

# **The Economic Contributions of the Captive Insurance Industry in Vermont**

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# Overview and Background

- Why undertake the analysis?
  - Education/Tell the industry's story.
  - Background for policy-making.
  - Logical “update” of the impact study completed during the mid-2000s.
- Definition of an economic contribution study
  - Measures the significant economic benefits of the industry to the Vermont economy.
  - Different than an economic impact study.
- What was done for this study
  - Cooperative effort of the Vermont ACCD, DFR, VCIA, and EPR.

# Findings

2017 Rank	Domicile	2017 Count
1	Bermuda	739
2	Cayman Islands	669
3	Vermont	566
4	Utah	480
5	Delaware	391
6	Guernsey	315
7	Barbados	266
8	Anguilla	258
9	Hawaii	230
10	North Carolina	220

*Source: Business Insurance Survey, Jan 2019*

- Vermont currently hosts 580 licensed (Active and Dormant) Captive Insurance entities, making it the largest U.S. domicile for captive insurance and the third largest Captive Insurance domicile in the world in 2017.
- Vermont-located management and professional services firms paid higher than average **annual wages at \$91,552 in 2018—roughly twice the State average annual wage for all Service-Providing industries.**

# Findings

- Vermont was among the first U.S. captive insurance domiciles, initially competing with primarily offshore jurisdictions, and over time other states have sought to replicate the success of Vermont’s largely homegrown industry.
- This has especially been the case during the period since just before the “Great Recession” through 2018, which saw **Vermont’s share of the U.S. domicile market notably decrease from 43% to just 18% of all U.S. Captive Entities.**
- The level of economic activity taking place in Vermont due to Captive Insurance Industry in 2018 is most threatened by increased domestic competition for captive entity domicile since the “Great Recession.”

2018 Rank	Domicile	2018 Count	2018 US Market Share	2008 Count	2007 US Market Share
1	Vermont	580	18%	557	43%
2	Utah	443	14%	122	9%
3	Delaware	421	13%	41	3%
4	North Carolina	240	7%	0	0%
5	Hawaii	231	7%	165	13%
6	South Carolina	171	5%	156	12%
7	Tennessee	169	5%	3	0%
8	Nevada	156	5%	123	10%
9	Montana	129	4%	35	3%
10	Arizona	124	4%	106	8%
-	<b>United States Total</b>	3,224	-	1,285	-

*Source: businessinsurance.com*

# Findings

Economic Contribution by NAICS Industry Sector	GDP	Jobs	Labor Income
Finance and Insurance	\$95,502,162	407	\$34,409,850
Professional, Scientific, and Technical Services	\$25,330,690	164	\$14,825,760
Retail Trade	\$5,802,521	59	\$2,628,815
Health Care and Social Assistance	\$5,413,244	68	\$4,439,145
Accommodation and Food Services	\$4,865,511	61	\$2,023,892
Manufacturing	\$3,720,661	11	\$1,031,767
Information	\$3,013,557	11	\$711,760
Wholesale Trade	\$2,402,788	8	\$638,340
Construction	\$2,131,757	24	\$1,373,646
Real Estate and Rental and Leasing	\$1,704,285	14	\$374,810
Other Services (except Public Administration)	\$1,658,482	28	\$1,043,876
Administrative, Support, & Waste Management & Remediation Services	\$1,289,125	21	\$783,293
Transportation and Warehousing	\$1,288,615	11	\$661,775
Non-NAICS Industries	\$1,232,316	0	\$23
Arts, Entertainment, and Recreation	\$895,766	26	\$445,976
Educational Services	\$778,622	17	\$767,390
Utilities	\$630,383	1	\$147,791
Government	\$537,356	7	\$571,463
Agriculture, Forestry, Fishing and Hunting	\$112,233	1	\$19,671
Management of Companies and Enterprises	\$103,369	0	\$23,925
Mining	\$16,312	0	\$9,864

  

<b>Summary of Economic Contribution of Captive Insurance in Vermont (Nominal \$2019 Dollar Values)</b>	Calendar Year 2018 Contribution to State Revenues in VT*	Total Contribution To VT GDP	Total Contribution to Jobs in VT	Total Contribution to Labor Income in VT
Direct + Indirect + Induced Economic Contribution	\$26,125,550	\$158,429,757	936	\$66,932,833

**Captive Insurance-related Travel into Vermont: 2,679 Visitor Nights; 1,784 Day Visitors**

*\*Does not include tax receipts from Personal Income Tax, Sales & Use Tax, Gasoline Tax, etc. which would result from all economic effects of Captive activity. Calendar Year Captive Insurance Tax Receipts and License & Exam Fees Total Collections.*

*Prepared by Economic & Policy Resources, Inc.*

- **Direct, Indirect, and Induced** economic contributions of Vermont’s Captive Insurance Industry (including the effect of associated visitor spending activity) for calendar year 2018 includes:
  - **936 total full-time and part-time jobs** throughout the Vermont economy;
  - **\$66.93 million in labor income;**
  - **\$158.43 million to State GDP;**
  - **\$26.13 million of total Captive Insurance Premium Tax and License and Exam Fees** receipts; and
  - **2,679 Visitor Nights and 1,784 Day Visitors.**

- **The Captive Insurance industry’s \$158.43 million total contribution to Vermont GDP in 2018 equates to 8.7% of the GDP contribution from the State’s Finance and Insurance industry sector.**

# Implications

- The Captive insurance industry is a “success story” that needs to be told over and over again.
- Need to communicate the importance of maintaining a supportive environment “at home” while the industry continues in its efforts to effectively deal with external pressures and threats.
- State has a significant stake in a successful industry economically and from the standpoint of enhancing its “human capital” base at a time when the State’s demographics are “negative.”
- If not you...then who is going to tell this story!