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# *The Economic Footprint of Michigan's Insurance Industry*

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<i>I. Executive Summary</i> .....	1
Purpose of Report .....	1
Overview of Approach .....	1
Overview of Findings .....	2
About Anderson Economic Group .....	3
<i>II. Economic Footprint of Michigan's Insurance Industry</i> .....	4
Definition of Economic Footprint .....	4
Insurance Industry Expenditures .....	4
Economic Footprint of Insurance Industry .....	5
Taxes Paid By the Insurance Industry .....	7
<i>III. Michigan's Insurance Industry Workforce</i> .....	8
Insurance Industry Employment .....	8
Types of Jobs in the Insurance Industry .....	9
<i>IV. Investments in Michigan Businesses and Communities</i> .....	10
Insurance Industry Investments .....	10
Charitable Contributions .....	11
<i>Appendix A. Methodology</i> .....	A-1
Estimating Economic Footprint .....	A-1
Employment Occupation Definitions .....	A-4
Information Regarding Survey Sample .....	A-4
Data from Regulatory Bodies .....	A-4
<i>Appendix B. About AEG</i> .....	B-1
About Anderson Economic Group .....	B-1
About the Authors .....	B-1

## *I. Executive Summary*

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**PURPOSE OF REPORT** The insurance industry provides insurance products to millions of people across Michigan.<sup>1</sup> In the most basic sense, the insurance industry helps Michigan residents manage their risk, giving them peace of mind in the face of uncertain events. The insurance industry also makes a significant contribution to Michigan's economy by employing workers and investing in Michigan communities, both financially and through community service. In addition, the industry supports thousands of insurance agencies throughout the state, a majority of which are independently-owned businesses.

The purpose of this report is to measure the economic footprint of the insurance industry in the state of Michigan through the many contributions the industry makes to Michigan's economy. These contributions include:

- spending by insurance carriers, agencies, and employees;
- jobs and salaries in the insurance industry;
- taxes paid to the state of Michigan by the insurance industry;
- activity by Michigan companies that rely on the insurance industry for their business; and
- investments and charitable contributions made by the insurance industry.

### **OVERVIEW OF APPROACH**

The insurance industry consists of insurance carriers and insurance agencies. Insurance carriers collect premiums, cover claims, and provide financial security in retirement. Insurance agents help customers find an appropriate insurance product and manage the relationship between carriers and customers.

Our analysis is based on regulatory information regarding the number and scale of insurance firms, informed by an extensive survey of insurance carriers. This data gives us direct knowledge about the operations of insurance carriers and the revenues of insurance agencies, which allows us to estimate the size and scope of these firms' operations. This data forms the basis of our economic footprint analysis.

The economic footprint of an industry refers to all the direct spending that occurs in a state by the industry as well as indirect spending supported by this spending. This approach differs from economic impact because it does not account for economic activity that would have taken place even without the presence of the industry—a thought experiment that does not make sense for such an established industry. The economic footprint presented in this report is for the 2014 calendar year.

For more detailed information see "Appendix A. Methodology" on page A-1.

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1. In this report, "insurance industry" refers to the combination of insurance carriers and agencies in the life, health, and property & casualty insurance industries.

**OVERVIEW OF  
FINDINGS**

*1. The insurance industry helps support \$37.1 billion in spending, 114,000 jobs, and \$6.3 billion in earnings throughout Michigan.*

The total economic footprint of the insurance industry in Michigan is \$37.1 billion worth of spending. This includes \$16.4 billion spent in Michigan directly by the insurance industry and \$20.7 billion in indirectly supported spending. In addition, the industry helps support 114,000 total jobs, including directly employing 41,000 people. Lastly, the industry directly supports \$3.3 billion of earnings and \$6.3 billion total.

For more information see "Economic Footprint of Michigan's Insurance Industry" on page 4.

*2. The insurance industry employs a variety of different types of workers, including over 7,000 information technology (IT) professionals.*

As previously noted, the insurance industry employs over 41,000 people in Michigan. The insurance industry has a diverse workforce, which includes investment managers, claims investigators, actuaries, and IT professionals. The insurance industry employs over 7,000 IT professionals. Overall, the insurance industry pays out \$3 billion in wages, and the average amount of compensation is \$85,000, reflecting the skill and training needed to perform many jobs in high-demand fields. In comparison, the average compensation for Michigan workers across all industries is \$59,000.

See "Michigan's Insurance Industry Workforce" on page 8 for more information.

*3. The Insurance industry pays over \$500 million in taxes to the State of Michigan and its local governments.*

This \$500 million includes business income taxes and property taxes paid by the insurance carriers. The insurance industry pays a special tax on all premiums written in Michigan. This dedicated premiums tax raised over \$360 million for the State of Michigan in fiscal year 2014. In addition, some insurance carriers reported paying another \$13 million in other state business income taxes. In comparison, the State of Michigan collected a net of \$890 million from all business taxes in fiscal year 2014. Finally, the insurance industry paid \$130 million in property taxes to the State of Michigan and its local governments.

See "Taxes Paid By the Insurance Industry" on page 7 for more information.

*4. The insurance industry invests in Michigan companies, local government bonds, and real estate.*

The Michigan insurance carriers we surveyed invested over \$1 billion in Michigan assets.<sup>2</sup> Roughly 45% of these assets were in both municipal bonds and real estate. The remaining 10% was invested in stocks of Michigan-based companies.

The high demand for municipal bonds helps the communities in Michigan. These bonds are typically used by local governments to finance capital investments, such as buildings for schools and libraries, and road infrastructure.

See "Investments in Michigan Businesses and Communities" on page 10.

*5. The insurance industry contributed over \$44 million in charitable contributions to Michigan charitable organizations in 2014.*

Michigan's insurance industry donated over \$44 million to charity in 2014. In addition, employees in the industry volunteered over 63,000 hours at company-sponsored charitable activities that same year.

This number is a conservative estimate of the charitable and volunteer work of the entire insurance industry because our survey only covers employees of insurance carriers. The contributions of insurance agencies are also very important and are not captured above.

See "Charitable Contributions" on page 11 for more information.

**ABOUT ANDERSON  
ECONOMIC GROUP**

Anderson Economic Group is an economic consulting firm, specializing in economics, financial valuation, market analysis, and public policy with offices in East Lansing and Chicago. We advise some of the country's leading businesses, governments, and institutions.

For more information see "Appendix B. About AEG" on page B-1.

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2. This is a very conservative measure of their investment, as we only surveyed a population equal to approximately 30% of the life insurance and property and casualty insurance industry.

