

HG
8538
.18
P68
1973

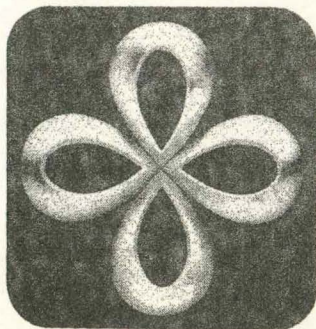


Potential For Growth
And Development
in
The Insurance Industry

An Exploratory Research Project for
THE INDUSTRIAL DEVELOPMENT DIVISION
IOWA DEVELOPMENT COMMISSION

Coordinated
by
Frank McNiff
Research Division

Iowa



a place to grow

THE IOWA DEVELOPMENT COMMISSION

250 Jewett Building
Des Moines, Iowa 50309

Commission Chairman
E. A. Hayes

Commission Members

James W. Callison
John P. Tinley
Robert K. Beck
John P. Bickel
Roy J. Carver

Frank W. Griffith
Kenneth H. Joslin
Forrest J. Mitchell
William W. Summerwill
Robert A. Young

Director
Chad A. Wymer

CONTENTS

	Page
Introduction	1
Summary of Findings	3
Results of the Survey	5
Conclusions & Recommendations	12
The Insurance Industry, U.S. & Iowa	17
Site Selection - A Summary	28
Methodology	31
Bibliography	33
Appendix	34

INTRODUCTION

The insurance industry has had an easily recognized impact upon the state's economy as a result of more than a billion dollars in premiums written and nearly a billion dollars in loss benefits paid; however, the economic impact goes far beyond this. The business of insurance affects long term savings of individuals, provides employment and income, pays taxes, purchases goods and services, and is one of the prime suppliers of capital for home ownership and for the expansion of industry, commerce, and public services. In addition to these important economic contributions, the insurance industry provides protection against virtually every known peril. The businessman, the homeowner, even the housewife has the greatest sense of security in the history of the world. This indispensable service has been of immense value in keeping the economy moving; not only by protecting against losses, but by backstopping our extensive commercial and consumer credit system.

Iowa has often been acknowledged as a major "insurance center" having many national office headquarters and numerous regional and branch office facilities. The study presented here is exploratory in nature and is designed to 1) determine past experience and future trends, 2) reveal site selection factors relating to the location of insurance office facilities, and 3) evaluate the state's potential for further economic development within the insurance sector.

It is hoped that the preliminary information provided by this study will provide sufficient insight to design and implement a marketing action program and also contribute to a better understanding and appreciation of Iowa's insurance industry.

SUMMARY OF FINDINGS

Objective 1: to determine past experience and future trends affecting the location of insurance offices.

Very few insurance companies have been relocating home offices in recent years; and of those that have, most moved but a few miles from the central city to nearby suburbia. The vast majority of national and regional headquarters have not been moved and the potential for economic development from such relocations appears to be extremely limited.

Two major trends within the industry will continue to direct decisions relating to the location of new insurance offices. Many firms are reducing or eliminating branch-regional offices so that the marketing chain is national → local rather than national → regional → local offices. This more direct approach has been made possible by modern communications and information systems and has been strengthened by a growing desire to improve marketing effectiveness by placing local service centers (offices) in each market.

This move to a more direct and a more personalized marketing program suggests that development efforts should point out the state's marketing advantages and opportunities. Stressing that Iowa is already a center of insurance activity may suggest to prospects that Iowa markets are completely serviced and highly competitive, offering little opportunity for new companies.

Objective 2: to determine factors important to site selection for insurance offices.

The primary determinants are those factors concerned with identifying market opportunities, i.e. population, income, asset accumulation etc.; secondary factors encompass the costs of doing business, i.e. wage rates, taxes, office rent, etc.

An insurance company that financially can absorb additional risk (increase premium coverage) will seek to put idle resources to work, either by 1) expanding into new markets, or 2) expanding into new lines of coverage. The tendency has been to stay within a firm's area of expertise and to expand into neighboring states. A growing insurance company that is not doing business in the state, but is doing business in a neighboring state, is therefore the ideal prospect for locating a service office in Iowa.

Objective 3: to evaluate the state's potential for additional growth in the insurance industry.

Among the three major lines of insurance coverage, Life and Property - Casualty offers many opportunities for growth. Health insurance, on the other hand, is expected to either be nationalized or completely regulated in the near future and, as a consequence, many companies are phasing out of the health business.

The growth potential, as already mentioned, lies in locating service offices where there are marketing vacuums in the state. Iowa's urban centers will continue to show insurance employment growth as existing offices expand, but there is little we can do to influence this area other than safeguard the state's prosperous business climate. Urban areas where insurance offices have concentrated already provide excellent consumer service, so development efforts should be directed to the state's rural growth centers.

A marketing program is being developed to acquaint the nation's leading companies with the Iowa market. A promotional brochure is presently being developed by the Creative Services company and it is recommended that prospect follow-up activities be developed to include Insurance Department personnel as technical advisors.

RESULTS OF THE SURVEY

Insurance, unlike manufacturing, is completely and totally a marketing activity ... the product - risk absorption; the objective - satisfying consumers' needs for security. A survey of Iowa insurance companies reveals that the factor considered most important in selecting the location of a major office facility is efficiency in serving a market.

Most Important factors in Selecting an Insurance Office Location

Life & Health Companies

- ◇ 1. Efficiency in Serving a Market
- 2. Labor Costs
- 3. Labor Productivity
- 4. General Tax Structure
- 5. Transportation Facilities

Property & Casualty Companies

- ◇ 1. Efficiency in Serving a Market
- 2. Labor Productivity
- 3. Insurance Regulation
- 4. Population Growth
- 5. Rate Adequacy

As one might expect in a labor intensive, service oriented situation, the #2 factor in importance is labor. Many factors, generally considered important to industrial development, were ranked least important by responding insurance executives tax incentives, property taxes, industries in the area, personal income, transportation. (See tables 1 & 2 Appendix.)

When asked to compare with national insurance centers, 3/4 of all the respondents stated that Iowa's insurance business climate is favorable. This response is particularly meaningful because the vast

majority of responding companies are licensed to do business in other states; hence, relied upon experience when answering.

Responding Insurance Companies

Of States In Which They Operate

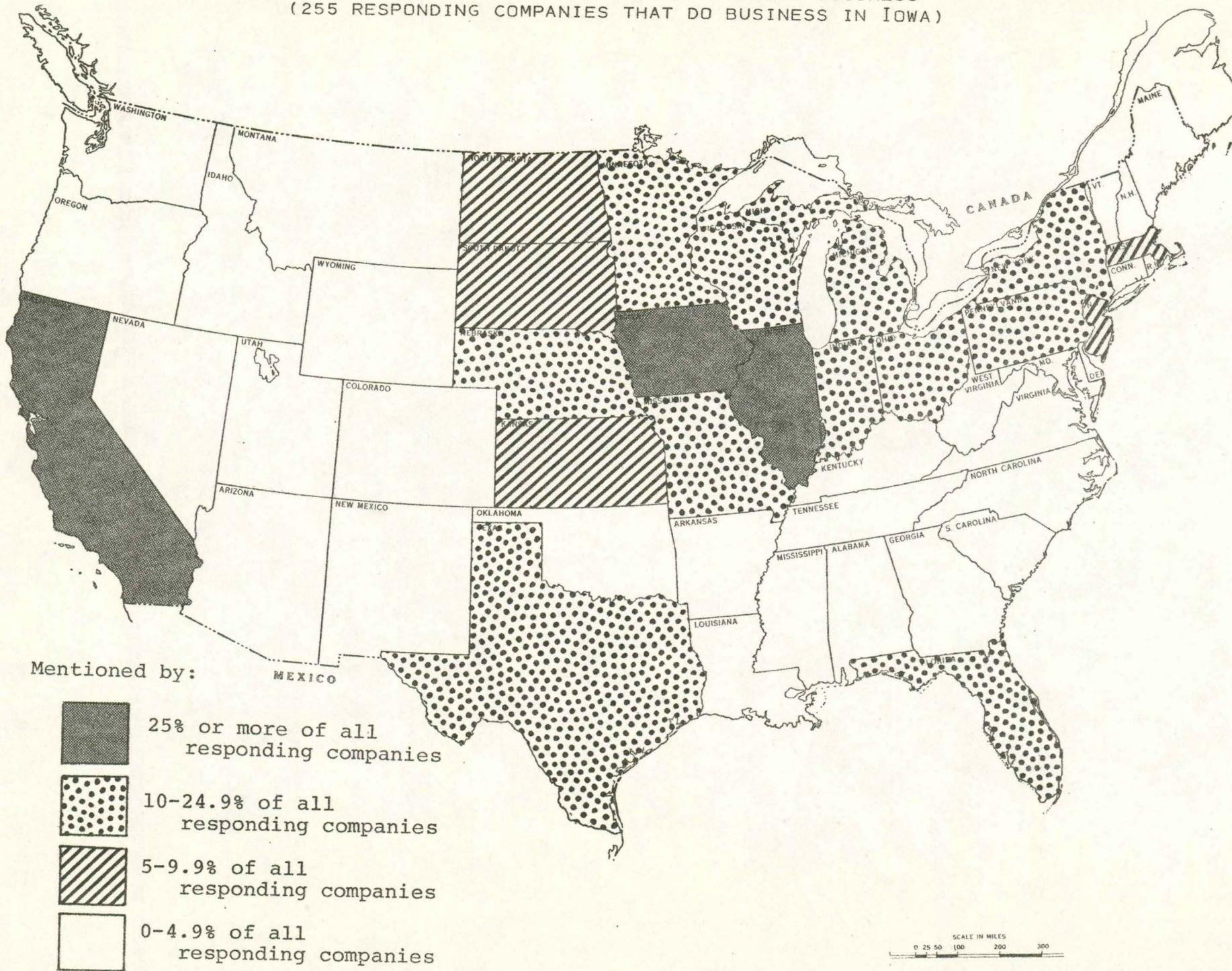
	<u>1-10</u>	<u>11-20</u>	<u>21-30</u>	<u>31-40</u>	<u>41-50</u>	<u>No Answer</u>	<u>Total</u>
# of Responses	83	27	18	31	78	18	255
% of Distribution	32.5%	10.6%	7.1%	12.1%	30.6%	7.1%	100.0%

States where respondents write most of their business are (in order of importance): Illinois, Iowa, California, Minnesota, Texas, Wisconsin, Pennsylvania, Indiana, New York, Missouri, and Ohio. They appear to be either the most populous or neighboring midwestern states. (See Table 5, Appendix.)

Responding insurance companies further defined the Iowa business climate or market by their evaluation of the following statements:

	% Agree	% No Opinion	% Disagree
There is potential for further insurance company growth in Iowa.	68.0	26.7	5.3
Iowa insurance laws and regulations are so restrictive that they hamper growth.	0.8	26.3	72.9
Opportunities for educational and professional advancement must exist for an insurance location to be desirable.	72.5	12.0	15.5
Iowa has a favorable labor climate.	58.4	40.0	1.6

WHERE RESPONDENTS WRITE MOST OF THEIR BUSINESS
(255 RESPONDING COMPANIES THAT DO BUSINESS IN IOWA)



	% Agree	% No Opinion	% Disagree
The tax situation in Iowa is favorable to insurance companies.	35.4	60.5	4.1
Iowa is now saturated with insurance offices.	11.2	38.6	50.2
Tax incentives should be given to Iowa insurance companies.	33.7	39.0	27.3
Iowa's central geographical location is <u>not</u> an advantage for a regional or national insurance office location.	17.7	22.5	59.8
Iowa has ample office space available.	37.0	60.6	2.4

In addition to market considerations, insurance companies responded to statements about Iowa workers:

	% Agree	% No Opinion	% Disagree
Young people needed for clerical help prefer Iowa cities to many larger cities such as New York and Chicago.	38.7	54.8	6.5
Iowa wages are below most metropolitan areas.	41.2	50.8	8.0
Young people from rural areas are well-schooled, willing workers, with good attitudes.	69.4	29.8	0.8
Iowa workers are more productive than workers in most states.	28.9	62.7	8.4
Iowa has ample clerical help available.	47.2	50.0	2.8
Clerical help costs less in Iowa than in most states.	32.2	59.7	8.1

	% Agree	% No Opinion	% Disagree
Iowa offers excellent opportunities for educational and professional advancement.	61.5	34.9	3.6
Insurance executives prefer to be near other insurance executives to share ideas.	65.0	17.3	17.7

Iowa insurance companies were asked about recruiting new employees. Of 144 responding companies, 134 or 93% answered that they had experienced "no problems" in hiring competent help. In addition, Iowa companies were asked to rate the Iowa labor market for three job classifications, both in terms of quantity of available labor and quality of job applicants. Their responses indicate virtually no dissatisfaction with the Iowa labor market. Almost 62% feel that "above average" quantities of labor are available, and over 65% feel that the quality of Iowa labor is "above average."

