

**Table 1**  
**Ohio Insurance Industry Employment, 1986-2007**  
**(thousands)**

<b>Year</b>	<b>Insurance Company Employment</b>	<b>Agencies &amp; Other Insurance Activities Employment</b>	<b>Total Insurance Industry Employment</b>	<b>Total Ohio Employment</b>	<b>Insurance % of Total Ohio Employment</b>
1986	59	21	81	3,798	2.1%
1987	60	25	84	3,905	2.2
1988	61	25	85	4,021	2.1
1989	62	25	88	4,179	2.1
1990	61	26	87	4,246	2.0
1991	66	24	90	4,192	2.1
1992	66	23	89	4,216	2.1
1993	67	24	92	4,263	2.2
1994	68	25	93	4,386	2.1
1995	62	27	89	4,551	1.9
1996	65	29	95	4,640	2.0
1997	71	28	99	4,709	2.1
1998	72	33	105	4,806	2.2
1999	77	34	111	4,867	2.3
2000	70	34	103	5,002	2.1
2001	74	34	108	4,933	2.2
2002	73	34	107	4,743	2.3
2003	71	35	107	4,770	2.2
2004	70	36	107	4,762	2.2
2005	68	35	103	4,763	2.2
2006	71	36	107	4,826	2.2
2007	75	35	110	4,782	2.3

Source: U.S. Census Bureau, County Business Patterns, 1986-2007

Table 2 shows the total annual payroll of employees in Ohio insurance companies, agencies, and other insurance related activities. The insurance industry portion of total Ohio private-sector payroll increased steadily from 1986 to 2003 and has since then remained relatively constant with a slight increase in 2007. Insurance industry payroll increased every year from 1986 to 2007. In 2007, annual payroll of employees in the insurance industry was 3.6% of the total annual payroll in Ohio.<sup>3</sup>

**Table 2**  
**Ohio Insurance Industry Payroll, 1986-2007**  
**(\$millions)**

<b>Year</b>	<b>Insurance Company Payroll</b>	<b>Agents &amp; Other Insurance Activities Payroll</b>	<b>Total Insurance Industry Payroll</b>	<b>Total Ohio Private Sector Payroll</b>	<b>Insurance % of Total Ohio Payroll</b>
1986	\$1,314	\$444	\$1,758	\$74,766	2.4%
1987	1,406	556	1,962	78,962	2.5
1988	1,518	599	2,117	85,608	2.5
1989	1,565	628	2,194	89,424	2.5
1990	1,690	651	2,341	93,897	2.5
1991	1,865	639	2,504	96,167	2.6
1992	2,035	641	2,676	100,769	2.7
1993	2,107	679	2,786	104,111	2.7
1994	2,247	726	2,973	110,584	2.7
1995	2,269	809	3,079	117,902	2.6
1996	2,401	971	3,372	124,152	2.7
1997	2,777	908	3,685	131,431	2.8
1998	2,960	1,139	4,099	140,265	2.9
1999	3,012	1,202	4,214	148,513	2.8
2000	3,095	1,211	4,305	155,035	2.8
2001	3,476	1,293	4,769	156,868	3.0
2002	3,423	1,385	4,808	154,820	3.1
2003	3,848	1,467	5,315	157,465	3.4
2004	3,939	1,524	5,464	162,560	3.4
2005	3,920	1,578	5,498	168,350	3.3
2006	4,350	1,668	6,018	176,075	3.4
2007	4,835	1,649	6,484	180,992	3.6

Source: U.S. Census Bureau, County Business Patterns, 1986-2007

<sup>3</sup> Reported payroll is generally for W-2 employees, including statutory insurance company employees. Payroll does not include the value of non-taxable fringe benefits.

## Ohio Insurance Average Earnings and Comparison to Other Industries

The average annual earnings of employees of insurance companies, agencies, and insurance related activities have increased steadily over the last 20 years. Table 3 shows the average annual earnings for Ohio insurance industry employees from 1986 to 2007. In 2007, the average annual earnings for Ohio insurance industry employees were \$59,042. Annual earnings grew by an average rate of 4.9% per year from 1986 to 2007, with only one year of declining average earnings. Annual earnings for insurance company employees grew by an average rate of 5.2% from 1986 to 2007, while earnings for agents and people employed in insurance related activities grew by an average of 4.0% per year.

