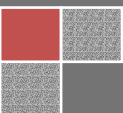




**COMPARATIVE  
INSURANCE INDUSTRY  
OPERATING COSTS**

**BizCosts®....*The Cost of Doing Business***

**BizCosts.com**  
Princeton, NJ



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## EXECUTIVE SUMMARY AND NOTES

### *Introduction*

In the following **BizCosts®** analysis, major operating costs scaled to a representative 175-worker insurance industry office are presented for a series of 53 comparative cities in the U.S. Annual operating costs are itemized and totaled in the full **BizCosts® Report's** summary Exhibit I and the full study ranks the cities from the highest cost to the lowest.

Annual operating costs were projected solely for comparative purposes, with only major geographically-variable factors being considered. Those costs not varying significantly with geography, including relocation and start-up expenses, were not considered. The independent **BizCosts®** analysis focuses on those key geographically-variable cost elements considered to be most pivotal within the insurance office site selection process. Geographically-variable operating cost differentials are current for **2010 and 2011**.

Operating costs are scaled to a representative insurance industry operations center performing various underwriting, sales, and policyholder servicing functions. Specifications of the model office and staffing assumptions are germane to insurance carriers and brokerages in all major sectors of the industry, including accident and health, property and casualty, life and the sale of annuities.

The full **BizCosts® Report** provides a detailed and authoritative point of reference for the assessment of comparative operating cost levels in each of the surveyed sites. The format of the cost exhibits will allow the insurance industry planner to further tailor the cost data, occupancy assumptions and staffing levels to reflect alternate scales of operation, hiring needs and growth expectations.

**Comparative Insurance Center Locations**

For purposes of comparative economic analysis, major geographically-variable operating costs have been projected in the full **BizCosts® Report** for a series of 53 U.S. cities. Surveyed cities represent all regions of the country and house major concentrations of home office, sales, and service centers of the nation's \$1 trillion insurance industry.

**New England Region**

- Boston, Massachusetts
- Providence, Rhode Island
- Springfield, Massachusetts
- Hartford, Connecticut
- Stamford, Connecticut

**Middle Atlantic Region**

- New York, New York
- Rochester, New York
- Philadelphia, Pennsylvania
- Pittsburgh, Pennsylvania
- Wilmington, Delaware

**Southeast Region**

- Atlanta, Georgia
- Charlotte, North Carolina
- Winston-Salem, North Carolina
- Memphis, Tennessee
- Birmingham, Alabama

**Florida Region**

- Lee County, Florida
- Tampa/St. Petersburg, Florida
- Pensacola, Florida
- Orlando, Florida
- Jacksonville, Florida
- Broward County, Florida
- Miami, Florida

**East North Central Region**

- Cleveland, Ohio
- Cincinnati, Ohio
- Chicago, Illinois
- Detroit, Michigan
- Milwaukee, Wisconsin

**West North Central Region**

- Kansas City, Missouri
- St. Louis, Missouri
- Minneapolis/St. Paul, Minnesota
- Des Moines, Iowa
- Omaha, Nebraska

**South Central Region**

- Tulsa, Oklahoma
- Dallas, Texas
- San Antonio, Texas
- Houston, Texas
- New Orleans, Louisiana

**Mountain Region**

- Denver, Colorado
- Phoenix, Arizona
- Salt Lake City, Utah
- Albuquerque, New Mexico
- Colorado Springs, Colorado

**Pacific Northwest Region**

- Seattle, Washington
- Spokane, Washington
- Portland, Oregon
- Salem, Oregon
- Eugene/Springfield, Oregon

**California Region**

- Los Angeles/Long Beach, California
- Orange County, California
- San Diego, California
- Santa Barbara/Santa Maria, California
- San Francisco, California
- San Jose, California

***Comparative Labor Costs***

Annual costs for labor, including positions in underwriting (life & P/C), claims, policyholder services, risk analysis, annuities, actuarial services, licensing, agent services and other support groups are presented in the full ***BizCosts® Report's*** Exhibit II. Costs are based on a representative mix of job descriptions for the model insurance center.

Comparative labor costs for management were not included as these costs would tend not to vary as significantly by geography, but rather by individual company compensation practices. Fringe benefit costs are included as a percent of annual base payroll costs and are assumed to include all statutory benefits, pay for time not worked, and company-sponsored benefits.

***Comparative Electric Power Costs***

Comparative annual electric power costs are presented in the full ***BizCosts® Report's*** Exhibit III. Annual costs reflect commercial rate schedules of the various utilities serving each of the 53 surveyed areas.

***Comparative Land Acquisition and Construction Costs***

Exhibit IV of the full study presents comparative costs for the purchase of commercially-zoned land and the construction of new insurance office space in each of the 53 surveyed locations.

***Comparative Ad Valorem and Sales Tax Costs***

Exhibit V presents comparative ad valorem (property) tax costs in each of the 53 surveyed sites scaled to the land and building specifications of the model insurance center. Also presented in this exhibit are comparative local and state sales tax costs based on a fixed annual purchase of supplies, furnishings, equipment and other taxable goods.

***Comparative Heating and Air Conditioning Costs***

Exhibit VI presents comparative annual costs for heating and air conditioning based on variances in climatic conditions and energy costs in the surveyed cities.

***Comparative Corporate Travel Costs***

Comparative annual on-site corporate travel costs in each of the 53 surveyed cities are presented in the full ***BizCosts® Report's*** Exhibit VII. Costs include corporate traveler lodging, meals, local transportation and other business travel incidentals. Figures are indicative of local business travel cost structures expected to be incurred by management, technical support, regulators and other employee visitations to each of the 53 surveyed insurance office sites.

***About BizCosts® About Boyd***

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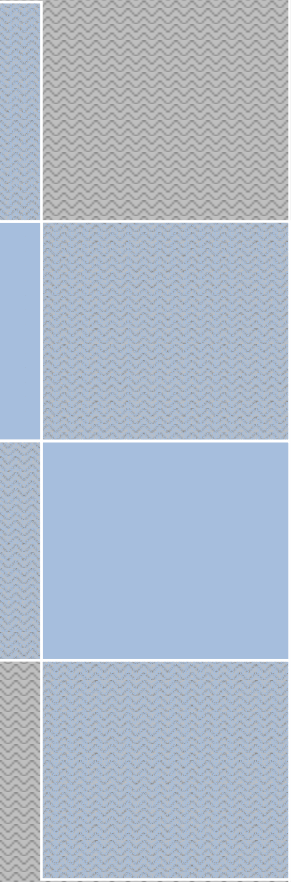
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