

# Insurance-Friendly

## Indiana's new economic-development focus on the industry.

by Erik Hromadka

ALTHOUGH INSURANCE IS usually considered a conservative process of limiting risk, Indiana is betting the industry can be a vehicle for growth and reward the state with stable, high-paying jobs.

Indiana is already a popular place for insurance companies to do business. According to the Indiana Department of Insurance, there are 177 insurance companies and farm mutuals domiciled in Indiana and approximately 1,780 insurers licensed to do business in the state.

That translates into more than 60,000 people who are employed by Indiana's insurance industry. Those jobs are marked by relative stability and have an average salary above \$47,000, making insurance one of the highest-paying industries in the state.

To protect that base of jobs and create new ones, the state is exploring ways to improve business for existing insurance companies while attracting others seeking expansions or relocations.

Commissioner of insurance Jim Atterholt, who stepped into the top regulatory position in 2005, says the department is working

to become more business-friendly while also looking out for the consumers in the state.

One such effort is by improving "speed to market" for new products. Atterholt says the state has reduced its backlog of filings requiring

uniform product standards and have a single point of filing for approval of new products.

While Atterholt raised some eyebrows by promoting the advantages of Indiana's insurance industry on the department's Web site, he

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—Jim Atterholt, commissioner of insurance, explaining that an environment that attracts insurance companies also provides more options for those needing coverage

review and continues to find ways to be more efficient in reviewing insurance filings. "That not only helps the companies, but also the consumers who want new products," he says.

In the past year, Indiana also became one of 19 states to join the Interstate Insurance Product Regulation Compact, an agreement designed to streamline product regulation while retaining state control. The compact is expected to improve consumer choices and insurance portability by allowing insurance companies to develop

maintains that supporting such efforts benefits both companies and consumers.

"Regulation and the interests of the industry don't have to be mutually exclusive," Atterholt says, explaining that an environment that attracts insurance companies also provides more options for those needing coverage. That's the case in Indiana where policyholders pay some of the lowest rates in the United States for homeowners and automobile coverage.

"That's an indication that we have a vibrant insur-

ance industry in Indiana," Atterholt says. "We need to be more aggressive in telling our story."

### The state of the industry.

The insurance industry as a whole can use some good news after facing record amounts of property damage in the past year. In fact, Swiss Re, one of the world's leading reinsurers, estimates natural and man-made catastrophes in 2005 will total \$225 billion in direct financial losses to buildings, infrastructure and vehicles.

An estimated \$80 billion in insured property losses is the highest on record, but Hurricane Katrina alone is expected to cost insurers \$45 billion. Previously the most expensive catastrophes were \$22 billion for Hurricane Andrew in 1992 and almost \$21 billion for the terrorist attacks on September 11, 2001.

While Indiana had its share of natural disasters, such as the deadly tornado that tore through Evansville in November, the main impact on the state's insurance companies will be felt through more expensive reinsurance rates. Those rates, paid by insurance



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and customer-service jobs.

Indiana is home to a number of large life/health insurance companies and has benefited from jobs created at such companies as WellPoint, Consec, Lincoln National, One American, Indianapolis Life and Lafayette Life. The National Association of Mutual Insurance Companies, one of the industry's main trade associations, also makes its home in Indiana.

However, Chrysler points out that not all the insurance jobs are created by large, well-known companies. The state has also witnessed the creation of smaller insurance companies that target specific niche markets.

For example, Batesville-based Forethought was organized in 1985 and has developed into a leading specialty insurance provider of tax-advantaged, portable funeral planning products. The company's policies are offered by more than 5,000 independent funeral homes across the country.

In the small northeast Indiana town of Roanoke, American Specialty Insurance has built a successful business providing insurance and risk services for the sports and entertainment industries, with clients including major league baseball teams, motorsports teams and the NCAA.

There's no reason Indiana insurance companies can't

companies, will increase in 2006 as the cost of last year's disasters is spread throughout the industry.