**Table 3**  
**Average Annual Earnings of Ohio Insurance Industry Employees,**  
**1986-2007**

<b>Year</b>	<b>Insurance Companies</b>	<b>Insurance Agents &amp; Other Activities</b>	<b>Total Insurance</b>	<b>Total Ohio</b>
1986	\$22,196	\$20,734	\$21,808	\$19,685
1987	23,575	22,536	23,271	20,221
1988	24,949	24,309	24,765	21,293
1989	25,114	24,865	25,042	21,397
1990	27,536	25,514	26,942	22,114
1991	28,355	26,413	27,833	22,942
1992	30,872	27,937	30,114	23,901
1993	31,249	28,001	30,389	24,421
1994	33,072	28,748	31,900	25,215
1995	36,607	30,455	34,761	25,909
1996	36,842	32,952	35,631	26,755
1997	39,140	32,671	37,319	27,909
1998	40,913	35,036	39,090	29,185
1999	39,194	35,174	37,957	30,512
2000	44,385	36,086	41,689	30,995
2001	46,868	38,462	44,245	31,800
2002	46,717	40,564	44,761	32,641
2003	54,062	41,372	49,843	33,010
2004	55,923	42,167	51,258	34,135
2005	57,905	44,611	53,343	35,348
2006	61,429	45,894	56,160	36,488
2007	64,301	47,624	59,042	37,848

Source: U.S. Census Bureau, County Business Patterns, 1986-2007

Table 4 compares 2007 average annual earnings for 12 major industry sectors in Ohio. Earnings for insurance, a subsector of finance, are also shown. Average annual earnings for insurance industry employees are in line with the financial sector.

**Table 4**  
**Average Annual Earnings by Industry, 2007**

<b>Year</b>	<b>Average Annual Earnings</b>
Agriculture, Mining	\$45,216
Utilities	82,714
Construction	47,355
Manufacturing	46,926
Wholesale	50,545
Retail	21,712
Transportation	39,159
Information	53,527
Finance	56,936
<i>Insurance*</i>	59,042
Other Finance	55,477
Real Estate	34,716
Professional and Business Services	47,398
Other Services	26,865
Ohio	\$37,848

Source: U.S. Census Bureau, County Business Patterns, 2007

\*Includes insurance companies, agencies, and related services

## Total Economic Contribution of the Ohio Insurance Industry

The total employment contribution of the Ohio insurance industry extends beyond the direct employment of insurance companies, agencies, and related services and includes indirect impacts on other industries. The Ohio insurance industry's indirect employment contribution occurs as Ohio insurance companies, agents, and related services purchase goods and services from non-insurance businesses in Ohio and as earnings of the employees of those non-insurance businesses are spent on consumption. The economic contributions can be summarized in three categories, described below.

The first category of impact is the direct impact. The direct impact of Ohio insurance companies, agencies, and related services is measured by the economic output, employee earnings, and employment connected directly to Ohio insurance companies, agencies, and related services employees.

The second category of impact, the indirect impact, results from economic activity that occurs with other businesses in the state. For example, an insurance company based in Cincinnati may employ the services of a financial services firm in Cleveland. The financial services firm in Cleveland, in turn, purchases supplies and other business services from other Ohio businesses. As this series of transactions occurs, additional Ohio employment, income, and economic output is created at each step. The additional Ohio employment, income, and economic output accumulate with each in-state transaction to create the total indirect economic contribution. However, at each step in this chain of linkages with supplier industries, there is a possibility that the supplier firm may be located outside of Ohio. When the supplier is located in another state, the impact is exported and the chain is broken.

An additional indirect impact occurs as employees of Ohio insurance companies and agents spend income earned through their employment. As employees spend their incomes on retail goods and services, the Ohio economy expands to meet the additional demand. This additional consumer spending is included in the indirect contribution estimates. The above average incomes earned by employees of the Ohio insurance industry contribute to an above average economic contribution, which increases the overall contribution of the industry.

