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# KATIE SCHOOL OF INSURANCE AND RISK MANAGEMENT

*Illinois State University*

The Beneficial Role the of Insurance Industry in  
the State of Illinois

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# The Beneficial Role of Insurance Industry in State of Illinois

This study was conducted in 2023 by the Katie School of Insurance and Risk Management

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## Key Findings on Illinois-Domiciled Insurers in 2021

- Gross domestic product (GDP) of the Illinois insurance industry in 2021 was \$41.9 billion
- On a per capita basis, Illinois insurance industry GDP (\$3333/person) is second only to New York (\$3654/person).
- Investments of \$499 billion in bonds, including \$47 billion municipal bonds used to finance a wide array of public projects such as schools, roads, bridges, mass transit initiatives and health care facilities.
- Number of insurers: 107 property and casualty (P&C), 29 life, and 37 health
- IL direct employment in the insurance industry 155,159 employees and indirect employment of over 560,000
- 1<sup>st</sup> in the nation for premiums written for P&C (\$130 billion)
- \$1 out of every \$5 P&C premium dollars in the U.S. is written by an Illinois-domiciled insurer.
- P&C insurers paid over \$75 billion in claims which is over 20% of all claims paid in the U.S.
- 2<sup>nd</sup> in the nation for insurance premiums written across P&C, life, and health (\$229 billion)
- 2<sup>nd</sup> in the nation for premiums written in health (\$82 billion)
- Health insurers covered over 35 million lives, covering 1 in 6 enrollees on the individual market and 1 in 9 enrollees in the group market.
- 282,842 Illinois residents and out of state residents with IL insurance producer licenses
- Investments of \$791 billion, which is *more than the total state GDP* of \$780 billion in 2021
- Home to 2 of the 5 largest P&C insurers in the U.S., State Farm and Allstate
- Home to 2 of the 5 largest insurance brokerage firms, Arthur J. Gallagher and Hub International
- Home to the Blue Cross and Blue Shield Association, which covers 115 million lives across the United States and contracts with 1.7 million doctors and hospitals, more than any other insurer.
- The Insurance Industry Charitable Foundation contributed over \$45 million in local community grants.

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## Introduction

This study, conducted in 2023 by the Katie School of Insurance and Risk Management at Illinois State University, examines the role of the insurance industry in Illinois with respect to its impact on the economy, including its role in state employment, loss identification and recovery, institutional investment in government and corporate bonds, and as a contributor to state tax revenues. Data was sourced through S&P Global Capital IQ Pro database for National Association of Insurance Commissioners (NAIC) statutory data, the Bureau of Economic Analysis (BEA), the Bureau of Labor Statistics (BLS), the Federal Reserve Economic Data (FRED), the U.S. Census Bureau, the Illinois Comptrollers Website, the Illinois Insurance Department website, the Illinois Information Workforce Center, the Illinois Department of Employment Security (IDES) Labor Market Analysis, the Illinois Department of Revenue (IDoR), the Small Business Administration of Illinois, the Insurance Information Institute, and other sources. Thank you to Illinois State University graduate assistant Rudy Morr for her valuable assistance in securing the data used in this study and for her help in data analysis.

### Insurance Industry in the Illinois Economy

Insurance is the backbone of economic activity. There are many economic activities that would not be pursued were it not for a sound insurance mechanism to offer financial protection to businesses and households. Insurance companies serve as the facilitators of financial protection by pooling and bearing risk, aiding in disaster and other types of recovery, offering loss control services to reduce potential frequency and/or severity of loss, and serving as significant institutional investors in capital markets. Insurance companies indirectly support the economy through building and contributing knowledge in promoting a better understanding of risks and risk management, encouraging loss mitigation, and enabling households and businesses to engage in productive activities that may otherwise be too risky to pursue.

Insurance is a financial risk management tool that allows households and businesses to reduce or avoid risk by transferring it to a third party that pools and bears risk and functionally acts as the operator of the risk pool. While various risk-sharing arrangements have been in existence for centuries, risk as we think of it in current times is often contractually transferred via an insurance policy (i.e., legal contract) to an insurance company that aggregates and bears risk in exchange for a payment (i.e., the premium). The insurer contractually obligates itself to pay the losses to policyholders as dictated in the insurance policy (i.e., legal contract).

Households and businesses that are insured against a variety of potential catastrophic losses are then free to engage in activities that produce or preserve wealth, create jobs, and foster investment, innovation, and entrepreneurship. As households and businesses have greater financial protection through insurance, the need for holding capital is reduced which means households and businesses have more income and wealth to consume and invest in pursuits such as increasing human capital and technology, which makes state economies more competitive, self-sufficient, and robust.

Having adequate insurance protection for homes and businesses in times of increasing catastrophic losses is important for governments as the need for state (i.e., public) government disaster relief is mitigated. This is especially important in the current national political climate where the federal government involvement in disaster relief and protection is controversial and unpredictable and where the increased potential for loss is looming, as is the case with many natural disasters such as hurricanes and wildfires.<sup>4</sup> Moreover, in times of rapidly rising inflation, insurance serves to protect wealth and the ability to generate human capital and labor and offers relief and peace of mind. Uncertainty as to payments or partnerships with the federal government are of particular concern as state budgets rely on federal contributions for their own local disaster relief. Private market insurance solutions will continue to be in demand and a robust insurance industry, like that found in Illinois, can reduce uninsured rates, decrease the need for public disaster assistance, and lessen reliance of businesses and households on state subsidized insurance.