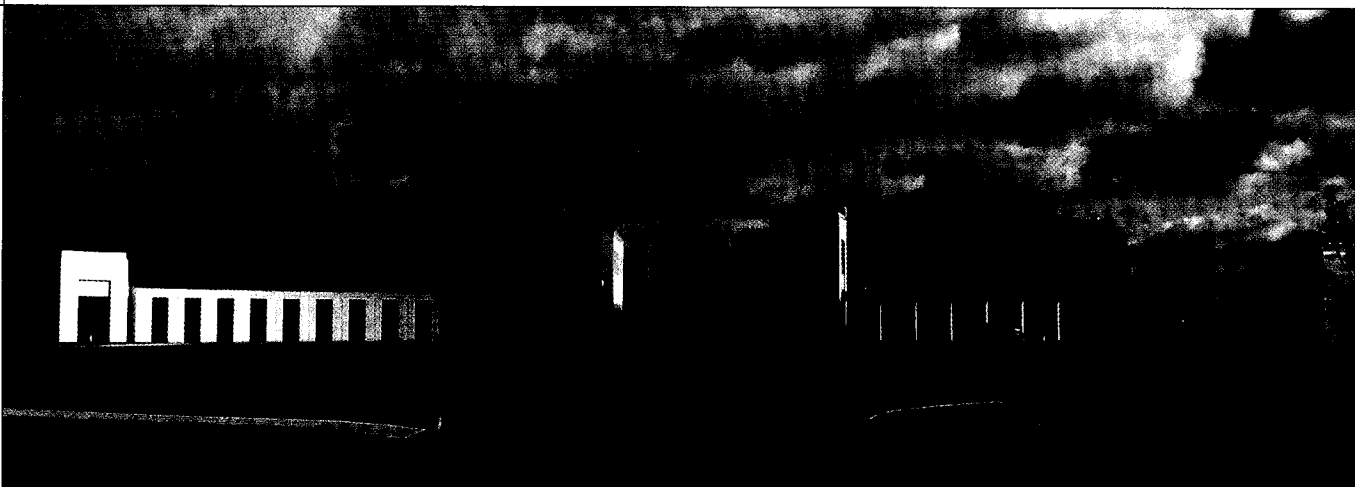
Letting insurance companies know that Indiana wants their business is the new job of Mike Chrysler, director of insurance initiatives with the Indiana Economic Development Corp. Chrysler, who previously worked with the Insurance Institute of Indiana, understands what

issues are important to industry executives.

For example, he points out that the state's 1.3 percent premium tax is one of the lowest in the country and Indiana also gives insurance companies the option to pay either premium taxes or corporate income taxes. In addition, the state's conservative reputation for judicial and legislative policy has been attractive to insurance companies.

"There's a good foundation to begin with in Indiana," Chrysler says. "The industry has been strong here over the years, so the relationship between the state and the companies has generally been good."

Now Chrysler believes the state should focus on increasing insurance employment, including traditional careers in sales and claims adjusting and also related positions such as information technology, legal



continue to succeed, says CEO Pete Eshelman, who played minor league baseball for the Yankees organization before starting a career in the insurance industry and moving to Indiana. Although American Specialty Insurance now serves clients on the national and international levels, Eshelman started small.

"We started the company 16 years ago in the basement of my house," he recalls. Today the company has 100 employees and has led a revitalization of Roanoke, where it has restored some 15 buildings in a town that has a population of only 1,500.

A lot of these towns are great places that lost their purpose when jobs left the area, and now they present great opportunities for companies looking to develop a good workforce. "There's a tremendous employment base in the area where we are," Eshelman says.

"These small towns in Indiana are jewels," he says. "One of the attractions of starting a business here was the quality of life." Rather than locating in New York or Boston and dealing with the headaches and costs of a big city, Eshelman brings his

clients to small-town Indiana. "They get a good sense that we are very grounded."

**Getting early results.**

One of the first results of the new economic-development focus on insurance was announced in December when Medical Protective Co. announced an expansion in Fort Wayne that will include an investment of more than \$1 million in computer equipment in 2006 and the creation of some 40 jobs during the next three years. The company, which was recently purchased by Berkshire Hathaway, is a national leader in primary medical professional liability coverage and risk solutions to physicians, dentists and professional corporations.

As part of that expansion, the state provided economic incentives that typically have been used to attract manufacturing jobs. The Indiana Economic Development Corp. partnered with the city of Fort Wayne and the Fort Wayne-Allen County Economic Development Alliance to provide more than \$100,000 in training grants and up to \$725,000 over 10 years in tax credits.

"This expansion is a good example of our attention to

**A good example** Medical Protective Co. in Fort Wayne, a leader in medical liability coverage, got state and local incentives to expand.

strengthening the insurance industry in our state. This business is ripe for continued growth, and we will pursue these companies with the same diligence as every other economic-development opportunity," Gov. Mitch Daniels said when the expansion was announced.

Timothy Kenesey, president and CEO of Medical Protective, expects the company will continue to grow in the state. "Northeast Indiana has been home to Medical Protective for over a century," he says. "We continue to be pleased with the support we receive from a solid talent pool of insurance professionals, a loyal and stable employee base, a lower cost of doing business and great support from local and state officials who believe, as we do, that Indiana business success equals Indiana jobs. Insurance and health care—which intersect at Medical Protective—are two big strengths

for northeast Indiana that the public and private sectors should continue to leverage and support."