QUANTITY:

	Excellent		Above Average		Average		Below Average		Poor	
	#	%	#	%	#	%	#	%	#	%
Executives	25	19.8	48	38.1	46	36.5	7	5.6	0	---
Skilled	24	18.3	46	35.1	60	45.8	1	0.8	0	---
Clerical	37	27.8	61	45.9	35	26.3	0	---	0	---
Totals	86	22.1	155	39.7	141	36.2	8	2.0	0	---

QUALITY:

Executives	23	19.5	53	44.9	38	32.2	4	3.4	0	---
Skilled	21	17.2	51	41.8	50	41.0	0	----	0	---
Clerical	33	27.3	55	45.4	33	27.3	0	----	0	---
Totals	77	21.3	159	44.1	121	33.5	4	1.1	0	---

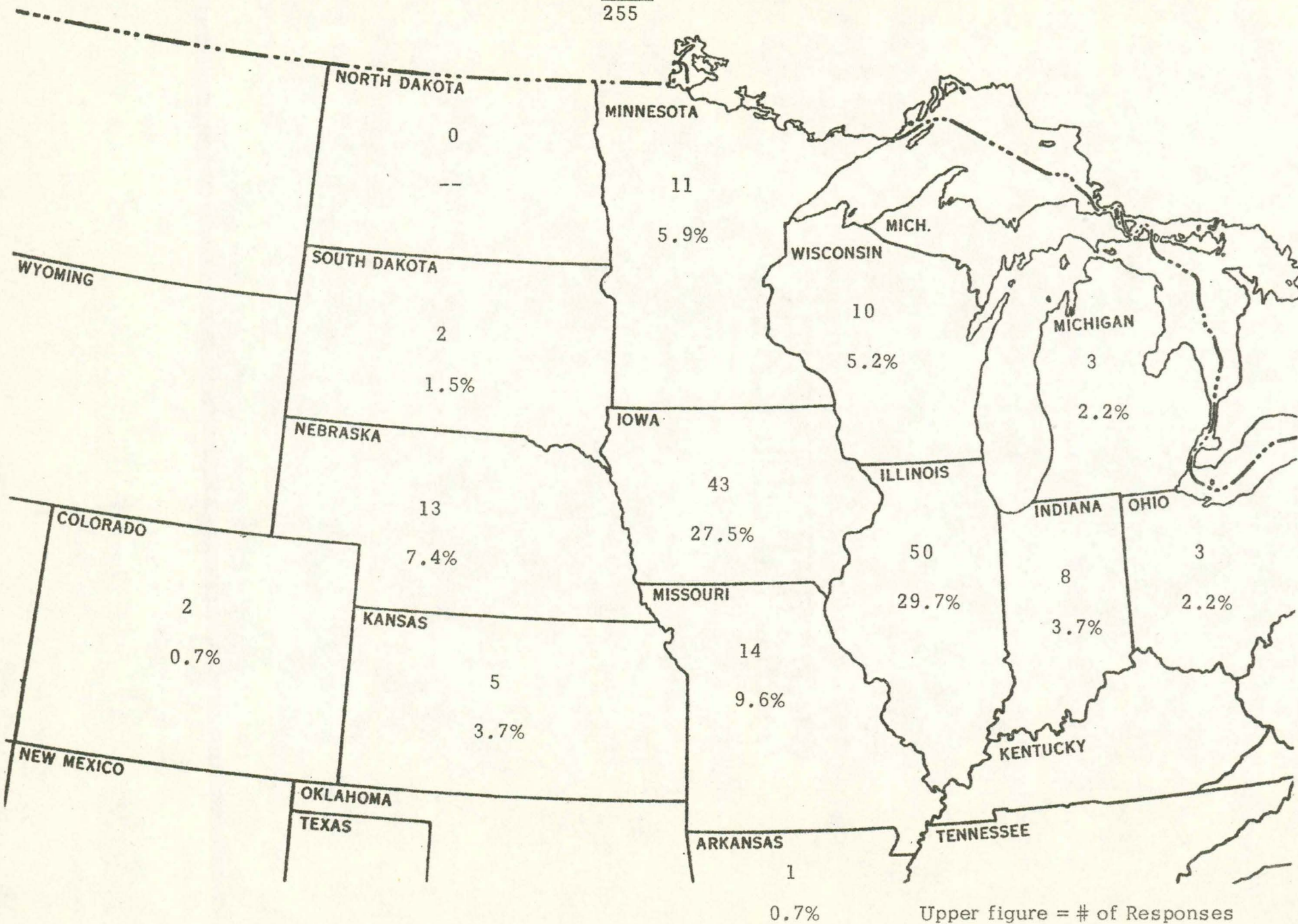
The following average costs were reported by Iowa insurance companies for the following specified job classifications:

Weekly Wage Rates for Specified Jobs

Clerical Jobs:	Starting	Average	Top
(1) Clerk Typist	\$ 87	\$ 91	\$ 106
(2) Accounting Clerk	85	97	128
(3) Stenographer	84	101	121
(4) Secretary	95	117	142
Technical Skills:	(A) Starting	(B) Average	(C) Top
(5) Key Punch/Tape Operator	\$ 81	\$ 99	\$ 120
(6) Verifiers	82	100	120
(7) Computer Operators	110	140	171
(8) Computer Programmer	147	188	242
(9) Systems Analyst	172	215	273
(10) Underwriter	140	177	234
(11) Accountant	154	188	229
(12) Claims Examiner/ Adjuster	139	170	213
(13) Actuarial Clerk	107	141	167

... were consolidating office facilities in the Midwest, which state would you choose for the location of your consolidated office?

165 responding insurance companies
 90 did not answer
 255



Upper figure = # of Responses
 Lower figure = % of Total Responses

CONCLUSIONS AND RECOMMENDATIONS

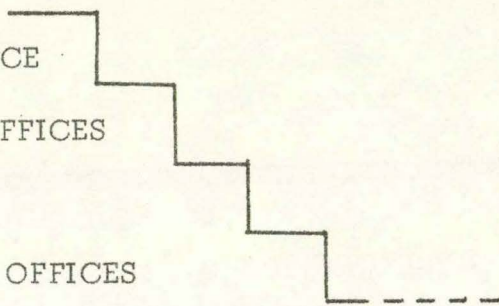
Some insurance companies have been moving their home offices. Newspapers have reported that large eastern companies have moved their headquarters out of the central city and many readers may have been led into believing that a mass exodus was taking place.

This is not the case. Only a few companies have moved their headquarters a few short miles to nearby suburbia where their market and their employees had earlier migrated, where crime and transportation were less a problem, and where the general "quality of life" was more pleasant. Nevertheless, the vast majority of office headquarters have not moved even the short distance to the suburbs, let alone out of the state. The potential for economic development as a result of relocating an insurance company's home office is extremely remote.

There are 51 insurance home offices in the Des Moines area and numerous regional and branch offices. Many have located here simply by historical circumstance, as is true with Hartford and other insurance centers. Other reasons for having located in centers like Des Moines and Hartford could include: a major population center, capitol city, central to the state, Drake University's strong insurance and actuary programs, the state's financial center, and others.

In the past, insurance companies served their markets with:

A HOME OFFICE
SOME REGIONAL OFFICES
and
NUMEROUS BRANCH OFFICES



The trend today is to eliminate the large regional offices and increase the number of branch and local offices. As a result of becoming more market oriented, companies are moving toward the service center concept, where an office is available to serve each individual market more rapidly and more efficiently. The trend then is to locate offices where there is a marketing vacuum, not where insurance companies have concentrated, and provide excellent service.

There are two major divisions within the insurance industry, life companies and property and liability companies. Health is often thought of as a major division; however, health insurance is sold by both life and property and liability companies. In addition, one company dominates the health market and it's expected that federal control will, in the near future, either take over health insurance as they did with medicare, or strictly regulate it as they presently do in the communications industry.

Property and liability companies are particularly service or market oriented, as much of their activity involves assessing damages and paying benefit claims. Life insurance companies have tended to locate offices near major financial centers, but with innovations such as computers and instant communication, the trend today is toward more

local offices and improving personal service.

The development potential for Iowa most definitely appears to be related to the insurance marketing opportunities offered within the state.

Insurance companies periodically find that financially they can cover additional risk. Expansion can either be into new markets or new lines of coverage, but the tendency is to seek additional business within existing areas of expertise.

A market may be defined as 100 or less square miles along the populous eastern seaboard, maybe 300 square miles in the Midwest, and in western areas, 500 square miles or more. For the most part, Iowa is probably considered a contiguous market area.

One marketing strategy aimed at increasing office facilities and associated job opportunities lies in increasing the insurance premium tax in Iowa. Insurance companies pay a tax on every premium they sell in lieu of state income tax. By raising this tax, an incentive in the form of a special discount could then be given to companies having offices in the state. Florida has implemented this program and it appears to be very effective.

There is a natural tendency to expand into neighboring states. This is not only an observation of recognized insurance experts, but a phenomenon I personally experienced while interviewing Iowa-based firms.

A marketing promotion should begin by identifying all major companies doing business in the adjoining states --- Minnesota, South Dakota, Nebraska, Kansas, Missouri, Illinois, and Wisconsin. There

are about 1,200 life and 1,200 property and casualty companies that do the vast majority of business nationally. By selecting those who presently do business in neighboring states, but not in Iowa, a list of insurance "prospects" can be developed. The list may be expanded by including all other major companies not having an office or not doing business in Iowa.

The second part of the program requires the development of a booklet describing the Iowa insurance market, the many location advantages, and inviting companies to come visit the state. This booklet should be designed along lines similar to the "Profit With an Iowa Location", but more compact and, of course, more pertinent to the insurance industry. The survey indicated that decisions are made at or above the chief executive level of management, so, ideally, the literature will be sent to the above mailing list, to the personal attention of the company president (see Table A).

Finally, it is recommended that both the Development Division and the Insurance Department jointly develop a program for handling prospect inquiries resulting from the above promotion efforts. Insurance is an intensely specialized and complex area, but the combined expertise of these two groups will readily solve any problems that may arise.

table A

Who makes the decision to expand or locate new office facilities?