Table 5 shows the direct and indirect contribution of the insurance industry to the State of Ohio. Ohio insurance companies employ over 75,000 people and agencies and related insurance services employ nearly 35,000, totaling nearly 110,000 direct insurance employees in Ohio. These direct employees earn close to \$6.5 billion annually and generate \$27 billion in economic output.

As shown in Table 5, the indirect impact of the Ohio insurance industry includes 76,000 indirect employees throughout Ohio associated with the operations of insurance companies and close to 30,000 indirect employees associated with the operations of insurance agents and related services.<sup>4</sup> These indirect jobs create significant income paid to Ohio employees in other industries. The indirect payroll impact of Ohio insurance companies exceeds \$2.9 billion while the indirect payroll impact of Ohio insurance agents and related services is more than \$900 million, totaling \$3.8 billion of indirect payroll contribution.

Combining the direct and indirect contributions of the insurance companies, agents, and related activities, the total contribution exceeds \$10.3 billion in payroll and 216,000 total jobs generated by Ohio insurance industry economic activities. While insurance companies account for the majority of the impacts, insurance agencies and related services also make significant contributions to the Ohio economy including 30% of the insurance industry's total employment impact, 25% of the payroll impact, and 20% of the total impact on Ohio economic output.

<sup>4</sup> Estimated indirect contributions are based on direct employment and earnings obtained from U.S. Census Bureau, County Business Patterns and the IMPLAN economic model of the Ohio economy. The largest suppliers to insurance companies are insurance agents. To avoid double-counting the contribution of insurance agents that would otherwise be included in the indirect impact of the insurance companies, the direct contribution of the agents has been removed from the indirect impact of the insurance companies.



**Table 5**  
**Estimated Economic Contribution of the Ohio Insurance Industry, 2007**

<b>Economic Contribution</b>	<b>Direct Contribution</b>	<b>Indirect Contribution</b>	<b>Total Contribution</b>
<b>Economic Output (\$millions)</b>			
Insurance Companies	\$22,368	\$10,173	\$32,541
Agencies and Related Services	\$4,772	\$3,133	\$7,905
Total Economic Output Impact	\$27,140	\$13,305	\$40,446
<b>Payroll (\$millions)</b>			
Insurance Companies	\$4,835	\$2,928	\$7,763
Agencies and Related Services	\$1,649	\$913	\$2,562
Total Payroll Impact	\$6,484	\$3,840	\$10,325
<b>Employment</b>			
Insurance Companies	75,194	76,373	151,567
Agencies and Related Services	34,631	29,806	64,437
Total Employment Impact	109,825	106,179	216,004

## Taxation of Insurance Companies

Most states tax insurance companies on gross premiums. A state imposes a tax equal to a percentage of the premiums a company receives from state residents. Several states, such as Oregon, impose an income tax on insurance companies instead of a premium tax. New York imposes a hybrid tax with premium and income components. In addition to premium taxes, states and localities have a variety of surcharges, credits, and alternative taxes that affect the rate paid by insurance companies.

States also impose “retaliatory taxes” on insurance companies writing premiums in states other than where they are domiciled. Generally, when states tax out-of-state insurance companies, they charge either the domestic tax rate or the tax rate of the state where the out-of-state insurer is domiciled, whichever is greater.<sup>5</sup> In the latter case, this tax is in “retaliation” for the higher tax rate paid by in-state insurance companies writing premiums in that company’s home state.

For example, an Ohio-based insurance company will pay a 1.4 percent premium tax on premiums written in Nebraska, even though Nebraska has a premium tax rate of 1.0 percent. Since Ohio has a 1.4 percent premium tax rate, Nebraska charges a 0.4 percent “retaliatory”

<sup>5</sup> States retaliate not only on the premium tax of a state, but also on additional state and local taxes and assessments that are chargeable to insurance companies.

tax on Ohio-based insurance companies. Thus, the premium tax rate charged by Ohio affects the taxes paid by Ohio-based companies both inside and outside of Ohio.