In this study, we focus on the supply side of the insurance industry. That is, we analyze insurers as producers of services and employment. This may differ from an approach focused on the demand side of insurance where the aim is to assess insurance as a consumption good and the analysis is meant to reflect behavior of households and businesses. Because our objective is to offer an assessment of the financial, employment, and charitable activities of Illinois-domiciled insurers, we leave the demand side to future research.

The three major sectors of the insurance industry are property & casualty (P&C), life, and health. Few insurers participate in all three sectors as specialization in a certain type of coverage offers increased advantages of scope and scale economies. Even within the P&C insurance sector, many companies choose to specialize in certain lines of business or types of coverage such as personal lines auto and home (e.g., State Farm and Allstate Insurance), while others focus on commercial business risks (e.g., CNA and Zurich Insurance).<sup>5</sup>

The Illinois Insurance Industry is exceptionally strong and diverse. In 2021, Illinois was home to 107 P&C insurers, 28 life insurers, and 37 health insurers.<sup>6</sup> Illinois is home to two of the five largest P&C insurers in the United States, State Farm and Allstate, and two of the five largest insurance brokerage firms, Arthur J. Gallagher and Hub International.<sup>7</sup> Within Illinois in the health sector, the Blue Cross and Blue Shield Association, which covers 115 million lives across the United States and contracts with 1.7 million doctors and hospitals, more than any other

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<sup>4</sup> <https://www.oecd.org/daf/fin/insurance/enhancing-financial-protection-against-catastrophe-risks.htm>

<sup>5</sup> A complete list of Illinois insurers, as of 2021, by insurance sector is reported in the Appendix.

<sup>6</sup> We counted a health insurer as domiciled in Illinois *and* with positive reported covered lives. There were more insurers domiciled but with no covered lives in 2021. Those insurers are not counted in this report. P&C and Life insurers are counted if they are domiciled in Illinois and have positive premiums in 2021.

<sup>7</sup> <https://www.insurancebusinessmag.com/us/guides/americas-largest-property-and-casualty-insurers-in-2022--a-statebystate-breakdown-423377.aspx>

insurer, is headquartered in Chicago. About \$1 out of every \$5 dollars of P&C premium in the United States is underwritten by Illinois domiciled firms. For health, Illinois domiciled insurers are second out of all 50 states in health premiums earned and claims incurred. Illinois domiciled health insurers covered over 35 million lives in 2021. Additionally, Illinois domiciled health insurers covered 1 in 6 enrollees on the individual market and 1 in 9 enrollees in the group market. This has a tremendous positive impact on the Illinois economy as well as the nation. As Exhibit 1 shows, the gross domestic product (GDP) of the Illinois insurance industry in 2021 was \$41.9 billion. Illinois domiciled insurers represent nearly 7% of the U.S. insurance industry placing it fourth in the entire nation just behind New York, Texas, and California. On a per capita basis, Illinois insurance industry GDP (\$3333/person) is second only to New York (\$3654/person).

**Exhibit 1: Gross Domestic Product of Insurance Industry by State (2021Y)**

Rank GDP	State	GDP (\$ billions)	% National Insurance Industry
1	New York	71.91	11.28%
2	Texas	44.85	7.04%
3	California	43.05	6.75%
4	Illinois	41.93	6.58%
5	Florida	39.63	6.22%
6	Ohio	29.74	4.67%
7	Pennsylvania	26.56	4.17%
8	Connecticut	21.07	3.31%
9	Iowa	20.84	3.27%
10	New Jersey	19.64	3.08%

Source: Bureau of Economic Analysis, 2022

Further, the Illinois insurance industry is a significant contributor to GDP in comparison to other industries within Illinois. As detailed in Exhibit 2, in 2021, the insurance industry in Illinois contributed 4.43% of the GDP to the state of Illinois, which is significant for a particular industry. Insurance activity is ranked higher than hospitals, agricultural, construction, or food services industries making it one of the single most impactful industries in the state GDP.

**Exhibit 2: Illinois GDP by Industry (2021Y)**

Industry	GDP (\$ billions)	% State GDP
Insurance carriers and related activities	41.93	4.43%
Transportation and warehousing	34.68	3.67%
Construction	30.63	3.24%
Hospitals	26.74	2.83%
Accommodation and food services	26.58	2.81%
Agriculture, forestry, fishing, and hunting	10.28	1.09%

Source: Bureau of Economic Analysis, 2022

Illinois domiciled insurance companies wrote \$228.9 billion in insurance premiums for property-casualty, life, and health insurance combined. This placed Illinois **first** overall in the country for

P&C and **second** overall in the country for health insurance premiums. Exhibit 3 depicts where Illinois placed in each of the three insurance sectors. Illinois ranks higher in every sector compared to California ranks higher in P&C and health than Indiana, Iowa, Michigan, Ohio, and Wisconsin, and ranks much higher than the other surrounding states of Kentucky and Missouri.

**Exhibit 3: Ranking of Insurance Premium Written by State (2021Y)**

State	Rank-Overall	Rank-P&C	Rank-Life	Rank-Health
CT	1	5	1	1
IL	2	1	16	2
NY	3	8	2	5
OH	4	2	10	8
WI	5	7	12	4
TX	6	6	8	6
NE	7	3	5	26
DE	8	4	3	46
FL	9	14	27	3
MI	10	13	6	9
IA	14	15	4	31
IN	15	16	9	16
CA	17	9	29	39
MO	19	17	17	23
KY	29	31	28	20

Source: S&P GLOBAL CAPITAL INFOPRO, 2022

Exhibit 4 illustrates the extent to which the Illinois P&C insurance industry dominates the P&C insurance sector nationally. The importance of insurance activity generated by the insurance industry in the State of Illinois should not and cannot be understated. Illinois domiciled insurers represent \$130 billion of the \$716 billion in premium that comes from the P&C sector *across the nation*. This is a remarkable 18.2% of the entire P&C insurance sector in the United States!