	<u># Responses</u>	<u>% Distribution</u>
Board of Directors	69	27.1%
No Answer	49	19.2
Executive Committee	43	16.9
President (Chief Executive)	40	15.7
President & Board of Directors	25	9.8
Chairman of the Board	6	2.4 91%
Executive Vice President	3	1.2
Marketing Vice President	3	1.2
Home Office	3	1.2
Agency Department	3	1.2
Senior Vice President	2	0.7
Director or Vice President - Sales	2	0.7
Marketing Dept. & President	2	0.7
Vice President - Research	1	0.4
Owner	1	0.4
President & Agency Vice President	1	0.4
Attorney in Fact	1	0.4
Marketing Division & Board of Directors	1	0.4
Totals	<u>255</u>	<u>100.0%</u>

THE INSURANCE INDUSTRY, U.S. & IOWA

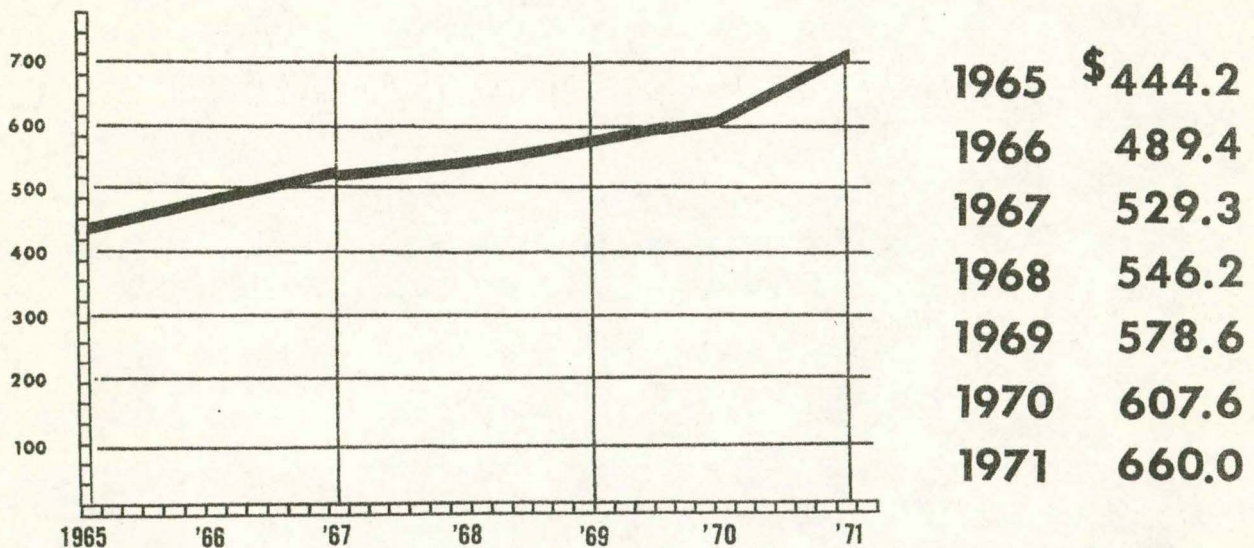
(a brief description)

Insurance in the United States is a broad, dynamic, and rapidly growing industry. Made up of some 6,000 domiciled companies, insurance controls nearly 300 billion dollars in assets and provides almost 1 1/2 million jobs for American breadwinners.

Some of these companies sell all lines of insurance. Others specialize in one or more fields such as health, life, property and casualty or other related areas of risk absorption. Nevertheless, the vast majority of U.S. business is written by about **2,400** companies that are located in all or nearly all of the 50 states.

The U.S. insurance sector generates more than 41 billion dollars in Gross National Product, producing 4.0% of aggregate economic activity. Companies doing business in Iowa generate an estimated \$660,000,000 or 4.8% of total Gross State Product, suggesting that the insurance industry is relatively more important to Iowa's economy.

Iowa Gross State Product Originating¹ - Insurance
(\$000,000)

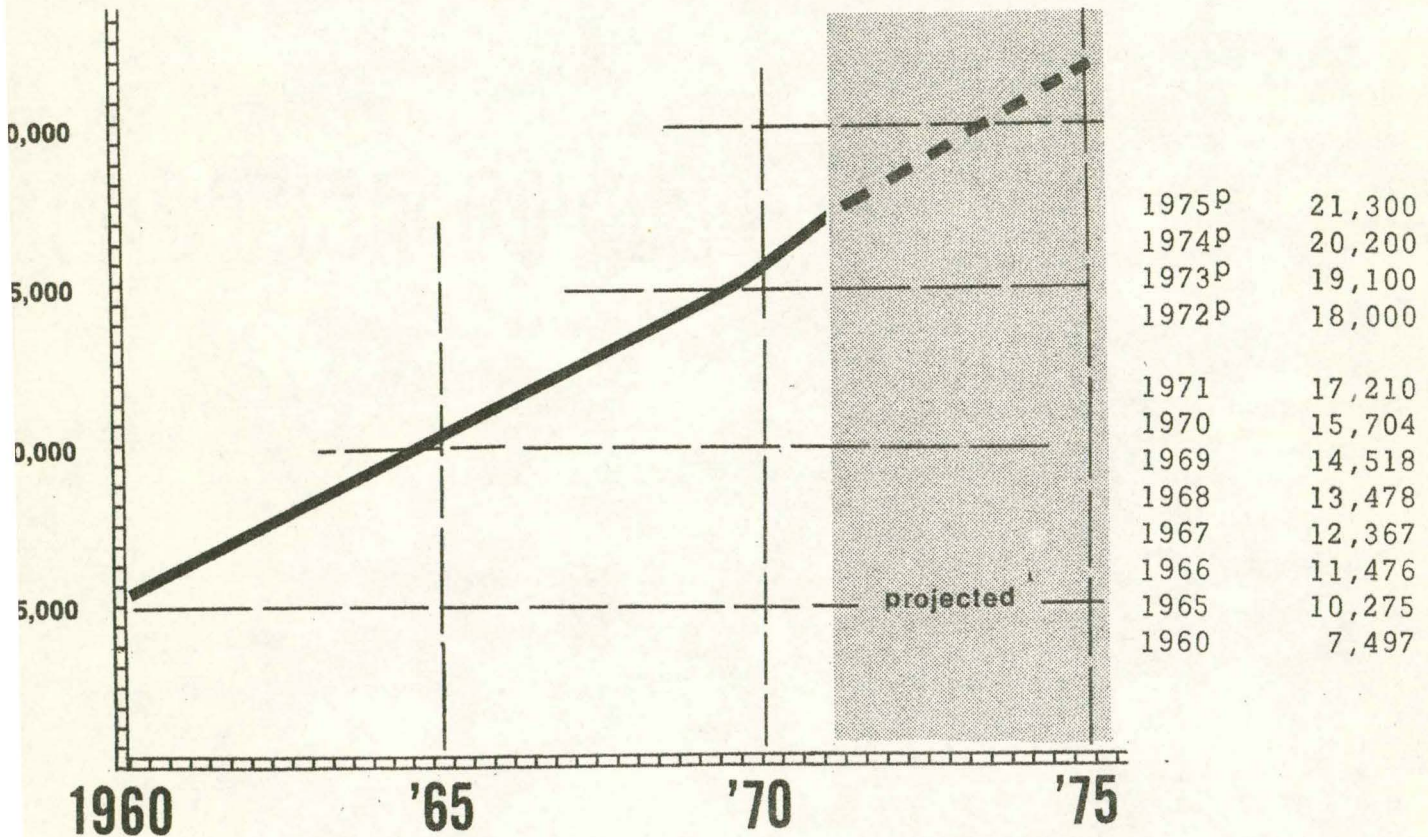


1. Estimated

Source: Survey of Current Business, U.S. Dept. of Commerce, and Iowa Gross State Product, Research Division, Iowa Development Commission.

Insurance companies are an important source of Iowa tax revenues. For example, in 1971 more than 17 million dollars were paid to state government in premium taxes and each year these revenues increase by more than 1 million dollars. In addition, state and local governments benefit from revenues derived from licenses and fees, property taxes, sales and use taxes, unemployment compensation taxes, and many other sources of funding. Add revenues generated by insurance employees, such as personal income tax, sales tax, property tax, etc., and it becomes readily apparent that the insurance industry is a significant source of tax revenues.

Insurance Premium Taxes - Iowa
(\$000)



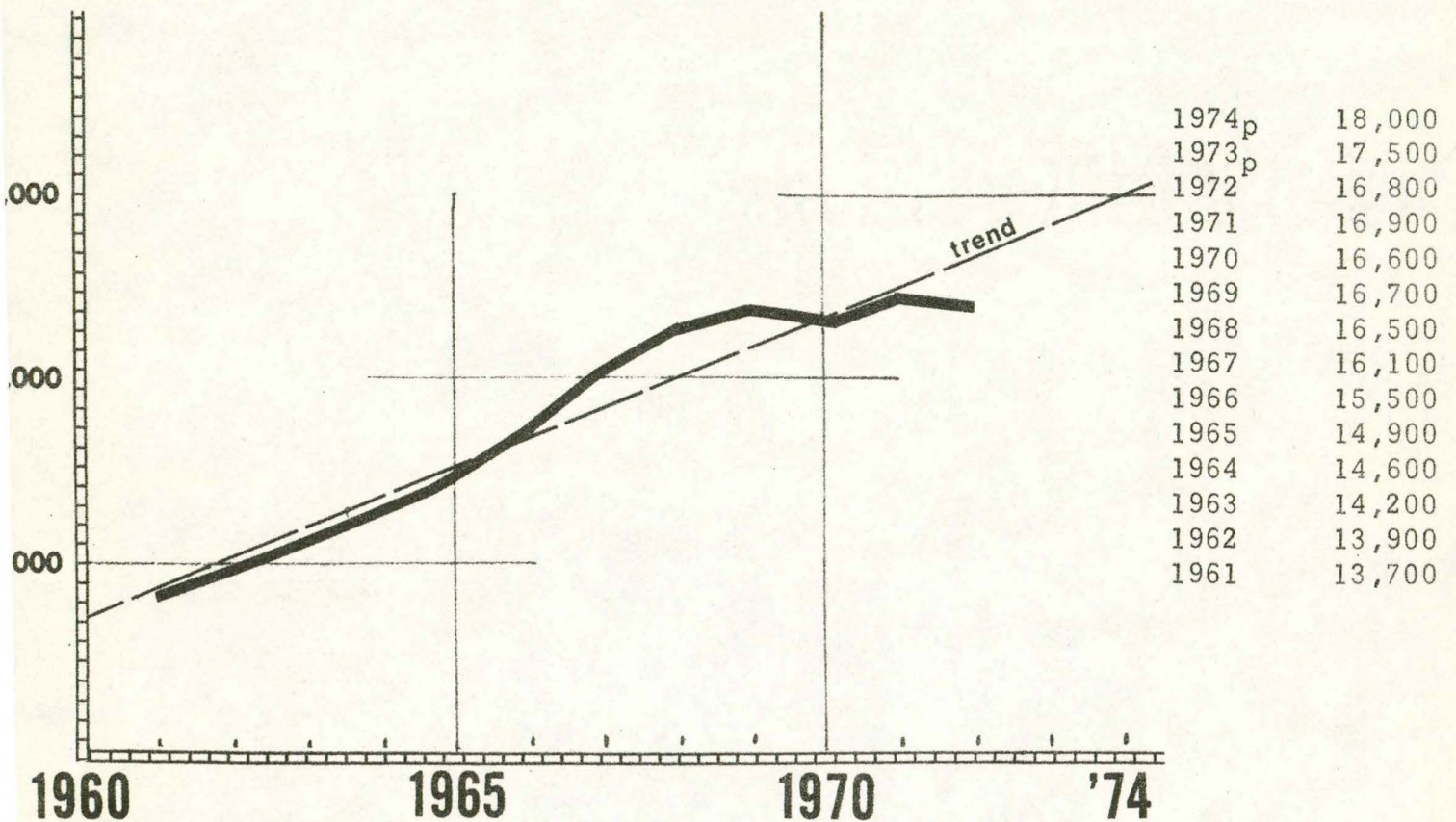
Projected by Least Squares Method of Linear Analysis.

Premium taxes are paid in lieu of state income tax.

Source: State Tax Collections, U.S. Department of Commerce, Bureau of the Census.

The insurance industry is obviously important to Iowa ---- in terms of gross product, tax revenues, and in terms of jobs. As a matter of fact, more than 150 new job opportunities (on the average) are made available each year by Iowa's expanding insurance industry.