## Comparison of Effective Ohio Business Tax Rate by Industry

Ohio businesses pay numerous state and local business taxes, including the Ohio Commercial Activity Tax (CAT), sales taxes on business inputs, real property taxes, utility gross receipts taxes, and other excise and license taxes levied by state and local governments. The insurance industry is subject to multiple Ohio taxes, the most significant of which is the premium tax. This section provides estimates of the total state and local taxes paid by businesses in Ohio in fiscal year 2008. Table 6 shows the estimated business taxes paid by firms in each major industry in Ohio, the gross state product of each industry, and the effective tax rate on gross state product (equal to taxes divided by gross state product). Taxes are expressed as a percentage of gross state product because the total tax amount includes taxes on purchases (sales, use, and excise taxes), tax on the value of real property, taxes on gross receipts (Commercial Activity Tax), and taxes on premiums. Because there is no common base for all of these types of taxes, the level of economic activity (measured by gross state product) is used as a common denominator.

In 2005, Ohio enacted significant tax reforms that eliminated the corporate franchise tax for general taxpayers, eliminated the tangible personal property tax for most taxpayers, and made significant changes to the rates and features of other state and local taxes. Three of these changes, the elimination of the corporate franchise tax, the adoption of the CAT based on gross receipts, and the elimination of the tangible personal property tax, were phased-in over five years.

Insurance companies are subject to a 1.4% premium tax; insurance companies were not subject to the old corporate franchise tax, nor are they subject to the 0.26% gross receipts tax (CAT), although insurance agents are subject to CAT on their commissions. Table 6 shows what the level of business tax collections in FY2008 would have been if the 2005 tax reforms had been fully phased-in. The figures assume that the tangible personal property tax has been eliminated and that the CAT is levied at the full 0.26% rate.<sup>6</sup> By reflecting the tax system that will apply in tax year 2009 and later years, the figures shown in Table 6 provide a meaningful comparison of the relative tax burden facing each industry in Ohio under the new business tax system.

Table 6 shows the total state and local business taxes levied on insurance companies, agencies, and related activities totaled \$640 million in FY2008. Ohio state and local business taxes equal 5.6% of the gross state product of the insurance industry in Ohio. Insurance premium taxes account for 66% of total Ohio state and local business taxes paid by the insurance industry, real property taxes represent 21%, unemployment insurance taxes are 4%, sales and use taxes are 2%, and other state and local taxes account for the remainder. The 5.6% effective tax rate for the insurance industry is 33% higher than the 4.2% average rate for all other industries.

<sup>6</sup> The CAT tax rate of 0.26% applies to gross sales beginning on April 1, 2009. The corporate franchise tax for general taxpayers is eliminated for activity years beginning in 2009.

The insurance industry's effective tax rate is more than double the average tax rate imposed on the services sectors in Ohio. The services sectors' average effective tax rate is 2.4%, combining effective tax rates in the information sector (4.0%), the financial services sector (4.2%), the professional and business services sector (1.6%), and other services sector (1.8%). Compared to these other service industries, insurance companies, agents, and related services in Ohio pay a significantly higher effective tax rate.

As shown in Table 6, the utility industry faces the highest effective tax rate among all Ohio industries. This high effective tax rate is primarily the result of utility excise taxes levied on Ohio sales of electric and natural gas utility services and property taxes on utility property. Industry-specific excise taxes levied on the utility industry accounted for 42% of its total state and local business tax burden while property taxes accounted for 49% of the total tax burden. Similar to the insurance premium tax, special industry-specific taxes can cause the tax burdens on those industries to be higher than average.

The measure of the effective tax rate presented in Table 6 compares the taxes paid by each industry to the in-state economic activity of those industries, as measured by gross state product (GSP). Many of the state and local taxes levied in Ohio are based on the location of the final sale rather than the location of the production activity that created the taxable transaction. For example, the CAT is a tax on the gross receipts of companies selling goods and services in Ohio and includes in the tax base the sales of goods and services produced in Ohio as well as imported goods and services produced in other states. These imported goods and services comprise an estimated 45% of the CAT tax base. Similarly, the insurance premium tax is a tax levied on premiums paid to Ohio-based insurance companies and insurance companies based outside Ohio that sell policies in Ohio. Tax is paid in the state where the risk being insured is located.