**Exhibit 4: Illinois Domiciled Insurance Net Premiums by Line (2021Y), in \$ billions**

Area	P&C	Life	Health
Illinois	130.24	16.66	82.1
U.S. Total	715.79	701.63	924.8
% U.S. Total	18.19%	2.37%	8.88%

Source: S&P GLOBAL CAPITAL INFOPRO, 2022

The surplus lines market, a group of highly specialized insurers that exist to provide coverage for exceptional risks that are outside the scope of insurers in the standard market, is an important part of the insurance market since these insureds may not otherwise be eligible to obtain coverage. In 2021, surplus lines market insurers in Illinois wrote nearly 100,000 policies across a

variety of business lines.<sup>8</sup> The Illinois surplus lines market accounts for \$2.5 billion in gross premiums written in 2021.<sup>9</sup>

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

The economic impact of the insurance industry to the State of Illinois goes far beyond the direct employment and compensation paid to workers in the insurance industry. Indirect impacts of employment and compensation in insurance include transactions by workers increasing the demand for goods and services in other industries. This is known as the multiplier effect and is well-recognized in economics modeling systems. Income and employment multipliers relate to how a change in direct income or employment affect change in total income and employment within the local economy. For example, an income multiplier for a direct industry change of 1.75 indicates that a \$1.00 change in income in the direct industry will produce a total income change of \$1.75 in the local economy. Similarly, an employment multiplier of 1.75 indicates that the creation of one new direct job will result in a total of 1.75 jobs in the economy.

### Insurance Industry as Investor in Local Governments and Businesses

As policyholders take out insurance policies, insurers invest part of the premiums until claims are paid. Insurers boost the economy by increasing investments heavily in both government and corporate bonds. The insurance industry's need to maintain large holdings of assets to back claims and satisfy regulatory and ratings agency requirements means that the industry is one of the largest institutional investors in world. Indeed, in 2021, the U.S. insurance industry collectively held \$6.5 trillion in bonds and stocks, and they held more than 25% of all corporate bonds making them the largest institutional investors of corporate bonds.<sup>10</sup> For perspective, insurer invested assets are the equivalent to one-fourth of total GDP!<sup>11</sup> Insurers are necessarily conservative investors and, as such, concentrate their investments in relatively low risk, highly liquid securities, especially bonds. This conservative portfolio allocation is illustrated by an Insurance Information Institute study showing on average two-thirds of invested assets for property-casualty (P&C) insurers are in the form of bonds, and three-quarters of life insurers' portfolio is in fixed income securities.<sup>12</sup>

On average, 20% of the P&C insurance industry's bond portfolio is invested in municipal securities ("munis") issued by cities, states, and counties. Exhibit 5 shows Illinois insurers' investments

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<sup>8</sup> Surplus Lines Market Illinois Policy Counts, page 31

<https://doi.illinois.gov/content/dam/soi/en/web/insurance/sites/insurance/companies/documents/cc-annualrpt22.pdf>

<sup>9</sup> We identify licensed surplus lines insurers in the NAIC dataset by pulling state-level premiums and licensing information from the Schedule T.

<sup>10</sup> [https://bfi.uchicago.edu/wp-content/uploads/2022/01/BFI\\_WP\\_2022-17.pdf](https://bfi.uchicago.edu/wp-content/uploads/2022/01/BFI_WP_2022-17.pdf)

<sup>11</sup> Ge, S., & Weisbach, M. S. (2021). The role of financial conditions in portfolio choices: The case of insurers. *Journal of Financial Economics*, 142(2), 803-830.

<sup>12</sup> <http://financialservices.house.gov/uploadedfiles/hhrg-112-ba04-wstate-rhartwig-20120724.pdf>



(excluding investments in affiliated organizations). In 2021, Illinois insurers held \$499 billion in bonds. Of those bonds, Illinois companies held \$47 billion in municipal bonds (munis). Munis are used for public projects (streets, sewer, roads, parks, etc.) In addition, insurers held \$102 billion of corporate bonds. Corporate bonds are an important source of long-term capital for economic growth. State and local economies benefit from a wide array of projects such as schools, roads, bridges, mass transit initiatives, and health care facilities.

**Exhibit 5: Assets and Net Bonds of Illinois Insurers by Line (2021Y), in \$ billions**

Line	Total Cash & Investments, Excl Affiliated	Net Bonds
PC	336.01	203.89
Life	159.12	113.60
Health	295.98	181.22
Total	791.11	498.71

Source: S&P GLOBAL CAPITAL INFOPRO, 2022

**Insurance Industry as Protector from Loss**

The main role of the insurance industry is to offer financial protection that indemnifies policyholders – households and businesses - from financial loss covered under insurance policies.

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

The life insurance industry provides beneficiaries with financial protection against the possibility of loss of income due to death of an insured individual. They also provide payments for annuities. An annuity, in its simplest form, is a contract between an individual and a life insurance company specifying a future stream or series of payments that will be made in exchange for a payment made to that insurance company at the beginning of the contract term. The annuity arrangement allows the purchaser of the annuity to transfer to the insurer the risk associated with outliving one’s assets since annuities are paid out at least until the death of the beneficiary.

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

Exhibit 6 highlights the losses paid out in 2021 by insurance sector, and the percentage of losses paid out by Illinois insurers compared to the U.S. nationally. In 2021, Illinois insurers paid out \$162 billion for P&C, life, and health losses.