Employment - Insurance Carriers, Agents, Brokers & Services
Iowa



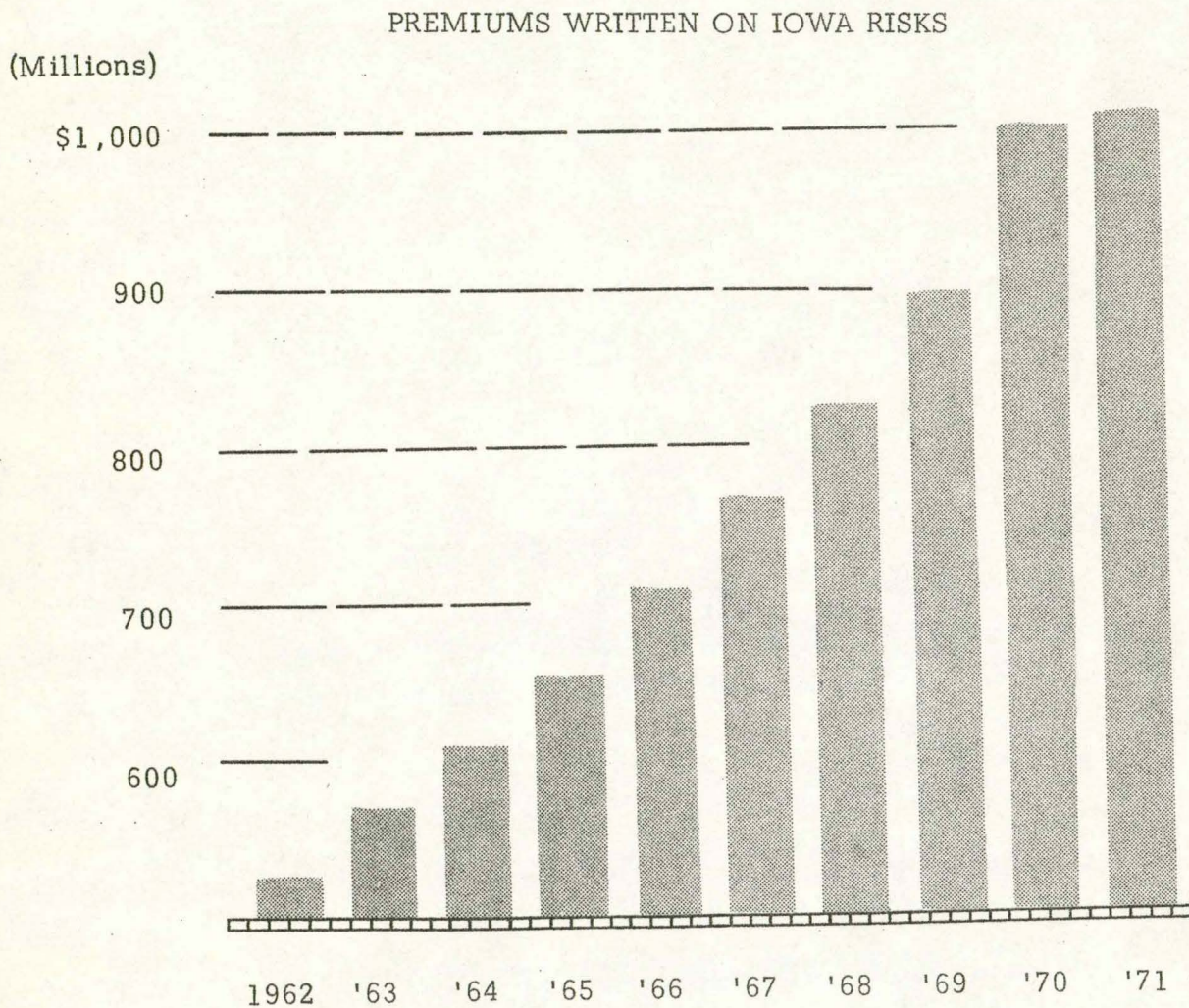
Projections based on Least Squares Linear Regression

Source: Iowa Employment Security Commission

Insurance offices have concentrated largely in six Iowa counties, accounting for more than 3/4 of total insurance employment. This might lead one to suspect that the location of insurance facilities may be directly related to markets or, in other words, to concentrations of people.

This hypothesis continues to hold true for the Midwest region, where again insurance employment correlates with standard metropolitan statistical areas. Note that Des Moines is the #2 insurance center based upon per capita employment. (See tables accompanying this section.)

The Iowa market for insurance has been growing at an average annual rate of 13.3% and in 1970 became a billion dollar business.



Source: Iowa Insurance Department

Premium Taxes by States
1971

Alabama	\$23,146,000	Montana	\$ 5,019,000
Alaska	3,018,000	Nebraska	8,277,000
Arizona	10,970,000	Nevada	3,271,000
Arkansas	9,692,000	New Hampshire	4,571,000
California	151,724,000	New Jersey	44,135,000
Colorado	16,680,000	New Mexico	6,455,000
Connecticut	60,450,000	New York	143,989,000
Delaware	5,051,000	North Carolina	31,912,000
Florida	47,317,000	North Dakota	3,207,000
Georgia	24,482,000	Ohio	58,443,000
Hawaii	7,317,000	Oklahoma	22,000,000
Idaho	4,974,000	Oregon	9,738,000
Illinois	48,231,000	Pennsylvania	63,007,000
Indiana	29,714,000	Rhode Island	7,650,000
Iowa	17,210,000	South Carolina	14,757,000
Kansas	11,937,000	South Dakota	4,080,000
Kentucky	22,474,000	Tennessee	24,043,000
Louisiana	24,558,000	Texas	62,501,000
Maine	4,717,000	Utah	5,548,000
Maryland	24,152,000	Vermont	2,592,000
Massachusetts	46,216,000	Virginia	29,636,000
Michigan	72,805,000	Washington	17,860,000
Minnesota	29,530,000	West Virginia	11,449,000
Mississippi	13,696,000	Wisconsin	21,199,000
Missouri	26,303,000	Wyoming	2,237,000

Source: U.S. Bureau of Census, Department of Commerce (figures are preliminary estimates)

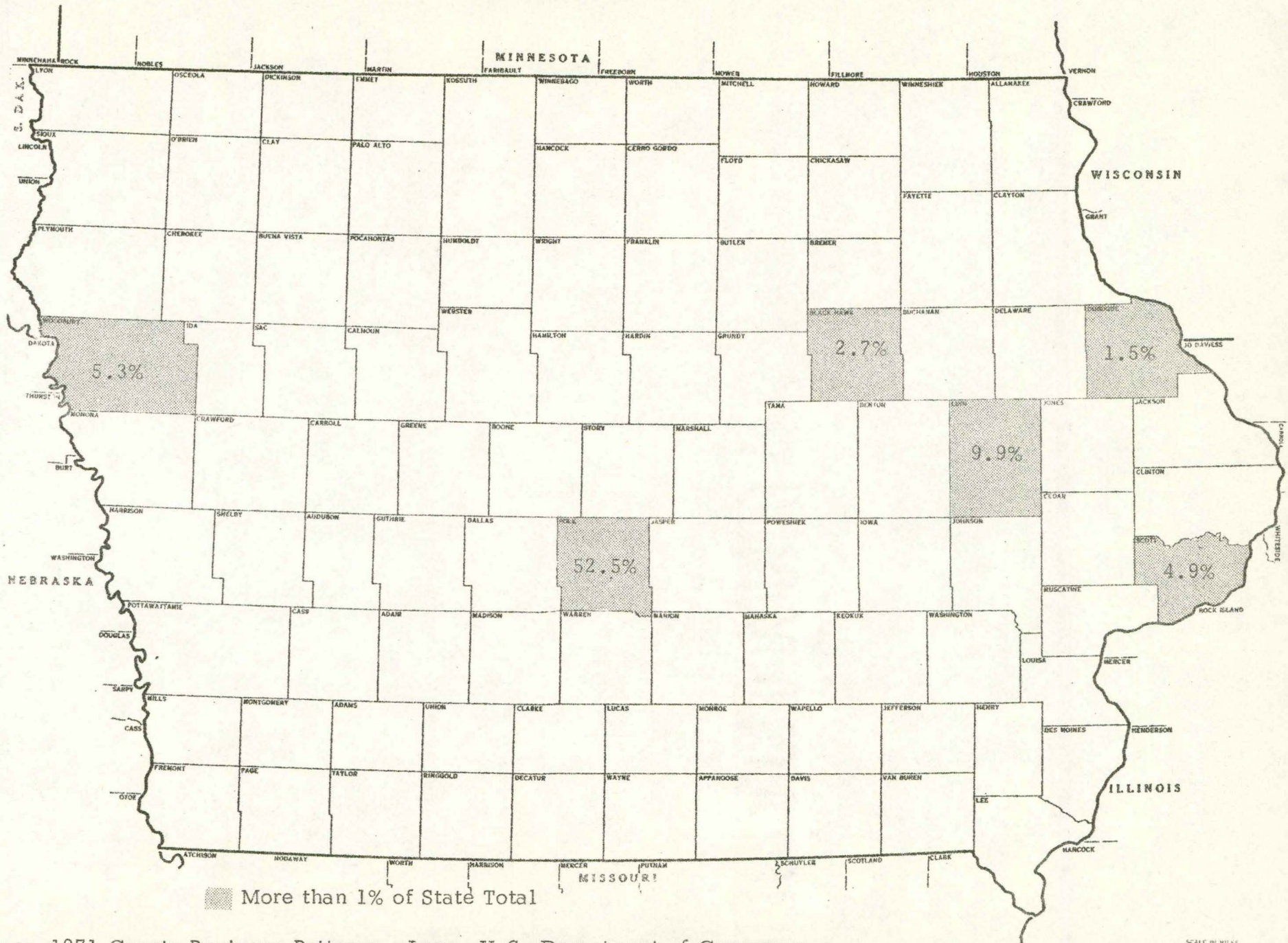
TOTAL ADMITTED ASSETS

(Insurance Companies Doing Business in Iowa)

<u>Companies</u>	<u>Total Admitted Assets</u>
U.S. Branch Companies	\$1,887,568,505
Iowa Mutual Companies	498,475,060
Non-Iowa Mutual Companies	12,092,276,891
Iowa Stock Companies	149,423,161
Non-Iowa Stock Companies	45,968,417,859
Iowa Life Companies	4,570,396,285
Non-Iowa Life Companies	96,347,158,348
Iowa Society	32,662,013
Non-Iowa Society	4,052,649,650
Total	<hr/> \$1,165,599,218,070

Source: 1972 Report of the Insurance Department of Iowa

Where Insurance Employment is Concentrated
(76.8% of SIC 63 & 64)



Source: 1971 County Business Patterns - Iowa, U.S. Department of Commerce

SCALE IN MILES
0 10 20

Insurance Employment by County
(SIC 63 & 64)

<u>County</u>	<u># Employees Mid-March</u>	<u>County</u>	<u># Employees Mid-March</u>
Black Hawk	428	Page	32
Boone	30	Plymouth	16
Buena Vista	17	Polk	8,399
Cass	18	Pottawattamie	76
Cerro Gordo	116	Poweshiek	D
Clay	22	Scott	791
Clayton	16	Story	28
Clinton	D	Wapello	155
Des Moines	99	Webster	D
Dubuque	243	Woodbury	847
Johnson	52	Wright	20
Lee	47	Others	281
Linn	1,587	Total (above)	13,156
Marion	23	Others	2,845
Marshall	42	State Total	16,001
Muscatine	52		

Source: 1971 County Business Patterns - Iowa, U.S. Dept. of Commerce, Bureau of the Census, issued May, 1972.