With the adoption of the CAT, Ohio's general business tax is imposed on gross receipts or sales made in Ohio. In effect the CAT operates very similarly to the insurance premium tax. Both taxes are imposed on sales in Ohio, including imports, and exempt sales to other states from the tax base. The CAT and the insurance premium tax can be compared in terms of the tax rates on sales. For the CAT, the tax rate is 0.26%; the premium tax rate on insurance companies is 1.4%. The tax rate on the sales of insurance companies is 5.3 times higher than the CAT rate on most other businesses selling goods and services in Ohio.

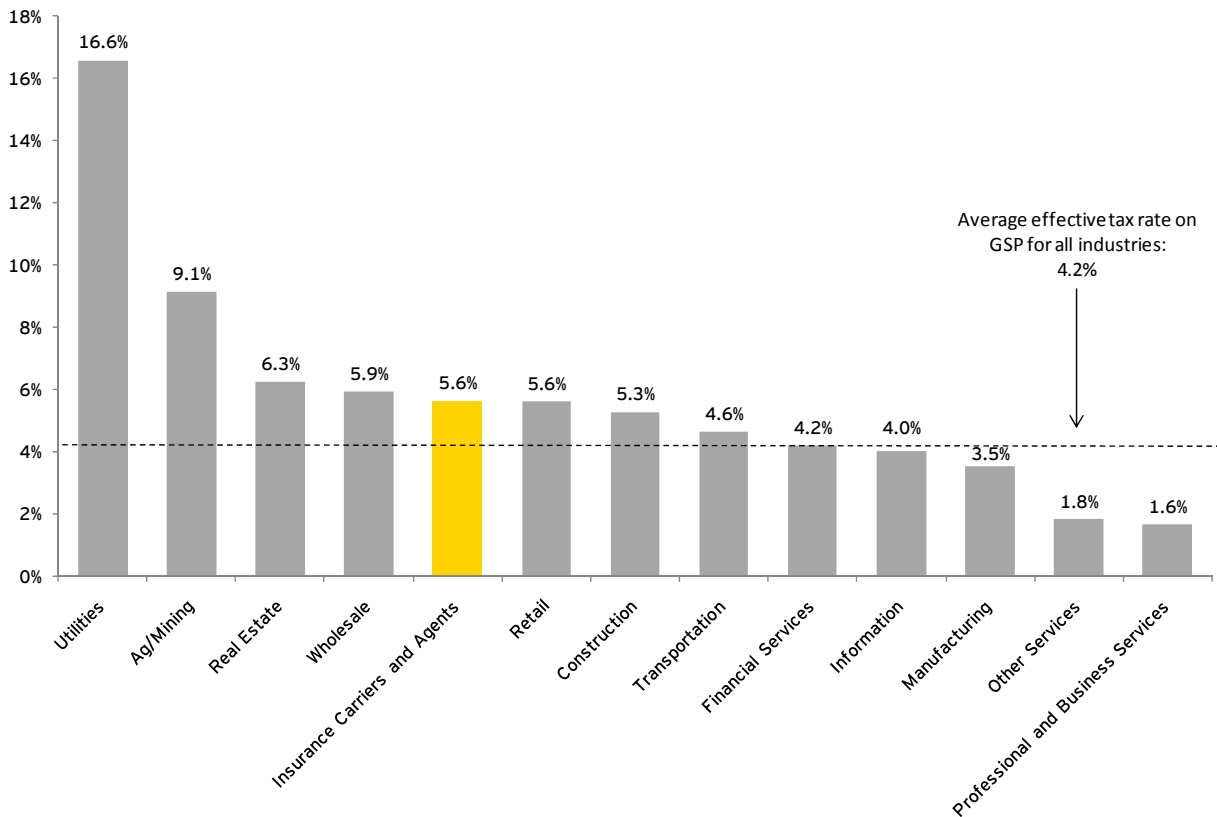
The retaliatory taxes paid by Ohio-based insurers are not included in the Table 6 calculations. But retaliatory taxes are a direct result of the Ohio premium tax rate.