What is perhaps most striking from this exhibit is that the U.S. economy as a whole is a beneficiary of insurers in Illinois, which are significantly property and casualty losses. In 2021, Illinois P&C insurance paid out over \$75 billion to policyholders in the U.S for losses to homes, autos, and businesses. That amount represents 20% of all property and casualty claims made in the entire country!

**Exhibit 6: Insurance Company Losses and Benefits by Line (2021Y), in \$ billions**

Area	P&C Insurance Losses Paid Less Salvage	Life Insurance Benefits and Losses	Health Losses Paid
Illinois	75.16	16.55	70.34
U.S. Total	368.90	798.02	788.63
% U.S. Total	20.37%	2.07%	8.91%

Source: S&P GLOBAL CAPITAL INFOPRO, 2022

Insurers also play a role in preventing losses and encouraging loss mitigation by offering discounts for loss control activities such as safe driving, smoking cessation, participating in drivers’ education classes, installing sprinklers and alarms, participating in worker safety programs, and buying cars with higher safety ratings, to encourage policyholders to prevent and/or reduce losses. Insurers also sponsor organizations such as the Insurance Institute for Highway Safety which performs tests on the potential damage from automobile crashes. Over the years, studies funded by the insurance industry have contributed to automobile safety via seat belts, head rests, airbags, reducing teen related highway deaths, reduced alcohol fatalities, auto crash tests, breakaway light poles, guard rails, compression zones on highway barriers, and other initiatives. The industry funds the Institute for Business & Home Safety which studies how to make buildings safer from disasters. Illinois insurers play a significant role in funding these organizations and other related organizations.

Consumers also benefit from the activities of Illinois domiciled insurers. Several Illinois insurers have consistently been rated highly for customer satisfaction. Because insurers assume trillions of dollars of exposure in exchange for premiums received from millions of policyholders each year, insurers necessarily hold assets large enough to pay for any reasonable—and even highly improbable—levels of claims activity. Insurers maintain surplus according to regulatory and rating agency requirements to meet their financial obligations in times of catastrophes.

Exhibit 7 details the \$281.68 billion in policyholder surplus held on Illinois insurer balance sheets at the beginning of 2021 to help assure that Illinois insurers will remain solvent no matter what catastrophes may arise.

**Exhibit 7: Illinois Insurer Surplus as Regards Policyholders by Line (2021Y), in \$ billions**

Insurer Type	Surplus as Regards Policyholders
Health	28.51
Life	24.30

PC	228.87
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Source: S&P GLOBAL CAPITAL INFOPRO, 2022

## Insurance Industry as Employer

The insurance industry in the U.S. employs over 3 million people. In 2017, there were 159,397 people employed directly by the insurance industry in Illinois. This is more than any of the surrounding states and, in fact, is more than twice the employment of Missouri, Indiana, Iowa, or Kentucky.

Employees in the insurance industry work in various occupations and in organizations ranging in size from large insurance companies to single person insurance agencies. Exhibit 8 provides detailed employment numbers from 2017 to 2021 for the U.S., Illinois, and its surrounding states. Exhibit 8 also shows job growth in the state of Illinois that is in line with the average growth in surrounding states.

Exhibit 8: Insurance Industry Employment by State and Year

State or Area	2017	2018	2019	2020	2021	Increase in 2017-2021 Period
U.S.	3,337,100	3,549,600	3,449,400	3,514,800	3,443,400	3.19%
Illinois	155,159	164,094	163,907	165,278	159,397	2.73%
Ohio	143,072	151,362	144,578	146,889	144,016	0.66%
Michigan	83,524	87,189	86,279	87,026	85,681	2.58%
Wisconsin	81,762	84,402	82,889	83,843	83,856	2.56%
Missouri	70,610	75,146	73,970	76,578	74,705	5.80%
Indiana	64,727	69,132	67,032	67,960	66,813	3.22%
Iowa	57,972	60,437	60,150	60,790	59,197	2.11%
Kentucky	44,389	45,480	43,778	44,034	43,992	-0.89%

Source: Bureau of Economic Analysis, 2022

Indirect employment relates to those who work with, but not directly in, an industry. In addition to the direct contribution to employment (155,159 workers), the insurance industry, the industry has backward *linkages* to economic sectors that provide the materials, products, and services needed for the insurance industry's output and *forward linkages* to the economic sectors where the industry's workers spend their income<sup>13</sup>. Given these linkages the impact on the state of Illinois is massive. The Economic Policy Institute's multiplier would suggest that the Illinois Insurance Industry's direct employment of would create 232,500 supplier jobs, and 333,250 induced jobs making **total indirect jobs of 560,000**.

Exhibit 9 provides a breakdown of insurance industry occupations in Illinois that employed over 72,000 workers in Illinois. The state of Illinois has just under 5% of the workforce in the insurance

<sup>13</sup> Economic Policy Institute 2019 <https://www.epi.org/publication/updated-employment-multipliers-for-the-u-s-economy/>

industry nationwide. However, some occupations are particularly present in Illinois. While several of the top occupations are somewhat industry specific, most of the occupations are not. For example, Illinois has over 10% of all the actuaries in the industry. Illinois is home to more than its share of several other well-paying occupations such as accountants, financial managers, management analysts, computer systems analysts, and insurance underwriters.