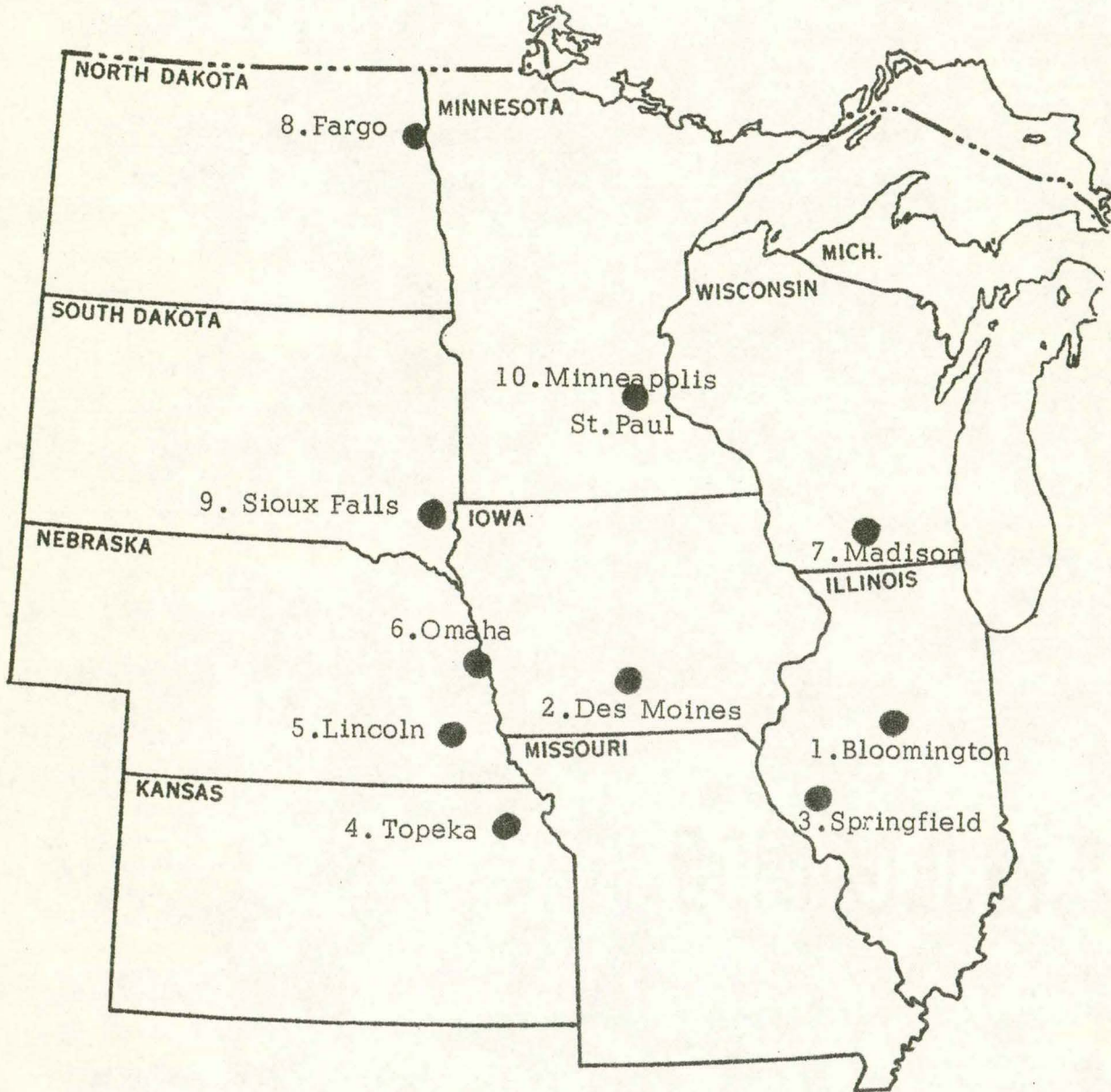
Number of Property and Liability Insurance Company Home Offices

State	Home Offices	State	Home Offices
Alabama	18	Missouri	100
Alaska	1	Montana	3
Arizona	11	Nebraska	71
Arkansas	14	Nevada	0
California	85	New Hampshire	21
Colorado	14	New Jersey	33
Connecticut	30	New Mexico	7
Delaware	9	New York	214
District of Columbia	14	North Carolina	49
Florida	29	North Dakota	38
Georgia	23	Ohio	142
Hawaii	8	Oklahoma	34
Idaho	1	Oregon	9
Illinois	292	Pennsylvania	233
Indiana	95	Rhode Island	12
Iowa	172	South Carolina	27
Kansas	38	South Dakota	56
Kentucky	35	Tennessee	13
Louisiana	8	Texas	140
Maine	29	Utah	4
Maryland	23	Vermont	14
Massachusetts	49	Virginia	47
Michigan	55	Washington	19
Minnesota	175	West Virginia	5
Mississippi	4	Wisconsin	199
		Wyoming	3

Source: 1972 Insurance Facts

MIDWESTERN INSURANCE CENTERS

(Determined by Insurance Employment Per Capita)



Insurance Centers - Midwest SMSA's
(SIC 63 & 64)

SMSA's	# Employees Mid-March	Official Population 1970	# Inhabitants Per Employee
Appleton-Oshkosh, Wisc.	D	276,891	----
*Bloomington-Normal, Ill.	5,213	104,389	20.0
Cedar Rapids, Iowa	1,587	163,213	102.8
Champaign-Urbana, Ill.	368	163,281	443.7
Chicago, Illinois	62,653	6,978,947	111.4
Davenport-Rock Island- Moline, Ia.-Ill.	1,992	362,638	182.1
Decatur, Illinois	777	125,010	160.9
*Des Moines, Iowa	8,399	286,101	34.1
Dubuque, Iowa	243	90,609	372.9
Duluth-Superior, Minn.-Wisc.	809	265,350	328.0
Fargo-Moorehead, N.Dak.-Minn.	1,430	120,238	84.1
Green Bay, Wisconsin	504	158,244	314.0
Kansas City, Mo.-Kan.	13,233	1,253,916	94.8
Kenosha, Wisconsin	152	117,917	775.8
La Crosse, Wisconsin	188	80,468	428.0
Lincoln, Nebraska	3,067	167,972	54.8
Madison, Wisconsin	3,776	290,272	76.9
Milwaukee, Wisconsin	11,941	1,403,688	117.6
Minneapolis-St. Paul, Minn.	19,716	1,813,647	92.0
Omaha, Neb.-Iowa	9,455	540,172	57.1
Peoria, Illinois	D	341,979	----
Racine, Wisconsin	171	170,838	999.1
Rochester, Minnesota	372	84,104	226.1
Rockford, Illinois	1,378	272,063	197.4
Sioux City, Iowa-Neb.	908	116,189	128.0
Sioux Falls, S. Dak.	1,084	95,209	87.8
*Springfield, Illinois	3,669	161,335	44.0
Springfield, Missouri	833	152,929	183.6
St. Joseph, Missouri	573	86,915	151.7
St. Louis, Mo.-Ill.	15,634	2,363,017	151.2
*Topeka, Kansas	2,610	115,322	44.2
Waterloo, Iowa	428	132,916	310.6
Wichita, Kansas	2,104	389,352	185.1
	<u>175,265</u>	<u>18,626,261</u>	<u>106.3</u>

Sources: "Number of Inhabitants - U.S. Summary PC(1)-A1" and
"1971 County Business Patterns", U.S. Dept. of Commerce, Bureau of the
Census.

Site Selection - A Summary

The attempt to select the best possible location for a new facility is one of the most crucial decisions faced by management . . . and often, one of the most difficult, as well. A decision of this type usually involves a substantial, long-term financial outlay, has a significant effect on both production and marketing costs, and strongly influences the competitive position and profitability of a firm. It also differs from general day-to-day management decisions in that, once made and acted upon, it is extremely difficult to change.

The serious difficulties posed by a site selection decision stems partially from the fact that it is not routine, but must be custom-tailored to a given situation. It involves many intangibles and requires a formidable array of variables to be evaluated. The decision entails a high degree of risk because of a vast number of uncertainties with which the manager must deal.

Developers who have traditionally emphasized the need for production jobs are now turning to non-production¹ activities as a source for future economic growth. Those actively involved in administrative office location have seen modern office buildings go up and have watched their particular regions take on added significance as centers of business leadership.

According to a recent study² of the nation's largest manufacturers and insurance companies, our major cities have, and will probably continue to possess, a magnetism for administrative headquarters, particularly corporate offices. Regional management offices, however, are more and more frequently locating in medium-sized cities, because administrative operations are becoming more decentralized.

The study also found that considerations important to administrative office location were very different from those important to industrial plant location. The key determinants were found to be location of suppliers and markets and "human" variables took precedence.

Traditional or conventional industrial location factors such as market, labor, transportation, taxes, etc., play a major role at the regional level of site selection; however, these "global" factors seldom provide a choice of locality or site. Another study indicates that once

1. Refers to non-factory employment.

2. Administrative Office Location Study, Myron M. Gilbert, 1970.

the region, i.e. the midwest, is selected, twenty-one factors are of major importance to the local site selection decision, i.e. Lincoln, Des Moines, Bloomington.

Fourteen major factors whose presence was important for more than one-half on the industries contacted:

1. Fire protection service.
2. Frequency control of power supplies.
3. Climactic conditions.
4. Natural gas, fuel oil: quality and efficiency of service.
5. Security enforcement or police.
6. Water pressure: quality.
7. Public transportation.
8. Proximity to principal markets.
9. Ease of access to plant by truck or auto.
10. The availability of business credit.
11. Proximity to the principal suppliers.
12. The condition of nearby streets and highways.
13. The condition of building occupied.
14. Employee commuting conditions.

Seven items which were noted by more than one-half of these firms as being disadvantageous, in order of importance:

1. Inventory taxes.
2. Property taxes.
3. High wages and salaries.
4. The practices of labor unions.
5. The lack of land available for expansion.
6. The lack of customer and employee off-site and on-site parking.
7. Other taxes.

Source: New Factors and Facets of Industrial Development, American Industrial Development Council Journal, Vol. III, No. 2, July, 1968.

In industrial development, location factors¹ are predominately associated with the costs of producing and marketing a finite product, i.e. raw materials, capital equipment, transportation, labor, warehousing facilities, etc. Insurance, on the other hand, does not appreciably incur these expenses.

Sales revenues derived from insurance premiums are disbursed or expended quite differently. Some 60 to 70% is returned to claimants as benefit payments, 20-25% goes either to the selling agency or to the company's marketing force, and about 10% remains to cover operating costs, pay taxes, and contribute to profit. Operating expenses are simply not significant in terms of revenue allocation, and consequently in terms of office site selection.

1. Major determinants in the decision-making process.

A manufacturing firm is confronted with the need for an additional plant when production capacity falls below expected sales. Insurance, on the other hand, feels the need for expanding operations when reserves make it possible to cover additional risks; so while "market" may be just one of many considerations in the manufacturer's site selection decision, it quite possibly is the only factor in an insurance company's decision to locate a new branch facility.

METHODOLOGY

In effect, research as a tool has three distinct operations: 1. Investigation, 2. Diagnosis and analysis, and 3. Prognosis. The investigation phase of this project included obtaining information from published sources, from interviews held with recognized leaders in the insurance field, and from a survey of insurance companies.

A survey questionnaire was sent to every insurance company doing business in Iowa. 1,133 firms were surveyed to learn their attitudes about the state's business climate, the magnitude of impact they have upon Iowa's economy, the important decision factors regarding office location, the state's rank or position with respect to those factors, and Iowa's potential for insurance office growth.

380 companies, or 33 1/2%, responded to the survey; however, 125 were either duplications (two or more companies using the same office force) or they chose not to answer the questions because they did not have an office in Iowa, had been doing business in the state for only a short time, wrote very little business in Iowa, or for other similar reasons felt that their answers would not be meaningful. The remaining 255 respondents that did answer represent 22 1/2% of all the companies licensed to do business in Iowa in 1972.

There was no follow-up attempt to increase the number of returns and the 255 responding insurance companies were assumed to be representative of all companies having a major office facility in the state. The data below suggests that responding firms were predominantly the larger companies doing business in Iowa.

	<u>Those Responding to the Survey</u>	<u>All Companies Doing Business in Iowa</u>
Premiums written in Iowa, 1971	\$506,440,433	\$1,089,873,502
Percent	46.5%	100.0%
Admitted Assets	\$78,878,136,537	\$167,213,176,675
Percent	47.2%	100.0%

Sources: Insurance Department of Iowa, Survey of Insurance Companies doing business in Iowa.

