HELPING TO GROW & PROTECT
THE PROPERTY AND CASUALTY INSURANCE INDUSTRY’S IMPACT ON WISCONSIN
EXECUTIVE SUMMARY

In the fall of 2017, the Wisconsin Insurance Alliance (WIA) asked the Wisconsin Taxpayers Alliance (WISTAX) to study the impact property and casualty (P&C) has on Wisconsin’s economy. WIA is a state association of property and casualty companies whose membership ranges from some of the largest P&C insurers in the country to smaller town mutual insurance companies.

Using state and national data on employment, wages, insurance premiums, taxes paid, and financial holdings, WISTAX found that Wisconsin’s P&C insurance industry contributes significantly to the state economy by providing large numbers of high-paying jobs, paying millions in both business and personal taxes, buying significant amounts of municipal securities, and protecting resident’s property through insurance at some of the lowest rates nationally.

Hundreds of Companies That Import Premiums

In 2016, Wisconsin was home to 166 P&C insurers. Only four states—Illinois, New York, Pennsylvania, and Texas were home to more. P&C insurers wrote almost $29 billion in insurance during 2016, with state residents buying just over $10 billion. Thus, these companies were net importers of about $19 billion in premiums.

Thousands of Stable, Well-Paying Jobs

Wisconsin P&C companies employ more than 19,000 workers directly, and are responsible for another 4,700-6,000 in agencies and brokerages. Through the economic activity of these employees, the industry supports another 45,900-47,300 jobs throughout Wisconsin’s economy. Directly or indirectly, the industry supports between 69,800 and 72,500 jobs statewide.

Jobs in Wisconsin’s P&C industry are stable. Over the past 10 years, the number of P&C jobs increased 12.7%, compared to 3.0% for all Wisconsin jobs.

The industry also pays more. P&C industry jobs averaged $76,511 in 2016, or 66% above the state average ($45,953).

Hundreds of Millions in Taxes Paid

In addition to property taxes, Wisconsin’s insurance industry paid $181.6 million in premiums taxes in 2017. It also paid millions in corporate income taxes. In addition to sales and property taxes, employees of P&C companies paid an estimated $92.5 million in individual income taxes to the state.

Community Development Partners

Local governments often fund community development projects by issuing bonds. Nationally in 2016, P&C insurers held $44 billion in municipal securities, or about 10% of the total.

Low Rates

In addition to the positive impacts on Wisconsin’s economy, P&C insurers provide Wisconsinites with some of the lowest insurance rates. The average homeowners insurance premium here was lower than in all but three states. For automobile owners, rates in Wisconsin were less than in all but seven states. Moreover, Wisconsin’s combined auto/homeowners rate was second lowest behind Idaho.

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INTRODUCTION

State residents understand the value of insurance when unexpected events happen. Property and casualty (P&C) insurance protects individuals, families, and businesses from financial losses that can result from unforeseen events—automobile accidents, fires, storms, etc. It also protects workers through workers compensation insurance.

In 2016, Wisconsin P&C firms paid almost $5.4 billion in claims to state residents, workers, and businesses. That included more than $2.1 billion for car accidents, $1.2 billion for workers compensation, and almost $600 million to homeowners.

While residents understand the value of insurance when accidents happen, they are often unaware of the broad impact the industry has on the state economy. P&C insurers employ more than 19,200 individuals here at an average annual wage of nearly $77,000.

THE INDUSTRY

In Wisconsin, several types of firms sell property and casualty insurance. Traditional P&C insurers are organized as either stock or mutual companies. A stock company is owned by shareholders, while a mutual company is owned by policyholders. The third, less well known type is town mutuals, which are different from traditional P&C companies in that they write insurance only in the counties specified in their license.

Town mutuals were originally formed in the late 1800s to provide insurance for farmers and rural homeowners. In Wisconsin, town mutuals are assessable, meaning that, if they do not have sufficient assets to pay all claims, they can assess policyholders for the difference.