#### Exhibit 9: Illinois and National Employment by Insurance Occupation

Occupation Code	Occupation Title	2020 IL Employment	2030 Projected IL Employment	% Change in Employment	2020 National Employment
13-1000	Business Operations Specialists	17,276	18,846	9.09%	421,950
41-3021	Insurance Sales Agents	14,986	15,904	6.12%	403,150
43-9041	Ins. Claims & Policy Processing Clerks	8,926	8,914	-0.13%	181,300
13-1031	Claims Adjusters/ Examiners/ Investigators	8,001	7,721	-3.50%	199,580
13-2053	Insurance Underwriters	6,434	6,281	-2.38%	95,960
13-1111	Management Analysts	2,872	3,195	11.23%	53,000
11-3031	Financial Managers	2,649	3,128	18.11%	43,530
43-6000	Secretaries & Administrative Assistants	2,635	2,381	-9.64%	71,310
15-1211	Computer Systems Analysts	2,214	2,306	4.16%	36,030
43-1000	Supervisors, Office & Adm. Support Workers	2,039	2,029	-0.52%	59,560
15-2011	Actuaries	1,642	2,049	24.78%	16,330
13-2011	Accountants & Auditors	1,609	1,780	10.65%	39,710
41-3031	Sec/Commod/ Fin Services Sales Agents	629	659	4.86%	11,290
13-1032	Insurance Appraisers, Auto Damage	278	277	-0.36%	11,080

Source: Bureau of Labor Statistics, 2021

Data analytics and computer technology are expected to drive high growth in Illinois employment through 2030. Growth in insurance agents' and accountants' positions is also expected.

A unique and important part of the industry relates to insurance agents and brokers. Illinois is home to several large international insurance brokers, including Aon-Benfield in Chicago, Arthur J. Gallagher in Schaumburg, Illinois, and Hub International in Chicago. Exhibit 10 shows the breakdown of the various occupations found within the insurance agents' and brokers' workforce in 2020, including self-employed agents, principals, managers, and customer service representatives working for insurance agents and brokers.

**Exhibit 10: Illinois Employment in Insurance Agencies and Brokerages (2020Y)**

Occupation Title	Illinois Employment (Estimated)	Percentage of Total Employment
All Occupations	42,816	100.00%
Insurance Sales Agents	15,380	35.92%
Business and Financial Operations Occupations	6,497	15.17%
Customer Service Representatives	5,511	12.87%
Management Occupations	3,478	8.12%
Insurance Claims and Policy Processing Clerks	2,975	6.95%
Illinois Producer Licenses (2023) <sup>14</sup>	282,842	

Sources: Bureau of Labor Statistics, 2021 & IDES, 2023

\*Percentage of total employment is calculated using national numbers. This is used to estimate Illinois employment.

Not reflected in the growth numbers is the demographic of the insurance industry workforce. Insurers have greater exposure to the aging workforce than most industries, due to its focus on experienced workers. The median age of all workers in the U.S. is 42.3 years old, while the median age of workers in the insurance industry is 44.5 years.<sup>15</sup>

According to the Bureau of Economic Analysis the compensation of all employees for the state of Illinois in 2021 was \$335 billion and workers in the insurance industry in Illinois earned just over \$4 billion or nearly 1.19% of the total earnings.

The jobs in the insurance industry jobs compare favorably to the average employment in Illinois. According to the BLS the median wage for all workers in Illinois was \$46,630 for 2020 compared to the median wage of workers employed in the insurance industry in Illinois which was \$60,490. In addition, wages for Illinois workers in the insurance industry compare favorably to national averages for the same occupations as demonstrated in Exhibit 11.

**Exhibit 11: Illinois and National Median Salary by Insurance Occupation (2020Y)**

Occ. Code	Occupation Title	Illinois	National
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<sup>14</sup>[https://ides.illinois.gov/content/dam/soi/en/web/ides/labor\\_market\\_information/Licenses%20By%20Agency23.pdf](https://ides.illinois.gov/content/dam/soi/en/web/ides/labor_market_information/Licenses%20By%20Agency23.pdf)

<sup>15</sup> <https://www.bls.gov/cps/cpsaat18b.htm>

00-0000	All Occupations	\$46,630	\$61,320
13-1031	Claims Adjusters, Examiners, and Investigators	\$62,160	\$62,980
13-2052	Personal Financial Advisors	\$98,210	\$69,410
13-2053	Insurance Underwriters	\$60,490	\$76,060
15-2011	Actuaries	\$101,510	\$105,960
41-3021	Insurance Sales Agents	\$47,930	\$50,010
41-3031	Securities, Commodities, and Fin Services Sales Agents	\$71,540	\$61,100
43-9041	Insurance Claims and Policy Processing Clerks	\$38,000	\$46,480

Source: Bureau of Labor Statistics, 2021

### Insurance Industry as a Contributor to State Tax Revenue

Illinois’s tax policy with respect to the insurance industry is different from other industries and has some unique taxes. Exhibit 12 illustrates some of the various sources of revenue the state of Illinois gets from the insurance industry. The state of Illinois collected \$608,507,164 from the insurance industry for 2022. The two largest categories are privilege taxes and retaliatory taxes. Both of these types of taxes are related to taxes on insurance premiums.