**Table 6**  
**Effective State and Local Business Tax Rates on Gross State Product by Industry,**  
**FY2008**  
**(\$millions)**

<b>Industry</b>	<b>Business Taxes</b>	<b>Ohio Gross State Product</b>	<b>Effective Tax Rate on GSP</b>
Agriculture, mining	\$559	\$6,107	9.1%
Utilities	1,755	10,583	16.6
Construction	829	15,712	5.3
Manufacturing	3,006	85,068	3.5
Wholesale	1,683	28,489	5.9
Retail	1,695	30,279	5.6
Transportation	735	15,874	4.6
Information	529	13,210	4.0
Financial services	1,587	37,907	4.2
<i>Insurance companies, agencies, and related</i>	640	11,358	5.6
<i>Other financial services</i>	947	26,549	3.6
Real estate	3,085	49,314	6.3
Professional and business services	904	55,384	1.6
Other services*	1,213	66,732	1.8
All industries	\$17,579	\$414,659	4.2%

\*Includes education, health, hotels, restaurants, entertainment, repair, and other services.  
 Source: EY calculations, BEA.

**Figure 1**  
**Effective Business Tax Rates on Gross State Product by Industry, FY2008**



## Trends in Ohio Insurance Tax Collections

Table 7 shows the Ohio premium tax collections paid by insurance companies from fiscal year 1998 to 2008. Total collections have increased at an average annual rate of 2.1% for a 23% total increase over the eleven year period. Collections growth has been positive in all but three fiscal years. Collections decreased in 2008 for the first time since 2001. Collections growth has occurred despite Ohio phasing down its premium tax rate between 1997 and 2002. Collections in 2002 were \$2.6 million higher than in 1998, the second year of the phase down of the rate. The amounts in Table 7 are premium tax collections only, and do not include additional fees or surcharges imposed by Ohio or localities.

**Table 7**  
**Ohio Insurance Tax Collections, FY1998 to FY2008**  
 (\$Millions)

<b>Fiscal Year</b>	<b>Total Collections</b>	<b>% Change in Collections from Prior Year</b>
1998	\$344.2	--
1999	349.2	1.5%
2000	340.5	-2.5
2001	329.9	-3.1
2002	346.7	5.1
2003	376.5	8.6
2004	396.4	5.3
2005	414.2	4.5
2006	419.1	1.2
2007	425.7	1.6
2008	421.9	-0.9

Source: Ohio Department of Taxation, Annual Reports 1998-2007, Brief Summary of Ohio's Taxes 2009

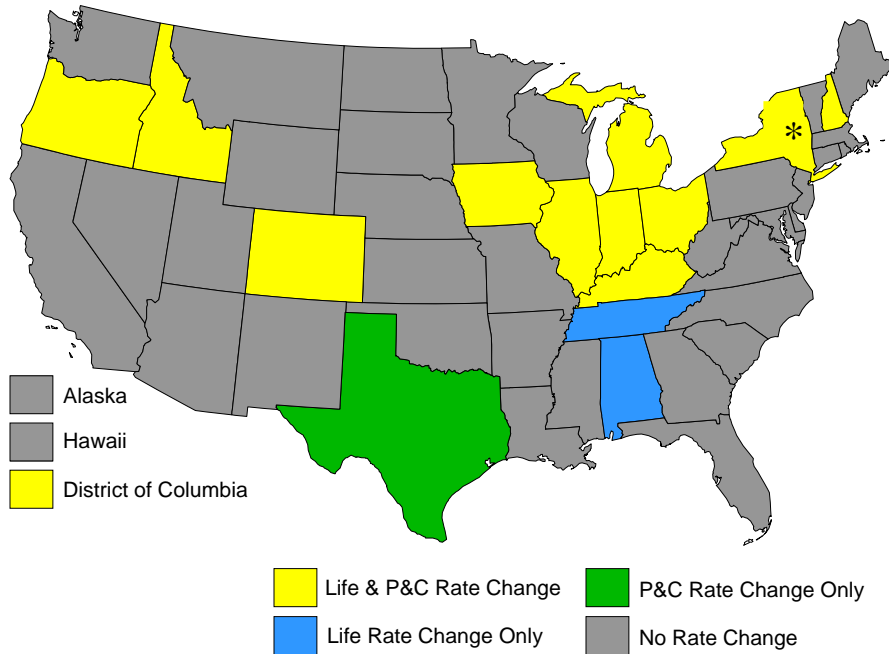
## Interstate Comparison and Recent Trends