Firms by Type

In 2016, 991 companies were authorized to write property and casualty insurance in Wisconsin (see Table 1). Of those, the vast majority (840) were stock companies. The remainder were mutuals: 96 traditional mutuals and 55 town mutuals.

Not all of the companies authorized to write insurance in the state were Wisconsin companies. Including the town mutuals, Wisconsin had 166 domestic P&C insurers in 2016.

Table 1: P&C Insurance Companies, Losses Paid 2002-16

<table>
<thead>
<tr>
<th>Year</th>
<th>Stock P&amp;C</th>
<th>Mutual P&amp;C</th>
<th>Town Mutuats</th>
<th>Total</th>
<th>Dom.</th>
<th>Losses Paid</th>
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<td>2002</td>
<td>803</td>
<td>104</td>
<td>73</td>
<td>980</td>
<td>175</td>
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<td>2003</td>
<td>810</td>
<td>102</td>
<td>73</td>
<td>985</td>
<td>179</td>
<td>$3.90</td>
</tr>
<tr>
<td>2004</td>
<td>806</td>
<td>101</td>
<td>73</td>
<td>980</td>
<td>181</td>
<td>$4.19</td>
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<tr>
<td>2005</td>
<td>823</td>
<td>100</td>
<td>71</td>
<td>994</td>
<td>182</td>
<td>$4.91</td>
</tr>
<tr>
<td>2006</td>
<td>828</td>
<td>102</td>
<td>68</td>
<td>998</td>
<td>181</td>
<td>$4.83</td>
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<td>2007</td>
<td>842</td>
<td>103</td>
<td>68</td>
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</tr>
<tr>
<td>2008</td>
<td>847</td>
<td>101</td>
<td>66</td>
<td>1,014</td>
<td>178</td>
<td>$4.96</td>
</tr>
<tr>
<td>2009</td>
<td>863</td>
<td>98</td>
<td>65</td>
<td>1,026</td>
<td>176</td>
<td>$4.48</td>
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<tr>
<td>2010</td>
<td>865</td>
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<td>64</td>
<td>1,028</td>
<td>179</td>
<td>$4.76</td>
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<td>2011</td>
<td>857</td>
<td>97</td>
<td>61</td>
<td>1,015</td>
<td>174</td>
<td>$5.20</td>
</tr>
<tr>
<td>2012</td>
<td>863</td>
<td>96</td>
<td>60</td>
<td>1,019</td>
<td>171</td>
<td>$4.98</td>
</tr>
<tr>
<td>2013</td>
<td>855</td>
<td>93</td>
<td>59</td>
<td>1,007</td>
<td>169</td>
<td>$5.40</td>
</tr>
<tr>
<td>2014</td>
<td>854</td>
<td>91</td>
<td>58</td>
<td>1,003</td>
<td>168</td>
<td>$5.49</td>
</tr>
<tr>
<td>2015</td>
<td>842</td>
<td>94</td>
<td>55</td>
<td>991</td>
<td>170</td>
<td>$5.02</td>
</tr>
<tr>
<td>2016</td>
<td>840</td>
<td>96</td>
<td>55</td>
<td>991</td>
<td>166</td>
<td>$5.37</td>
</tr>
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</table>
The number of companies authorized to write insurance in the state has fluctuated over the last 15 years. It generally rose from 2002 through 2010, then declined slightly in ensuing years. The number of domestic insurers has also dropped since 2010, driven mostly by fewer town mutual companies.

Despite the small decline in companies, losses paid increased from $4.76 billion in 2010 to $5.37 billion in 2016.

National Perspective

When residents think of “Wisconsin industries,” manufacturing, farming, and tourism typically come to mind. However, Wisconsin is among the leading states in P&C insurance companies. While the state ranks 20th nationally in population and 18th in the number of private business establishments, it is fifth in the number of domestic P&C companies (166). The only states with more are populous Texas (199), Illinois (191), Pennsylvania (180), and New York (173).

