

# Innovating Insurance



by JAN JABEN-EILON

*With 1.9 percent of the nation's finance and insurance jobs, Iowa's attracting startups and legacy companies.*

**I**nsurance and finance industries are attracted to a four-letter word: Iowa. Or perhaps so many companies in these industries are enticed by the fact that at one percent, Iowa's insurance premium tax is one of the lowest rates in the country. Or, it could be that the state levies no tax on the sale of annuities and qualified insurance plans, or that both the University of Iowa and Drake University have highly rated actuarial science programs.

In any case, insurance and finance is the second largest industry in this state of a little more than 3 million people. While the capital city of Des Moines has long been known for its wealth of insurance companies, the latest statistics on the strength of the industry are staggering.

According to the U.S. Bureau of Economic Analysis, in terms of the absolute size of the industry, Iowa is 13th largest in the country with insurance industry economic activity of more than \$11.9 billion in 2012. Iowa's insurance industry output as

a percentage of the state's total GDP was 7.6 percent in 2012, ranking it the second highest among the 50 states.

According to the Iowa Economic Development Authority, Iowa has 1.9 percent of the nation's finance and insurance jobs, but generates 2.8 percent of the nation's insurance GDP from its insurance activities.



**Nick Gerhart, Iowa Insurance Commissioner**

The Iowa Workforce Development Center reports that in the past 15 years, Iowa has added 4,200 net new jobs in the insurance industry, representing an increase of over 10.8 percent for the insurance industry compared to an increase of the rest of the total labor force in the state

of just 6.2 percent during the same period.

## Numbers Don't Lie

The significance of these numbers can be seen in their ripple effect. The U.S. Bureau of Labor Statistics estimates that for every 100 people directly employed in insurance, there are an additional 91 employed who provide goods and services to support the industry.



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— Jeff Russell, President and CEO, Delta Dental of Iowa

Why — in the center of the country — has Iowa attracted such industry interest?

“Much has to do with the size and success of home-grown Bankers Life, which spawned other spinoffs and put Des Moines on the national map as a hinterland city that could successfully supply the demanding skills and business climate required by the financial services industry,” says John H. Boyd, principal of The Boyd Co. Inc.

Boyd refers to the old Bankers Life Insurance Co., which became The Principal Financial Group in the mid-80s. This company, he says, has been “the bedrock of the financial services industry in Des Moines, which now has hundreds of firms headquartered and operating there.”

Today The Principal Financial Group is in the middle of a major expansion and updating of its downtown Des Moines campus. The \$284-million first-phase of the project will bring its offices into the 21st century. According to the Principal, there’s been a migration of the type of work they do, from transaction-based to knowledge-based. When it became a public company in 2001, about 45 percent of its workforce was transactional workers and 55 percent were knowledge workers. Today, 70 percent of its workforce are

knowledge workers. The company concluded that yesterday’s office configurations don’t support the knowledge-based work it does now.

The Principal is not the only finance company modernizing and growing. Merchants Bonding Co. announced last September that it is expanding its West Des Moines headquarters to accommodate its booming business. It will be leasing a two-story, 50,000-sq.-ft. facility developed by Ryan Companies U.S. Inc.

**Room to Grow**

And Delta Dental of Iowa just doubled its square footage to 50,000

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ECONOMIC ACTIVITY

SOURCE: U.S. Bureau of Economic Analysis

to accommodate technical jobs that had been outsourced but were moved in-house. Since it’s a not-for-profit company, Delta Dental puts one half of its profits into a foundation designed to improve the dental health of Iowans. The Foundation, in conjunction with the state, supports the FIND, or Fulfilling Iowa’s Need for Dentists, program, which helps attract dentists to smaller Iowa communities, explains Jeff Russell, president and CEO of Delta Dental of Iowa. “These dentists become part of the communities, adding to their economic development,” he says.

Delta Dental is also one of seven Central Iowa insurance companies that just launched the Global Insurance Accelerator, a mentor-driven business accelerator designed to foster innovation in the insurance industry by supporting startups targeting the global insurance industry.

Iowa Insurance Commissioner Nick Gerhart takes great pride in being one of the mentors for these start-ups. Almost as much pride as he does in his insurance division being customer driven. “We have a 24-hour rule of returning phone calls,” he says. “We take great credit in having a balanced regulatory structure. We understand the industry while protecting consumers.”