State insurance premium tax rates vary significantly across the United States. States with low premium tax rates have a competitive advantage in attracting and retaining insurance companies and related jobs. Many factors influence the decision of where to incorporate and locate, one of which is taxes. For insurance companies, lower premium tax rates lower the cost of providing insurance within a state and reduce the retaliatory taxes that companies pay to other states. As a result of lower tax burdens, insurance companies based in states with relatively low premium taxes have a competitive advantage across the country.

Since 1995, 13 states and the District of Columbia have lowered their insurance premium tax rate. New York is the only state to have increased its rate. Alabama and Tennessee reduced rates for life insurers only, while Texas reduced its rate only for property and casualty

insurers. The trend is clearly towards lower rates. Figure 2 highlights the states that have made rate changes since 1995.

**Figure 2**  
**States with Insurance Premium Tax Changes, 1995 to Present**



\*Premium tax changes were a decrease in the premium tax rate for the period except for New York, which had an increase in the premium tax rate.

## Insurance Company Mobility: Redomestications, 1997-2007

Insurance companies are mobile organizations whose location decisions can be influenced by the competitiveness of business environments. Between 1997 and 2007, 137 life and accident and health companies and 298 property and casualty companies have redomesticated to another state. This finding is based on year-to-year comparisons of the state of domicile listed in companies' regulatory filings. An insurance company is considered to have redomesticated if it changes the state in which it is chartered.

Table 8 shows the states that have a net gain of \$2 billion or more in assets of insurance companies. Nebraska and Iowa are the two states with the largest gains, having attracted a net of 24 companies and \$208 billion in assets. Both states tax insurance companies at a 1% rate. Ohio has also been an attractive state for insurance companies to relocate. It ranks 9<sup>th</sup> among the 50 states and Washington, D.C. by total assets gained. Since 1997, Ohio has a net gain of 10 insurance companies and \$2.7 billion in insurance company assets.

**Table 8**  
**Insurance Company Redomestications, 1997-2007**  
**Net Asset Gain of \$2 Billion or Greater**

State	Companies Entering	Companies Leaving	Net Gain in # of Companies	Net Gain in Assets (\$Millions)
Nebraska	16	9	7	\$113,684
Iowa	29	12	17	95,253
Texas	34	13	21	7,495
Massachusetts	4	6	-2	7,133
Arizona	9	16	-7	6,990
Indiana	29	12	17	6,402
Kansas	6	3	3	4,741
Pennsylvania	16	15	1	4,325
<b>Ohio</b>	<b>38</b>	<b>28</b>	<b>10</b>	<b>2,737</b>
Virginia	3	3	0	2,035
<b>Subtotal</b>	<b>184</b>	<b>117</b>	<b>67</b>	<b>\$250,795</b>

Source: Ernst & Young Calculations

## Conclusion

The insurance industry is a major contributor to Ohio, with significant contributions to state employment and the economy. The total economic contribution of the industry exceeds \$10.3 billion in employee earnings and 216,000 total jobs. Over the last 20 years, Ohio's insurance industry has added jobs and increased payroll significantly. In addition, the insurance industry pays an above average rate of total taxes to Ohio. Ohio has been an attractive place for insurance companies to relocate, providing additional employment in the state, both in the industry and beyond.