The following table shows the stratified universe (all companies doing business in Iowa) and the distribution of those 255 responding firms.

	Total Doing Business in Iowa	Companies Responding	
		#	%
Life Insurance Companies			
(A) Iowa Companies	27	17	63.0
(B) Non-Iowa Companies	354	120	33.9
Fraternal & Beneficiary Societies			
(C) Iowa Societies	1	0	----
(D) Non-Iowa Societies	34	10	29.4
Fire Casualty & Multiple Line Companies			
(E) Iowa Companies	40	18	45.0
(F) Non-Iowa Companies	465	147	31.6
Mortgage Guarantee Insurers			
(G) Iowa Companies	2	0	----
(H) Non-Iowa Companies	9	2	22.2
Reciprocal Exchanges			
(I) Iowa Exchanges	1	1	100.0
(J) Non-Iowa Exchanges	23	12	52.2
(K) State Mutual Insurance Associations (fire, tornado, hail, & auto)	4	3	75.0
(L) Non-Profit Hospital & Medical Corporations	6	1	16.7
(M) County Mutual Insurance Companies	140	47	33.6
(N) Iowa Benevolent Associations	27	2	7.4
Totals	<u>1,133</u>	<u>380</u>	<u>33.5%</u>

Bibliography

- Statistical Abstract of the United States - 1972
Report of the Insurance Department of Iowa - 1972
Bests' Review, January, 1973
1971 Life Insurance Fact Book, Institute of Life Insurance, New York, N.Y.
Insurance Year Book
Richard S. Baldwin, Chief Examiner, Iowa Insurance Department
Insurance Facts - 1972, Insurance Information Institute, New York, N.Y.
Source Book of Health Insurance 1971-72, Health Insurance Institute, N.Y., NY.
Administrative Office Location Study, Myron M. Gilbert, for the Economic
Research Division, Ohio Development Department.
A.I.D.C. Journals, American Industrial Development Council
The Economic Impact of the Insurance Industry on the State of Iowa,
S. Green & Y. Kramer under supervision of Dr. Chastaine and Dr.
Easley, Drake University
BEST's Recommended Life Insurance Companies 1972
BEST's Aggregates and Averages - 1972
BEST's REPORTS Life-Health Edition and Property and Liability Edition

APPENDIX

TABLE 1

Please rank the 5 most important factors you would consider in selecting a location for a regional or national headquarters; #1 - most important, #2 - next most important ----- #5 - 5th most important consideration.

(126 Responding Property & Casualty Insurance Companies)
doing business in Iowa

	#1	#2	#3	#4	#5	Totals	%
Transportation facilities	5	--	2	7	3	17	3.4
Area insurance companies	1	1	--	2	6	10	2.0
Efficiency in serving market	32	4	7	4	10	57	11.4
Tax incentives or credits	--	--	1	3	--	4	0.8
Property taxes	--	1	--	1	2	4	0.8
Premium tax rate	4	4	4	2	3	17	3.4
Tax structure in general	2	7	7	8	7	31	6.2
Office space/utilities cost	4	3	8	8	7	30	6.0
Living areas and costs	2	4	7	3	12	28	5.6
Population distribution	3	5	5	3	1	17	3.4
Labor quantity	6	7	2	4	3	22	4.4
Labor quality (productivity)	6	15	14	5	5	45	9.0
Labor costs	1	3	4	5	7	20	4.0
Insurance regulation	8	5	9	13	6	41	8.2
Rate adequacy	10	11	5	5	5	36	7.2
Expanding economy	6	6	6	3	4	25	5.0
Area purchasing power	--	4	2	1	3	10	2.0
Area industrial strength	--	--	--	--	--	---	
Type of industries	--	--	2	2	1	5	1.0
Population growth potential	5	12	6	14	3	40	8.0
Climate (weather)	--	1	--	--	2	3	0.6
Natural phenomena	--	--	--	--	--	---	
Educational opportunities	--	1	--	3	2	6	1.2
No Answer						32	6.4
Total Responses						500	100.0

TABLE 2

Please rank the 5 most important factors you would consider in selecting a location for a regional or national headquarters; #1 - most important, #2 - next most important ----- #5 - 5th most important consideration.

(104 Life & Health Insurance Companies doing business in Iowa)

	#1	#2	#3	#4	#5	Totals	%
Transportation facilities	1	8	7	3	6	25	6.5
Area insurance companies	---	1	1	7	2	11	2.9
Efficiency in serving market	16	9	5	1	5	36	9.4
Tax incentives or credits	1	1	---	2	1	5	1.3
Property taxes	1	1	---	---	1	3	0.8
Premium tax rate	4	2	5	2	3	16	4.2
Tax structure in general	5	6	4	8	4	27	7.1
Office space/utilities cost	1	2	8	8	5	24	6.3
Living areas and costs	2	3	5	4	6	20	5.2
Population distribution	6	4	4	3	3	20	5.2
Labor quantity	3	5	--	1	3	12	3.1
Labor quality (productivity)	7	6	4	6	4	27	7.1
Labor costs	7	7	7	4	4	29	7.6
Insurance regulation	7	5	5	3	1	21	5.5
Rate adequacy	---	1	---	1	1	3	0.8
Expanding economy	4	6	5	5	6	22	5.8
Area purchasing power	3	6	5	5	2	18	4.7
Area industrial strength	---	---	2	2	---	4	1.1
Type of industries	---	---	---	1	1	2	0.5
Population growth potential	6	3	5	2	5	15	3.9
Climate (weather)	---	2	---	2	3	7	1.8
Natural phenomena	---	---	---	---	1	1	0.3
Educational opportunities	---	---	---	1	3	4	1.0
No Answer						30	7.9
Total Responses						382	100.0

TABLE 3

How would you compare the insurance "climate" of Iowa with other areas that are noted as centers for regional and national insurance offices?

	<u>Totals</u>	<u>% Distribution</u>	
		<u>Total</u>	<u>205 That Answered</u>
a) very favorable	64	25.1	31.2
b) favorable	89	34.9	43.4
c) about the same	49	19.2	23.9
d) unfavorable	3	1.2	1.5
e) very unfavorable	0	----	----
No Answer	50	19.6	NA
	<u>255</u>	<u>100.0</u>	<u>100.0</u>

NA Not Applicable

TABLE 4

Please indicate how many states your company is licensed to do business in.

	<u>1-10</u>	<u>11-20</u>	<u>21-30</u>	<u>31-40</u>	<u>41-50</u>	<u>No Answer</u>	<u>Total</u>
# of Responses	83	27	18	31	78	18	255
% of Distribution	32.5%	10.6%	7.1%	12.1%	30.6%	7.1%	100.0%

TABLE 5

List the 5 states where your company writes most of its business.

States	#	%	States	#	%
	Responses	Distribution		Responses	Distribution
Alabama	5	0.4	Nebraska	28	2.2
Alaska	1	Neg.	Nevada	3	0.2
Arizona	4	0.3	New Hampshire	2	0.1
Arkansas	3	0.2	New Jersey	22	1.7
California	83	6.5	New Mexico	3	0.2
Colorado	12	0.9	New York	41	3.2
Connecticut	7	0.6	North Carolina	10	0.8
Delaware	2	0.1	North Dakota	13	1.0
Florida	34	2.7	Ohio	40	3.1
Georgia	6	0.5	Oklahoma	7	0.6
Hawaii	3	0.2	Oregon	5	0.4
Idaho	1	Neg.	Pennsylvania	44	3.4
Illinois	94	7.4	Rhode Island	3	0.2
Indiana	43	3.4	South Carolina	1	Neg.
Iowa	88	6.9	South Dakota	18	1.4
Kansas	23	1.8	Tennessee	8	
Kentucky	6	0.5	Texas	45	3.5
Louisiana	7	0.6	Utah	1	Neg.
Maine	0	---	Vermont	1	Neg.
Maryland	12	0.9	Virginia	7	0.6
Massachusetts	19	1.5	Washington	7	0.6
Michigan	36	2.8	West Virginia	2	
Minnesota	60	4.7	Wisconsin	43	3.4
Mississippi	1	Neg.	Wyoming	1	Neg.
Missouri	41	3.2			
Montana	3	0.2	No Answer	325	25.5

TABLE 6

In the space preceding each of the following statements place a:

(\bar{X} = Average, 1 = Agree, 2 = No Opinion, 3 = Disagree)

1		2		3		\bar{X}	
#	%	#	%	#	%		
2	0.8	65	26.3	180	72.9	2.7	Iowa insurance laws and regulations are so restrictive that they hamper growth.
7	2.9	218	88.6	21	8.5	2.1	It is easier to raise capital in Iowa than in most states.
187	72.5	31	12.0	40	15.5	1.4	Opportunities for educational and professional advancement must exist for an insurance location to be desirable.
162	65.0	43	17.3	44	17.7	1.5	Insurance executives prefer to be near other insurance executives to share ideas.
146	58.4	100	40.0	4	1.6	1.4	Iowa has a favorable labor climate.
103	41.2	127	50.8	20	8.0	1.7	Iowa wages are below most metropolitan areas.
117	47.2	124	50.0	7	2.8	1.6	Iowa has ample clerical help available.
153	61.5	87	34.9	9	3.6	1.4	Iowa offers excellent opportunities for educational and professional advancement.
80	32.2	148	59.7	20	8.1	1.8	Clerical help costs less in Iowa than in most states.
44	17.7	175	70.3	30	12.0	1.9	Insurance companies can operate more profitably in Iowa than in most states.
72	28.9	156	62.7	21	8.4	1.8	Iowa workers are more productive than workers in most states.
86	35.4	147	60.5	10	4.1	1.5	The tax situation in Iowa is favorable to insurance companies.
92	37.0	151	60.6	6	2.4	1.7	Iowa has ample office space available.
168	68.0	66	26.7	13	5.3	1.4	There is potential for further insurance company growth in Iowa.
175	69.4	75	29.8	2	0.8	1.3	Young people from rural areas are well-schooled, willing workers, with good attitudes.

TABLE 6 cont.

1		2		3		\bar{X}	
#	%	#	%	#	%		
96	38.7	136	54.8	16	6.5	1.7	Young people needed for clerical help prefer Iowa cities to many larger cities such as New York and Chicago.
28	11.2	96	38.6	125	50.2	2.4	Iowa is now saturated with insurance offices.
83	33.7	96	39.0	67	27.3	1.9	Tax incentives should be given to Iowa insurance companies.
44	17.7	56	22.5	149	59.8	2.4	Iowa's central geographical location is <u>not</u> an advantage for a regional or national insurance office location.

\bar{X} = Average, 1 = Agree, 2 = No Opinion, 3 = Disagree

TABLE 7

Is it a problem to recruit employees for an Iowa office facility?

Yes		No		No Reply	
#	%	#	%	#	%
10	3.9	134	52.6	111	43.5

TABLE 8

Weekly wage rates for specified jobs:

Clerical Jobs:		(A) Starting	(B) Average	(C) Top	Average # of Insurance Com- panies Reporting
(1) Clerk Typist	Low	\$ 58	\$ 64	\$ 75	76
	Mean	87	91	106	
	High	115	150	187	
(2) Accounting Clerk	Low	\$ 64	\$ 75	\$ 80	49
	Mean	85	97	128	
	High	130	150	187	
(3) Stenographer	Low	\$ 64	\$ 80	\$ 80	55
	Mean	84	101	121	
	High	115	150	187	
(4) Secretary	Low	\$ 64	\$ 70	\$ 80	72
	Mean	95	117	142	
	High	140	196	216	

TABLE 8 cont.