#### Exhibit 12: Insurance Company Payments to State of Illinois by Revenue Source

Code	Revenue Source	Amount
0394	Privilege Tax - Insurance	\$213,700,815.30
0468	Retaliatory Tax	\$136,286,579.85
1846	Surplus Line Tax Insurance	\$103,468,896.82
0922	Insurance Producer Licenses	\$51,146,899.97
0111	Fire Marshal Tax	\$37,807,969.16
1015	Miscellaneous	\$21,293,720.00
1847	Ind Comm Op Fund Surcharge	\$19,453,036.08
0344	1/2% Comp PD Employer	\$11,936,016.48
0795	Interest on Late Filing Fees	\$3,585,314.37
0987	Insurance User Fees	\$2,962,938.63
2510	Independent Procurement Tax	\$2,169,253.00
0918	Agent & Broker examination	\$1,806,408.00
0499	Self-Insured Employers	\$1,227,517.21
0104	Employer Pay/Employee Comp	\$804,568.13
1039	Performance Examination	\$735,078.00
0500	Surety Bonds	\$122,152.81
	Total	\$608,507,163.81

Source: State of Illinois Comptroller Search Query, 2022

Per Section 409 of the Illinois Insurance Code (215 ILCS 5/409, effective May 29, 1998), there is a premium tax of 0.4% on the net taxable premium for all accident and health written and 0.5% on the net taxable premiums written for all other types of insurance premiums written. This premium tax is paid by the insurers for the “privilege” of writing insurance in Illinois. This applies to all insurers doing business in Illinois. However, some insurers domiciled in other states (foreign

insurers) are required to pay an additional tax to retaliate for the higher taxes charged against Illinois insurers doing business in their home states.

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

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

Premium taxes in 2021 (which does not include license fees and some other revenue items) equaled \$513.2 million representing 0.76% of the Illinois state's revenues.<sup>16,17</sup> In addition to taxes from insurance organizations, the state collects personal income tax from employees working in the industry. Insurance industry workers also paid property taxes, sales taxes, and other taxes and fees to the state enhancing their contributions to state and local revenues.

### Insurance Industry as Citizen of the State

The insurance industry contributes to the economy through taxes and investments in local communities. The industry is also a major contributor to charitable causes. The Insurance Industry Charitable Foundation (IICF) and McKinsey and Co. found that insurance industry charitable giving was between \$500-\$600 million annually from 2015-2019.<sup>18</sup>

Some of the most charitable insurance firms are domiciled in Illinois. Insurers such as State Farm, Allstate, Zurich North America, and CAN, for example, all have foundations that make charitable contributions to local causes. The Insurance Industry Charitable Foundation, a community of like-minded insurance professionals, has supported hundreds of nonprofits since its inception over 30 years ago. Volunteers have completed more than 320,000 hours of community service.<sup>19</sup>

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<sup>16</sup> <https://fred.stlouisfed.org/series/ILINSURTAX>

<sup>17</sup> <https://tax.illinois.gov/content/dam/soi/en/web/tax/research/taxstats/annualcollectionsdistributions/documents/fy22-annual-report.pdf>

<sup>18</sup> <https://www.iii.org/publications/a-firm-foundation-how-insurance-supports-the-economy/driving-economic-progress/charitable-contributions>

<sup>19</sup> <https://www.iicf.org/>

Illinois hosts the Midwest Insurance Industry Charitable Foundation, founded in 2012. They have contributed over \$45 million in local community grants. The industry gives about two-thirds of donations to education, health, social services, and community needs.

## Summary

The insurance industry in Illinois has a substantial impact on both the economy of Illinois and on the U.S. economy as a whole. The insurance industry offers well-paying, steady employment to many millions of Americans. Insurance transactions not only offer financial protection to households and businesses but insurance itself is virtually recession-proof. Regardless of macroeconomic conditions, insurance is essential to the economic pursuits of households and businesses in this country. In fact, insurance may be *even more important* in times of recession and economic downturn.

The Illinois insurance industry's employment, contribution to state GDP, premiums written, losses paid, and investments places the Illinois insurance industry as one of the top-ranking industries in the nation. The promise of indemnification offered by Illinois-domiciled property and casualty insurers is one of the country's most significant ways in which Americans insure against losses to homes, autos, and businesses. The insurance industry in Illinois is a flagship industry for the entire country.

## Appendix

### A: List of Illinois P&C Insurers and Premiums in 2021

Entity Name	NAIC Group Number	NAIC Company Code	Net Premiums Written (\$000) 2021Y
ACIG Insurance Co.	594	19984	99,325
ACSTAR Insurance Co.	NA	22950	859
Alamance Insurance Co.	479	10957	59,102
Allianz Global Risks US Ins Co	761	35300	2,477,450
Allstate Insurance Co.	8	19232	37,620,461
Allstate New Jersey Ins Co.	8	10852	1,172,238



American Access Casualty Co.	215	10730	359,862
American Alliance Casualty Co.	NA	13752	70,889
American Freedom Insurance Co.	309	10864	19,616
American Heartland Ins Co.	167	10031	17,044
AMEX Assurance Co.	NA	27928	117,711
Apollo Casualty Co.	3678	10343	4,020
Argonaut Insurance Co.	457	19801	550,843
AXIS Insurance Co.	3416	37273	488,083
AXIS Surplus Insurance Co.	3416	26620	121,193
Benefit Security Insurance Co.	NA	12987	1,533
Blue Hill Specialty Ins Co.	155	15643	21,908
Bureau Veritas Inspection	NA	15385	1
Burlington Insurance Co.	479	23620	83,727
Castle Key Insurance Co.	8	30511	224,223
Clearcover Insurance Co.	NA	16524	41,068
Concert Insurance Co.	5015	10891	11,531
Continental Casualty Co.	218	20443	7,240,017
Contractors Bonding & Ins Co.	783	37206	74,394
COUNTRY Mutual Insurance Co.	50	20990	2,671,280
Diamond Insurance Co.	NA	10659	25,720
Doctors Direct Insurance Inc.	4953	12843	4,788
Dover Bay Specialty Ins Co.	176	15894	15,538
Echelon P&C Insurance Co.	4706	11702	5,434
Education Insurance Corp of IL	NA	16850	80
Evanston Insurance Co.	785	35378	1,645,231
Falcon Insurance Co.	NA	14254	49,850
Farmers Automobile Ins Assn.	153	24201	452,044
Farmers New Century Ins Co.	69	10806	123,315
FBalliance Insurance Co.	4860	15826	6,446
First Chicago Insurance Co.	4727	13587	110,227
First Financial Insurance Co.	479	11177	44,326
Florists' Mutual Insurance Co.	169	13978	28,497