As a major player in the insurance industry, Wisconsin insurers sell significant numbers of policies to residents of other states. Thus, the Badger State is a net exporter of P&C insurance and, in return, imports premiums. In 2016, Wisconsin P&C companies wrote $28.9 billion in insurance nationwide, with state residents purchasing just over $10 billion. Thus, Wisconsin was a net importer of about $19 billion in P&C insurance premiums.

Wisconsin has more P&C insurers than all but four states. Net, those insurers brought from other states about $19 billion in insurance premiums.

EMPLOYMENT

By P&C Companies

The relatively large number of P&C employers in Wisconsin means jobs for residents. In 2016, Wisconsin P&C insurers employed 19,200 people. Employment levels are on par with or even greater than industries traditionally considered key for the state:

- paper manufacturing (20,100);
- primary metal manufacturing (19,300);
- publishing (19,200);
- wood product manufacturing (18,000); and
- machine manufacturing (17,000).

Stable Employment

Not only is the P&C insurance industry one of the state’s main employers, its growth over the last 10 years, though
variable, has outpaced other Wisconsin industries. From 2006 through 2016, P&C employment rose 12.7% (see Figure 1, page 2), despite one of the worst economic recessions on record. During that same period, overall job growth in Wisconsin (3.0%) rose modestly. Nationally, employment in the P&C industry increased 7.3%.

**Additional Jobs**

The employment figures above reflect individuals employed directly by the P&C insurers. However, those numbers do not represent completely the industry’s employment impact in the state. P&C insurers rely on insurance agencies and brokerages to sell and service their products. In addition to agents and brokers, these offices employ support staff.

*Brokers/Agents.* Federal employment figures provide information on insurance agencies and brokerages, but they are not separated by type of insurance. Several insurance industry ratios are used to estimate P&C employment in these related areas.

In 2016, 17,650 residents were employed by insurance agencies and brokerages, or other insurance-related areas (claims adjusting, etc.). Some of these were related to P&C insurance, while others were related to life, health, or some other type of insurance.

Various estimation methods indicate that, within the agencies, brokerages, and other miscellaneous industries, there were between 4,700 and 6,000 jobs related to P&C insurance. That brings the total number of P&C insurance jobs in the state to between 23,900 and 25,200.

*Other Jobs Supported by the Industry.* High-paying jobs in the insurance industry have another impact on Wisconsin’s economy. When employees of P&C companies spend their wages on groceries, clothes, gas, cars, etc., they are supporting jobs in other industries. Economists refer to this as the multiplier effect.

When this effect is accounted for, the P&C industry supports an additional 45,900 to 47,300 jobs in other industries. Combined with P&C’s own employment, the industry supports, directly or indirectly, between 69,800 and 72,500 jobs in the Badger State.

**Economic Significance**

The importance of an industry to a state can be measured in a variety of ways. One of the most commonly used measures by economists and economic development professionals is the location quotient (LQ). This measure compares an industry’s employment share in the state to its share nationally. An industry with a location quotient greater than 1.0 is one that employs a greater share of the state’s workforce than it does nationally. The greater the location quotient, the greater impact that industry has on jobs in the state.

A location quotient of 1.0 indicates the industry has just enough employment to provide a particular good or service for state residents. A quotient less than one implies the state does not produce enough of a good or service and state residents have to buy it from firms outside the state.
The Wisconsin P&C insurance industry’s LQ is 1.72; that is, the employment share of Wisconsin’s P&C companies is 72% higher than the national share. One interpretation of this figure is that the P&C insurance industry is what economic development officials call a “basic” industry—it sells some of its product nationally, drawing money into the state from elsewhere. That is consistent with Wisconsin being a net importer of P&C premiums, as previously mentioned.

**National Context**

Lack of detailed data on agencies and brokerages allows only for national comparisons of direct employment by P&C insurers. Wisconsin’s P&C insurers had more employees than all but nine states: California, Florida, Georgia, Illinois, New Jersey, New York, Ohio, Pennsylvania, and Texas. All were significantly more populous than Wisconsin.