Weekly Wage Rates:

Technical Skills:		(A) Starting	(B) Average	(C) Top	Average No. of Insurance Com- panies Reporting
(5) Key Punch/Tape Operator	Low	\$70	\$80	\$82	37
	Mean	81	99	120	
	High	115	180	180	
(6) Verifiers	Low	\$70	\$80	\$82	29
	Mean	82	100	120	
	High	115	130	180	
(7) Computer Operators	Low	\$80	\$90	\$104	27
	Mean	110	140	171	
	High	175	213	281	
(8) Computer Pro- grammer	Low	\$115	\$148	\$200	25
	Mean	147	188	242	
	High	207	252	318	
(9) Systems Analyst	Low	\$125	\$150	\$200	21
	Mean	172	215	273	
	High	291	276	419	
(10) Underwriter	Low	\$70	\$95	\$115	44
	Mean	140	177	234	
	High	207	250	343	
(11) Accountant	Low	\$100	\$120	\$150	36
	Mean	154	188	229	
	High	294	288	343	
(12) Claims Examiner/ Adjuster	Low	\$75	\$100	\$120	53
	Mean	139	170	213	
	High	225	250	337	
(13) Actuarial Clerk	Low	\$72	\$109	\$132	15
	Mean	107	141	167	
	High	150	191	238	

TABLE 9

How would you rank the following states as to rate adequacy? (Use 1 for best.)

	(Best)											(Worst)
	1	2	3	4	5	6	7	8	9	10	11	12
a) Nebraska	8	9	7	4	2	5	1	1	2	3	--	--
b) Illinois	16	7	9	1	2	--	2	1	1	3	2	--
c) Missouri	5	5	5	3	6	4	3	2	1	1	--	1
d) Minnesota	6	5	6	7	3	4	2	5	1	--	1	1
e) Arkansas	--	1	--	3	--	1	7	3	1	2	2	4
f) Iowa	17	11	10	4	4	1	3	1	1	--	1	--
g) Kansas	3	1	5	4	7	1	2	2	3	3	2	4
h) Oklahoma	--	1	1	2	5	1	2	2	3	3	6	3
i) Indiana	2	6	5	5	4	3	6	1	3	1	2	--
j) Wisconsin	1	4	4	6	7	4	--	1	4	2	3	3
k) Michigan	--	4	2	7	3	4	--	6	3	1	2	3
l) South Dakota	2	6	5	3	6	5	2	1	1	3	2	3

	<u>Most Often</u>	<u>Next Most Often</u>	<u>3rd Most Often</u>
State Ranked #1	Iowa	Illinois	Nebraska
State Ranked #2	Iowa	Nebraska	Illinois
State Ranked #3	<u>Iowa</u>	<u>Illinois</u>	<u>Nebraska</u>
Concensus	Iowa	Illinois	Nebraska

Direct Premiums Written
(Dollars in

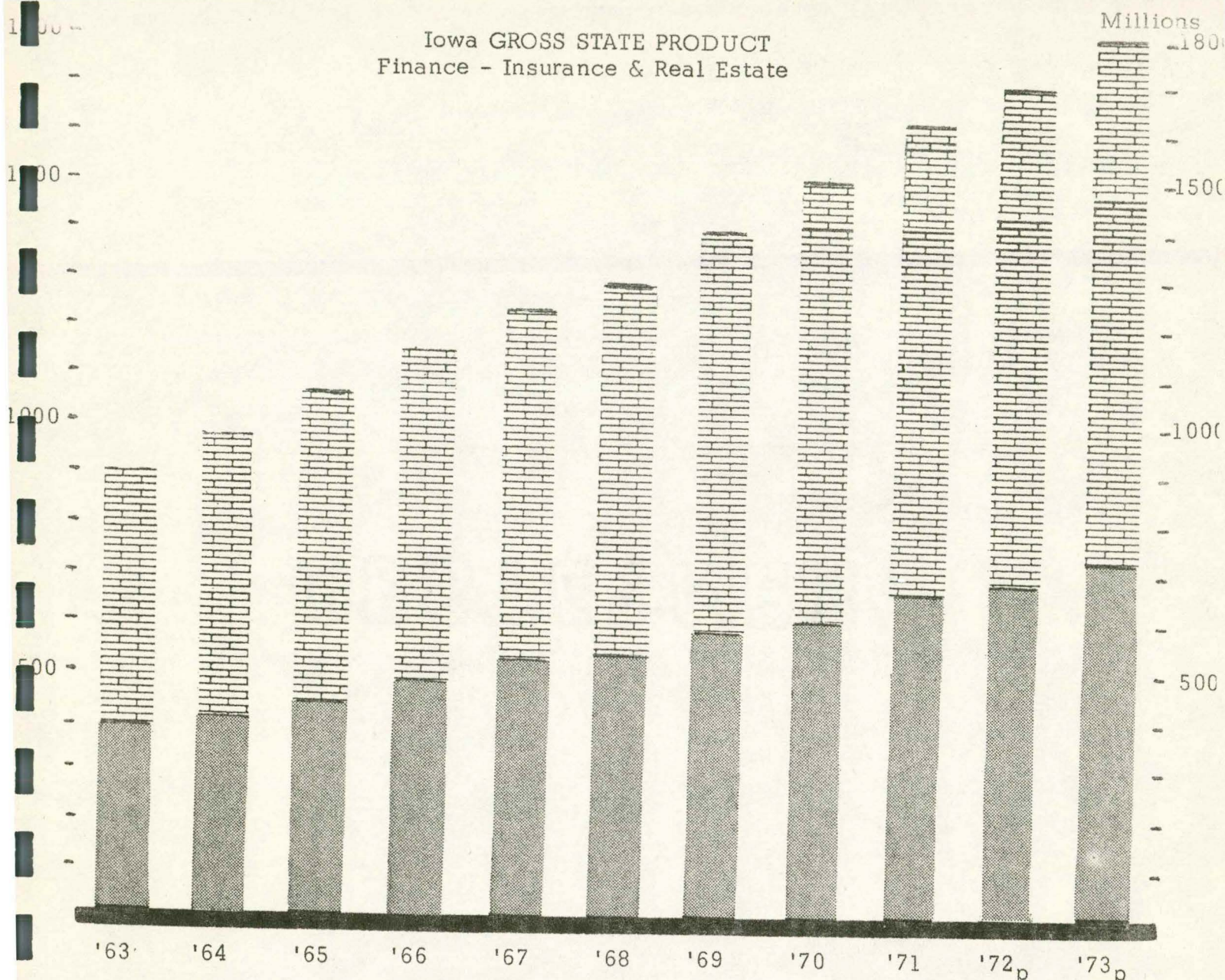
Classification of Companies

	1960	1961	1962	1963	1964
Life Insurers	204,226	218,410	242,586	279,530	300,758
Hospital & Medical Service Corporations	34,525	37,351	41,786	44,068	46,694
Fire, Casualty, and Multiple Line:					
Fire & Casualty Companies	210,573	214,960	218,999	219,293	234,010
Reciprocal Exchanges	7,135	7,348	6,468	6,834	7,459
State Mutual Associations	588	444	443	455	450
County Mutual Associations	8,034	7,890	8,564	9,846	10,231
Fraternal Beneficiary Societies	7,054	7,072	7,607	8,251	8,733
Mortgage Guaranty Insurers	----	----	----	275	348
Others	1,076	1,107	1,117	1,135	1,147
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	473,211	494,582	527,570	569,687	609,830

by All Companies in Iowa
(Thousands)

1965	1966	1967	1968	1969	1970	1971
321,644	352,670	379,836	408,110	435,906	474,570	498,462
50,013	49,304	52,060	60,807	74,878	100,565	117,525
251,676	274,313	302,088	320,858	348,907	385,705	428,550
8,257	8,759	9,373	10,223	11,179	12,528	13,688
468	481	565	497	507	594	667
11,472	11,654	12,114	13,032	14,044	15,112	16,226
9,132	10,336	10,387	11,079	11,598	12,526	13,283
417	463	513	665	729	854	1,472
1,191	1,224	-----	-----	-----	-----	-----
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
654,270	709,204	766,936	825,271	897,748	1,002,454	1,089,873

Iowa GROSS STATE PRODUCT
Finance - Insurance & Real Estate



Insurance Only Finance & Real Estate

Insurance as % of Total Fin., Ins. & Real Est. Employment X G.S.P. Generated in Fin. Ins. & Real Est. = G.S.P. Estimation Insurance

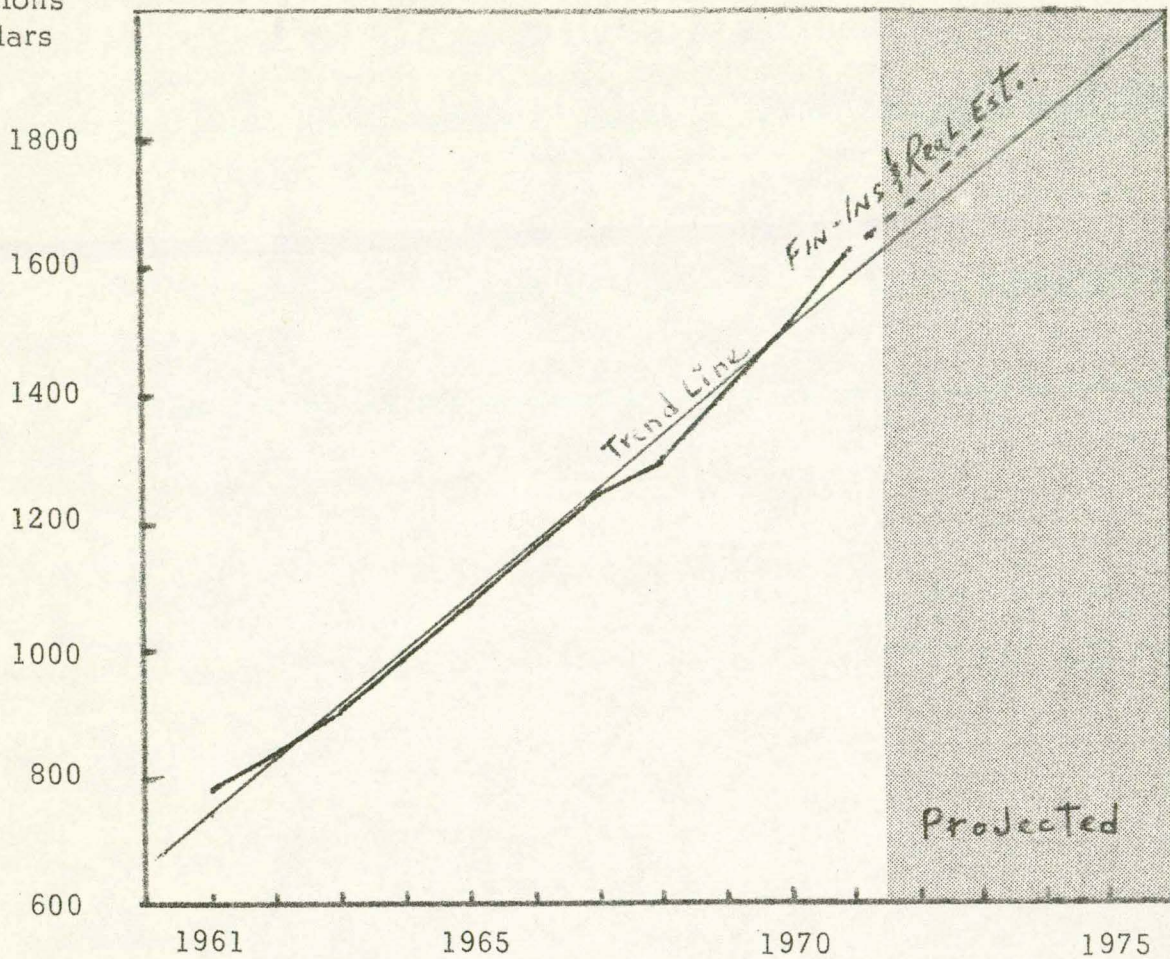
(in millions) (in millions)