Fortress Insurance Co.	508	10801	21,795
Founders Insurance Co (IL)	201	14249	65,733
Frontier - Mt Carroll Mutl Ins	NA	26735	13,435
Frontline Ins Unlimited Co.	4773	10074	46,405
Gateway Insurance Co.	5006	28339	16,505
Governmental Interinsurance	NA	37036	2,869
Guilford Insurance Co.	479	10956	59,102
Harco National Insurance Co.	225	26433	300,638
Hartford Insurance Co. of IL	91	38288	1,103,998
HDI Global Insurance Co.	517	41343	98,432
HDI Specialty Insurance Co.	517	16131	66,852
Hiscox Insurance Co.	4666	10200	517,715
Horace Mann Insurance Co.	300	22578	248,236
Horace Mann P&C Insurance Co.	300	22756	159,839
Hutterian Brethren Mutl Ins	NA	15455	301
Illinois Casualty Co.	NA	15571	60,210
Illinois Farmers Insurance Co.	69	21679	123,315
Independent Mutual Fire Ins Co	NA	29831	23,875
ISBA Mutual Insurance Co.	NA	42927	18,014
ISMIE Indemnity Co.	2358	11084	2,200
ISMIE Mutual Insurance Co.	2358	32921	172,026
Lancer Insurance Co.	4990	26077	244,719
Lutheran Mutual Fire Ins Co.	NA	28134	313
Madison Mutual Ins Co. (IL)	NA	14443	28,758
Markel Insurance Co.	785	38970	609,299
Medical Alliance Ins Co. (IL)	NA	11861	3,263
Mendakota Casualty Co.	4937	42862	6,286
Midwest Insurance Co.	4810	10895	52,706
Mt. Hawley Insurance Co.	783	37974	347,831
National Fire & Casualty Co.	NA	41068	1,949
National Heritage Insurance Co	NA	10658	1,888
NHRMA Mutual Insurance Co.	NA	10751	10,327
North Light Specialty Ins Co.	8	13167	60,120

Oglesby Reinsurance Co.	176	14103	178,842
Old Repub General Ins Corp.	150	24139	293,086
Old Repub Union Insurance Co.	150	31143	0
Omni Indemnity Co.	3678	34940	15,954
Omni Insurance Co.	3678	39098	24,122
OMS National Insurance Co. RRG	508	44121	66,921
Pekin Insurance Co.	153	24228	113,011
Pie Casualty Insurance Co.	5037	10997	20,799
Prime Insurance Co.	4131	12588	186,259
Prime P&C Insurance Inc.	4131	14371	136,678
ProAssurance Ins Co. of Am	2698	14460	69,345
Public Service Insurance Co.	NA	15059	794
RLI Insurance Co.	783	13056	635,308
Rockford Mutual Insurance Co.	NA	27065	65,642
Safety First Insurance Co.	3098	11123	2,216
Safeway Ins Co. of AL Inc.	257	11223	38,015
Safeway Insurance Co.	257	12521	193,533
Specialty Risk of America	NA	19780	12,026
Spinnaker Insurance Co.	5010	24376	16,805
State Farm F&C Co.	176	25143	19,897,623
State Farm General Ins Co.	176	25151	2,488,418
State Farm Indemnity Co.	176	43796	635,425
State Farm Mutl Automobile Ins	176	25178	43,278,712
Stonegate Insurance Co.	4717	14012	26,904
Teachers Insurance Co.	300	22683	197,377
TransGuard Ins Co. of Am Inc.	225	28886	291,488
Transit General Insurance Co.	4901	13660	6,141
U.S. Insurance Co. of America	NA	13017	1,292
Underwriters at Lloyd's (IL)	NA	15792	71,411
Unique Insurance Co.	4717	10655	69,168
United Equitable Insurance Co.	167	24910	19,868
United Security Insurance Co.	4727	81108	8,021
USPlate Glass Insurance Co.	NA	28497	8,982

Virginia Surety Co.	19	40827	612,867
Viva Seguros Insurance Co.	4717	14941	28,356
Vouch Insurance Co.	NA	17048	2,649
Total			130,262,883

**B: List of Illinois Life Insurers and Premiums in 2021**

Entity Name	NAIC Company Code	NAIC Group Number	Net Premiums Written (\$000) 2021Y
4 Ever Life Insurance Co.	80985	23	59,032
Bankers Life & Casualty Co.	61263	233	2,727,180
Columbian Life Insurance Co.	76023	535	51,127
Combined Insurance Co. of Am	62146	626	923,035
COUNTRY Life Insurance Co.	62553	50	562,672
Dearborn Life Ins Co.	71129	917	568,034
Educators Life Ins Co. of Am	62790	300	1,546
ELCO Mutual Life & Annuity	84174	NA	219,214
Federal Life Insurance Co.	63223	4966	22,664
Fidelity Life Assn. A Legal	63290	NA	60,973
Guarantee Trust Life Ins Co.	64211	687	255,520
Horace Mann Life Insurance Co.	64513	300	571,299
Illinois Mutual Life Ins Co.	64580	NA	97,964
Life Assurance Co. of America	75027	NA	7
Lincoln Heritage Life Ins Co.	65927	NA	374,218
Old Repub Life Insurance Co.	67261	150	10,801
Pekin Life Insurance Co.	67628	153	197,326
Reliance Standard Life Ins Co.	68381	3098	2,057,284
Resource Life Insurance Co.	61506	233	3
State Farm Life & Accdt Assr	69094	176	266,728