**Educating tomorrow's insurance executives.**

The long-term prospects for job growth in the insurance industry are encouraging as its workforce is generally older than average and openings will be created as those in the profession retire.

Therefore, training employees to work in the state's insurance industry is also key to its future success. Although many insurance professionals learned their skills on the job, schools and universities are starting to develop insurance programs for their students.

Indiana State University students can earn an undergraduate degree in insurance and risk management. The Gongaware Center at the School of Business was opened in 1999 to support the degree program and educate future insurance executives. The university also offers a distance-education degree program in insurance.

In addition to classroom training, the program also exposes students to parts of the insurance business they might not. For example,

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Mary Ann Boose, coordinator of the insurance and risk management program at the university, takes a group of students to London over spring break. The trip allows them to get a wider perspective of the industry and meet with representatives of Lloyd's of London and Swiss Re.

"Experiences like this truly complement and supplement those that we provide in the classroom," Boose says. "That's our goal—to provide a world-class learning experience for our students."

Ball State University offers degrees in actuarial science as well as insurance. Both majors fall under the umbrella of the Center for Actuarial Science, Insurance and Risk Management, which encourages faculty to conduct applied research to benefit the insurance industry and the people and businesses dependent upon it.

Steven Avila, who serves as co-director of the center, says the program attracts 25 to 35 students each year who choose insurance majors and a like number who opt for a minor in the subject. Courses in the program include marketing, insurance law, math, finance and general business classes. "You apply a lot of different skills to the insurance business and that can be fun," Avila says.

Avila expects undergraduate education training to grow as students seek areas of study that can reward them with high-paying jobs. Ball State University has also been selected as one of five schools in the country to hold a summer institute for high-school teachers who want to provide instruction

on the insurance business in their classes.

Another option for insurance training in Indiana is available at Ivy Tech State College, which has 23 campuses across the state and offers an insurance specialty associate degree. The classes

and CEO of Forrest Sherer Insurance in Terre Haute, also believes that insurance jobs will help the state's economy grow and he is planning to hire additional employees in 2006. The company, which was established in 1920 as a one-

insurance jobs require technical skills in automation and communications, continuing education and licensing requirements also keep employees learning new information. As a result both college and high-school graduates can earn good salaries in the business, if they are willing to work hard and keep learning.

In addition, Downes says the insurance industry also creates a lot of secondary jobs, from outsourced claims adjusters, appraisers and third-party administrators to those who make a living providing the goods and services that are covered by insured losses.

"There's a lot of job creation out there that doesn't show up in the official insurance employment numbers," he says.

Evansville-based Schultheis Insurance Agency, a family-owned and -operated business that was started in 1944, found itself at the center of such an opportunity last November. The year's most powerful tornado touched down in southwest Indiana during the night, wiping out dozens of homes and killing 24 people.

Kenan Schultheis said that while the tragic loss of life can never be replaced, it was heartening to see the prompt response from insurance companies that had agents out assisting families the next morning. The tornado was the most costly event in the agency's history and resulted in \$6 million in claims to 250 insured parties.

"It really makes you proud to be in this industry when you see companies stepping up and taking care of their customers," Schultheis says. ■

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prepare students for employment in customer support positions, rating positions, claims-handling positions and others.

**Creating insurance jobs.** Bob Rutigliano of Tobias Insurance Group in Indianapolis is glad to see schools providing insurance courses and says hiring skilled employees has helped the company become one of the largest commercial/industrial insurance brokers in the Midwest. Rutigliano has hired four graduates of Indiana State University's insurance program and expects the profession will continue to provide a career option for individuals seeking high-paying jobs.

"Whether the economy is up or down, people need to buy insurance," he says, stressing that the stability of such jobs is welcome in today's cyclical job market. "I think they represent a great opportunity to keep our educated students here."

John Dinkel, president

man operation, has grown to 62 employees offering a full range of business and personal insurance.

Dinkel says as the number of insurance agencies has contracted over the past 10 years, the remaining ones must hire agents to cover larger territories and provide more types of insurance. That's one reason demand is increasing for those willing and able to develop new business.

"Selling an intangible really is different and not everybody can do it. That's recognized in our industry and we're willing to pay for those who can," he says.

Gibson Insurance Group in South Bend is one of the largest agencies in the state with 85 employees and also sees a great deal of opportunity in insurance as an economic-development tool. "We continue to create jobs and hire people," says president Greg Downes. "I think our industry overall is a growth industry."

Downes notes that while