1973 _p	40.5	\$ 1800.0	\$ 729.0
1972 _p	40.5	1700.0	688.5
1971	40.625	1624.5	660.0
1970	40.488	1500.7	607.6
1969	41.337	1399.7	578.6
1968	42.199	1294.2	546.1
1967	42.480	1246.1	529.3
1966	42.120	1162.0	489.4
1965	41.620	1067.3	444.2
1964	42.075	982.2	413.3
1963	42.012	905.3	380.3
1962	42.249	837.7	353.9
1961	42.547	784.6	333.8

p = Projected

Least Squares Linear Projection - GSP Fin.-Ins.-Real Est.
Iowa

Millions
dollars



	X	Y (in millions)	XY	X ²	Y ¹ (Trend)	Annual Changes
1961	-5	\$ 784.6	-3923.0	25	\$ 748.7	
1962	-4	837.7	-3350.8	16	831.7	
1963	-3	905.3	-2715.9	9	914.8	
1964	-2	982.2	-1964.4	4	997.9	
1965	-1	1067.3	-1067.3	1	1080.9	
1966	0	1162.0	-----	--	1164.0	94.7
1967	1	1246.1	1246.1	1	1247.1	84.1
1968	2	1294.2	2588.4	4	1330.1	48.1
1969	3	1399.7	4199.1	9	1413.2	105.5
1970	4	1500.7	6002.8	16	1496.3	101.0
1971	5	1624.5	8122.5	25	1579.4	123.8
Totals		\$12804.3	9137.5	110		92.2

1972 projected

1973 projected

$$Y = a + bx = 1164 + 83.07x$$

$$a = Y/N = \$12804.3/11 = \underline{\$1164.0 \text{ origin}}$$

$$b = xy/x^2 = \$9137.5/110 = \underline{\$83.07 \text{ slope}}$$

Estimation of Gross Product - Insurance
(\$000,000)

Iowa:	<u>Gross State Product Fin.-Ins.-Real Est.</u> X	<u>Employment in Insurance Only</u> ÷	<u>Employment in Fin.-Ins.-Real Est.</u> =	<u>Iowa GSP Insurance</u>	<u>Total Iowa GSP</u>	<u>Insurance % of Total</u>
1965	1067.3	14,900	35,800	\$444.2	\$ 9,259.0	4.80
1966	1162.0	15,500	36,800	489.4	10,314.3	4.74
1967	1246.1	16,100	37,900	529.3	10,745.9	4.93
1968	1294.2	16,500	39,100	546.2	11,359.9	4.81
1969	1399.7	16,700	40,400	578.6	12,161.2	4.76
1970	1500.7	16,600	41,000	607.6	12,840.9	4.73
1971	1624.5	16,900	41,600	660.0	13,636.3	4.84

U. S.:	<u>National Income Fin.-Ins.-Real Est.</u> X	<u>Ratio of Nat'l Income to GSP</u> X	<u>Ratio of Employment Ins. in Fin., Ins., R.E.</u> =	<u>U.S. GNP Insurance</u>	<u>Total U.S. GNP</u>	<u>Insurance % of Total</u>
1965	\$61,300	121.60	37.79	\$28,169.0	\$683,900	4.12
1966	67,100	120.43	36.89	29,810.3	747,600	3.99
1967	72,300	121.33	37.02	32,474.5	793,500	4.09
1968	77,900	121.37	36.56	34,566.5	865,000	3.99
1969	82,800	121.66	34.91	35,166.4	929,100	3.78
1970	90,000	122.26	34.67	38,148.8	976,400	3.96
1971	98,700	122.75	34.57	41,883.0	1,050,400	3.99

Sources: Survey of Current Business, August Issues, County Business Patterns, Iowa Gross State Product, Research Division, Iowa Development Commission.

U.S. & Iowa Economic Impact of Insurance - 1971
(in millions of dollars)

	U. S.	Iowa
<u>Gross Product</u>	\$1,050,400	\$13,636
Fin.-Ins.-Real Est. Sector	\$ 121,111	\$ 1,624.5
% of Total G.P.	11.53%	11.91%
Estimated Insurance only (based upon employment ratio)	\$ 43,091	\$ 729
% of Total ¹ .	35.58	40.63
 Insurance as % of Total G. P.	 <u>4.10%</u>	 <u>5.35%</u>

1. Employment Rates

Total Fin.-Ins.-Real Est.	3,800,000	41,600
Insurance	1,352,000	16,900
% of Total	35.58%	40.63%

Sources: 1972 Statistical Abstract of the U.S., Iowa Employment Security Commission, Annual Survey of Current Business, Estimation of Gross State Product - Iowa, Research Division, Iowa Development Commission.

Iowa Employment Trend

Insurance Carriers, Agents, Brokers & Service

	X	Y	XY	X ²	Y ¹
1974 ^P					17,993
1973 ^P					17,665
1972	11	16,800	184,800	121	17,337
1971	9	16,900	152,100	81	17,009
1970	7	16,600	116,200	49	16,681
1969	5	16,700	83,500	25	16,353
1968	3	16,500	49,500	9	16,025
1967	1	16,100	16,100	1	15,697
1966	-1	15,500	-15,500	1	15,369
1965	-3	14,900	-44,700	9	15,041
1964	-5	14,600	-73,000	25	14,713
1963	-7	14,200	-99,400	49	14,385
1962	-9	13,900	-125,100	81	14,057
1961	-11	<u>13,700</u>	<u>-150,700</u>	<u>121</u>	13,729
Totals		186,400	93,800	572	

$$a = y/n = 186,400/12 = \underline{\underline{15,533}}$$

$$b = xy/x^2 = 93,800/572 = \underline{\underline{164}}$$

$$y^1 = a + bx$$

Source: Iowa Employment Security Commission

Projected Insurance Premium Taxes - Iowa
(\$000,000)

	X	Y	XY	X ²	Y ¹
1965	-3	10.275	-30.825	9	10.3
1966	-2	11.476	-22.952	4	11.4
1967	-1	12.367	-12.367	1	12.5
1968	0	13.478	---		13.6
1969	1	14.518	14.518	1	14.7
1970	2	15.704	31.408	4	15.8
1971	<u>3</u>	<u>17.210</u>	<u>51.630</u>	<u>9</u>	<u>16.9</u>
Totals	0	95.028	31.412	28	----
1972 ^P					18.0
1973 ^P					19.1
1974 ^P					20.2
1975 ^P					21.3

$$Y^1 = a + bX = 13.6 + 1.1X$$

$$a = Y/N = 95.028/7 = \underline{13.6}$$

$$b = XY/X^2 = 31.412/28 = \underline{1.1}$$

3. In the space preceding each of the following statements place a:

- 1 -- if you agree with the statement
- 2 -- if you have no opinion concerning the statement
- 3 -- if you disagree with the statement

- a) Iowa insurance laws and regulations are so restrictive that they hamper growth.
- b) It is easier to raise capital in Iowa than in most states.
- c) Opportunities for educational and professional advancement must exist for an insurance location to be desirable.
- d) Insurance executives prefer to be near other insurance executives to share ideas.
- e) Iowa has a favorable labor climate.
- f) Iowa wages are below most metropolitan areas.
- g) Iowa has ample clerical help available.
- h) Iowa offers excellent opportunities for educational and professional advancement.
- i) Clerical help costs less in Iowa than in most states.
- j) Insurance companies can operate more profitably in Iowa than in most states.
- k) Iowa workers are more productive than workers in most states.
- l) The tax situation in Iowa is favorable to insurance companies.
- m) Iowa has ample office space available.
- n) There is potential for further insurance company growth in Iowa.
- o) Young people from rural areas are well-schooled, willing workers, with good attitudes.
- p) Young people needed for clerical help prefer Iowa cities to many larger cities, such as New York and Chicago.
- q) Iowa is now saturated with insurance offices.
- r) Tax incentives should be given to Iowa insurance companies.
- s) Iowa's central geographical location is not an advantage for a regional or national insurance office location.

FINANCIAL AND PERSONNEL DATA

4. Please list the following for your company:

	Number:	Employees	Agents	Total
A. Within Iowa (current)		_____	_____	_____
B. Outside Iowa (current)		_____	_____	_____
C. Within Iowa (1967)		_____	_____	_____
D. Outside Iowa (1967)		_____	_____	_____

	Annual Payroll:	Employees	Agents	Total
E. Within Iowa (1971)		_____	_____	_____
F. Outside Iowa (1971)		_____	_____	_____
G. Within Iowa (1967)		_____	_____	_____
H. Outside Iowa (1967)		_____	_____	_____

	Direct premiums written		Losses incurred on premiums written		% of BI claims that went to litigation (if unknown please estimate)
	<u>Inside Iowa</u>	<u>Outside Iowa</u>	<u>Inside Iowa</u>	<u>Outside Iowa</u>	
I. 1967	\$ _____	\$ _____	\$ _____	_____	_____
1968	_____	_____	_____	_____	_____
1969	_____	_____	_____	_____	_____
1970	_____	_____	_____	_____	_____
1971	_____	_____	_____	_____	_____

J. Total assets

Current _____
 1967 _____

K. Total cost of goods and services purchased by your company in 1971:
 (Please estimate if actual figures are not readily available.)

	Within Iowa	Outside Iowa
Advertising	\$ _____	\$ _____
Printing	_____	_____
Office Supplies	_____	_____
Services	_____	_____
Transportation	_____	_____
Employment	_____	_____
Other (specify)	_____	_____
_____	_____	_____
_____	_____	_____
All others not specified	_____	_____
TOTAL	\$ _____	\$ _____

FINANCIAL AND PERSONNEL DATA

5. Please rate the Iowa labor market for each of the following job classifications using A - excellent, B - above average, C - average, D - below average, E - poor.

	<u>Adequate Quantity Available</u>	<u>Adequate Quality Available</u>
I. Executives	_____	_____
II. Skilled people	_____	_____
III. Clerical help	_____	_____

5(a) Is it a problem to recruit potential employees for an Iowa office location?

Yes _____ No _____

5(b) If Yes, why? _____

6. Please fill in the following blanks referring to weekly wage rates for certain jobs in your company (please use NA when not applicable).*

JOB DESCRIPTION	WEEKLY GROSS PAY SCALE IN IOWA		
	Starting	Average	Top
<u>Clerical jobs:</u>			
Clerk-typist	\$ _____	\$ _____	\$ _____
Accounting clerks	_____	_____	_____
Stenographer	_____	_____	_____
Secretary	_____	_____	_____
<u>Technical skills:</u>			
Key punch/tape operators	_____	_____	_____
Verifiers	_____	_____	_____
Computer operators	_____	_____	_____
Computer programmer	_____	_____	_____
Systems analyst	_____	_____	_____
Underwriter	_____	_____	_____
Accountant	_____	_____	_____
Claims examiner/adjuster	_____	_____	_____
Actuarial clerk	_____	_____	_____

* Please remember - individual responses will be kept confidential. Only totals, averages, etc. will be reported.

7. How would you compare the "insurance climate" of Iowa with other areas that are noted as centers for regional and national insurance offices?

- _____ a) very favorable
- _____ b) favorable
- _____ c) about the same
- _____ d) unfavorable
- _____ e) very unfavorable

8. How would you rank the following states as to rate adequacy? (Use 1 for best)

Nebraska	_____	Kansas	_____
Illinois	_____	Oklahoma	_____
Missouri	_____	Indiana	_____
Minnesota	_____	Wisconsin	_____
Arkansas	_____	Michigan	_____
Iowa	_____	South Dakota	_____

9. How would your company make the decision on whether or not to expand or locate new office facilities?

10. Who makes the above decision?

11. Once it has been decided to expand or locate new office facilities, how would the new location be chosen?

12. Who makes the above decision?

13. Do you see any disadvantages in Iowa as a location for a national or regional insurance headquarters?

14. What factors do you consider important in determining the location of a beginning insurance company?

15. If you were consolidating office facilities in the Midwest which state would you choose for the location of your consolidated office?

16. Please indicate how many states your company is licensed to do business in.

17. List the 5 states where your company writes most of its business _____

18. Please list your name and address below if you'd like to receive a copy of the survey results.

Please return to: Iowa Development Commission
250 Jewett Building
Des Moines, Iowa 50309

STATE LIBRARY OF IOWA



3 1723 02059 2754