State Farm Life Insurance Co.	69108	176	5,479,255
Sterling Life Insurance Co.	77399	901	45,035
Trustmark Insurance Co.	61425	276	389,742
Trustmark Life Insurance Co.	62863	276	119,605
United Insurance Co of America	69930	215	599,678
United Natl Life Ins Co. of Am	92703	687	26,453
Wilcac Life Insurance Co.	62413	4213	108,564
Zurich American Life Ins Co.	90557	212	862,797
Total			16,657,757

**C: List of Illinois Health Insurers and Premiums in 2021**

Entity Name	NAIC Company Code	NAIC Group Number	Premiums Written (\$000s) 2021Y
Coventry Health Care of IL Inc	74160	1	515,380
4 Ever Life Insurance Co.	80985	23	174,382
Humana Benefit Plan of IL Inc.	60052	119	3,782,335
State Farm Mutl Automobile Ins	25178	176	1,061,500
Continental Casualty Co.	20443	218	442,932
UnitedHealthcare(River Valley)	12231	707	4,457,873
UnitedHealthcare Plan	95378	707	3,417,396
UnitedHealthcare Ins Co. of IL	60318	707	1,889,259
UnitedHealthcare Ins Co. of Am	84549	707	2,478,890
UnitedHealthcare of IL Inc.	95776	707	180,060
Reserve National Insurance Co.	68462	730	156,458
Cigna HealthCare of IL Inc.	95602	901	69,145
HlthCare Svc Corp. a Mutual	70670	917	44,311,140
IL Blue Cross Blue Shield	16013	917	5,801
HCSC Insurance Services Co.	78611	917	2,662,429
Vision Service Plan of IL NFP	12516	1189	173,376
Health Alliance Connect Inc.	15478	1192	292,091
Health Alliance - Midwest Inc.	95513	1192	18,744

Health Alliance Med Plans Inc.	77950	1192	1,180,739
WellCare of Illinois Inc.	16765	1295	38,030
Meridian Health Plan of IL Inc	13189	1295	5,252,963
Centene Venture Co. IL	16505	1295	6,570
Celtic Insurance Co.	80799	1295	7,144,882
Harmony Health Plan Inc.	11229	1295	1,218,725
Reliance Standard Life Ins Co.	68381	3098	914,183
United Security Insurance Co.	81108	4727	1,340
First Chicago Insurance Co.	13587	4727	289
Clear Spring Hlth Cmnty Care	15209	4794	33,661
Clear Spring Health of IL Inc.	16278	4794	1,947
Preferred Insurance Svcs Inc.	14080	4819	690
Provider Ptnrs Hlth Plan of IL	16564	4842	31,423
Bright Hlth Insurance Co of IL	16545	4887	41,716
Longevity Hlth Plan IL Inc	16350	4920	7,847
Zing Health Inc.	16607	4979	8,484
Natl Preventive Solutions Corp	16135	16135	10,238
MoreCare Inc.	16504	16504	15,454
Union Health Service Inc.	52553	52553	80,894

#### D: Top 15 States for P&C, Life, and Health Premiums Written

##### D.1: P&C Insurers

Rank	State	Premiums (\$000,000)	% of Industry
1	IL	130,235	18.19%
2	OH	76,258	10.65%
3	NE	62,427	8.72%
4	DE	53,215	7.43%
5	CT	46,482	6.49%
6	TX	41,883	5.85%
7	WI	38,376	5.36%
8	NY	37,655	5.26%
9	CA	36,131	5.05%

10	PA	34,912	4.88%
11	MA	22,705	3.17%
12	NH	18,812	2.63%
13	MI	18,088	2.53%
14	FL	12,210	1.71%
15	IA	10,809	1.51%

#### D.2: Life Insurers

Rank	State	Premiums (\$000,000)	% of Industry
1	CT	117,888	16.80%
2	NY	92,120	13.13%
3	DE	47,475	6.77%
4	IA	44,068	6.28%
5	NE	39,310	5.60%
6	MI	39,224	5.59%
7	NJ	35,333	5.04%
8	TX	32,487	4.63%
9	IN	31,936	4.55%
10	OH	29,388	4.19%
11	MN	27,012	3.85%
12	WI	25,043	3.57%
13	CO	24,191	3.45%
14	MA	21,279	3.03%
15	AZ	17,525	2.50%

### D.3: Health Insurers

Rank	State	Premiums (\$000,000)	% of Industry
1	CT	118,700	12.84%
2	IL	82,079	8.88%
3	FL	73,396	7.94%
4	WI	59,106	6.39%
5	NY	57,006	6.16%
6	TX	42,275	4.57%
7	PA	38,299	4.14%
8	OH	35,660	3.86%
9	MI	29,661	3.21%
10	NV	25,479	2.76%
11	WA	24,630	2.66%
12	MA	23,948	2.59%
13	NJ	23,064	2.49%
14	MN	21,036	2.27%
15	VA	19,860	2.15%

### D.4: All Lines

Rank	State	Premiums (\$000,000)	% of Industry
1	CT	283,071	12.08%
2	IL	228,972	9.77%
3	NY	186,781	7.97%
4	OH	141,902	6.05%
5	WI	122,525	5.23%
6	TX	117,455	5.01%
7	NE	110,764	4.73%
8	DE	102,065	4.35%
9	FL	87,509	3.73%
10	MI	87,154	3.72%
11	PA	79,077	3.37%
12	MA	67,932	2.90%
13	NJ	64,984	2.77%
14	IA	62,182	2.65%
15	IN	59,837	2.55%