When state size is accounted for, Wisconsin ranked seventh nationally (see Figure 2). The industry employed 0.76% of all workers statewide; the corresponding national figure was 0.44%. The only states in which P&C insurers employed a larger share of the workforce were New Hampshire (0.99%), Ohio (0.97%), Rhode Island (0.88%), Illinois (0.84%), Connecticut (0.81%), and Iowa (0.79%).

**WAGES AND SALARIES**

The P&C insurance industry provides not only significant numbers of jobs, but jobs that pay, on average, more than in other industries. In 2016, the average wage in Wisconsin’s P&C insurance industry was $76,511, or 66% above the state average ($45,953).

Industry wages have also increased at above-average rates. From 2006 through 2016, the average P&C wage rose 29.6%, while the average wage across all industries climbed 26.0%.

**Total Payroll**

Wisconsin’s P&C insurance industry’s payroll totalled $1.61 billion in 2016. While the industry accounts for 0.76% of jobs, its higher pay means total industry payroll accounts for almost 1.4% of all-industry payroll.

With growth in both employment and average pay exceeding state averages, total payroll changes far exceeded
growth in total statewide payrolls. From 2006 through 2016, Wisconsin P&C payroll rose 57.7%, compared to 32.9% for total statewide payrolls.

**Total Payroll Impact**

Just as employment impacts filter through the economy and help support other jobs, payroll also has multiplier effects. The industry’s $1.61 billion payroll supports an additional $2.40 billion in wages in other industries. Both directly and indirectly, Wisconsin’s P&C insurance industry supports more than $4 billion in wages statewide.

**TAXES PAID**

In addition to the significant contribution the P&C industry makes to Wisconsin’s economy, in both the number of jobs and high wages, it also pays significant taxes to state and local governments to help provide basic public services.

**Corporate Taxes**

Insurance companies operating in Wisconsin—including those in the P&C sector—pay one of two corporate taxes. Most out-of-state companies (and some domestics) pay a 2% tax on gross premiums written. For example, if a Minnesota insurer writes a $1,000 homeowners insurance policy for a state resident, it must pay a $20 state premiums tax.

Most domestic, nonlife insurance companies pay the corporate income tax at 7.9% of taxable income. However, a firm’s tax liability cannot exceed what it would owe under the 2% premiums tax.

**Premium Taxes.** Information on premium taxes collected from all types of insurance companies is provided by the Wisconsin Department of Revenue (DOR). From 2010 through 2017, these taxes rose 35.7%, from $130.7 million to $181.6 million (see Figure 3).

The DOR figures do not allow for a breakdown of premiums taxes by industry. However, during 2010-17, P&C insurance was about one-third of all insurance written.

**Corporate Income Taxes.** Corporate income taxes are volatile, rising and falling with the economy and profits. Insurance profits are also affected by the number and size of claims. Natural disasters negatively impact P&C profits.

In 2013 (the latest year for which the state Department of Revenue has information), corporate income taxes paid by all insurance carriers totaled $22.1 million. Insurance agents paid an estimated $4.0 to $6.0 million. Over the ten years ending in 2013, annual tax payments by insurance companies varied.
from $12.3 million in 2006 to $66.6 million in 2004. Corporate tax payments were not separately provided by type of insurance company.

As a percentage of all corporate income taxes paid, the insurance industry’s share ranged from 1.5% in 2012 to 10.2% in 2004. In 2013, insurance companies and agencies paid 2.4% of all Wisconsin corporate income taxes.

It is important to recognize that not all firms in the insurance industry pay taxes on their business income through the corporate income tax. Some (most likely insurance agencies and brokerages) are organized as partnerships or as subchapter S corporations. In these cases, profits flow through to the owners and taxes on business’ profits are paid through the individual income tax, rather than the corporate income tax.

Individual Income Taxes

Like all state residents, P&C employees pay state income taxes on wages and other income. Because average industry pay is well above average, employees pay taxes at higher average rates than the general population. Statewide, the typical state taxpayer paid 4.3% of income in state income taxes. The typical P&C employee had an average tax rate of about 4.5%.

Industry employees pay taxes on their wages and on other income (interest, capital gains, etc.). In 2016, P&C employees paid state income taxes totaling an estimated $92.5 million.

Other Taxes

Like other state residents, insurance industry employees pay state sales and local property taxes. Insurance companies also pay local property taxes on their facilities, as well as sales taxes on taxable purchases. Insufficient data make it impossible to estimate these amounts.

OTHER IMPACTS

Rates

Of the various types of property and casualty insurance, auto and homeowners insurance are most often purchased. Wisconsin is fortunate to have some of the lowest P&C rates in the nation.

Car owners generally buy three kinds of automobile insurance: liability, collision, and comprehensive. Wisconsin’s premiums are 7%-31% below national averages. Liability insurance here is nearly 31% below average, collision 30% below, and comprehensive 7.5% below the 50-state average. When combined, Wisconsin’s $646 average premium was lower than all but seven states: Idaho, Iowa, South Dakota, Maine, North Dakota, Indiana, and North Carolina (see Figure 5, page 7).

Wisconsin also has some of the lowest rates on homeowners insurance. As of 2014 (the latest year data are available), the average annual homeowners insurance premium was $686, 4th lowest among the states and 39.4% less than the U.S. average ($1,132). Only Oregon, Idaho, and Utah had lower rates.
Renters insurance here averaged $132 per year. That amount was third-lowest nationally behind North Dakota and South Dakota, and was 30.5% below the national average ($190).

Moreover, when average auto and homeowners insurance rates are combined, Wisconsin ranks second nationally. Only Idaho has a lower combined rate.

**Bond Holdings**
In addition to providing high-paying jobs and paying significant taxes, insurance companies boost community development in many ways, including charitable giving and purchasing municipal bonds issued by states, public schools, municipalities, counties, and other local governments.

The insurance industry nationally held about $560 billion in municipal bonds in 2016, or about 15% of all of these types of securities. Since 2011, the industry’s holding of municipal bonds rose almost 20%.

Nationally in 2016, P&C insurers held $44 billion in municipal debt, or just under 10% of all municipal securities.

**CONCLUSION**
The impact of Wisconsin’s property and casualty insurance industry is far reaching. The industry employs nearly 25,000 state residents in high-paying jobs. Industry wages average more than $77,000 per year, nearly 70% above the state average.

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**Figure 5: Wisconsin P&C Premiums Among the Lowest**
*Average Auto and Homeowners Premiums, 2014*

<table>
<thead>
<tr>
<th>State</th>
<th>Automobile Insurance</th>
<th>Homeowners Insurance</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idaho</td>
<td>$572</td>
<td>$574</td>
<td>$1,162</td>
</tr>
<tr>
<td>Iowa</td>
<td>$646</td>
<td>$686</td>
<td>$1,332</td>
</tr>
<tr>
<td>S. Dak</td>
<td>$866</td>
<td>$866</td>
<td>$1,732</td>
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<td>N. Dak.</td>
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<tr>
<td>Ind.</td>
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<tr>
<td>N. Car.</td>
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<tr>
<td>U.S.</td>
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<td></td>
<td>$1,998</td>
</tr>
</tbody>
</table>

The graph compares Wisconsin’s premiums to those of other states and the national average. Wisconsin’s premiums were among the lowest for both auto and homeowners insurance.
The industry’s economic impact extends beyond its employees. When P&C workers spend their earnings, they help support jobs in the retail, food service, and other industries. When these impacts are added, the P&C industry supports, either directly or indirectly, nearly 70,000 jobs in the state.

The industry helps support state public services with the taxes it pays on premiums, corporate and individual income, property, and sales. Industry employees paid an estimated $92 million in individual income taxes in 2016.

The P&C industry also helps promote community development by purchasing municipal bonds from Wisconsin’s state government and its local counties, municipalities, and schools. □