



The Economic Contributions of the Captive Insurance Industry to the Delaware Economy: An analysis by the University of Delaware's Center for Applied Business & Economic Research (CABER)

A Narrative Summary by the Delaware Department of Insurance

In August 2016, the University of Delaware's Center for Applied Business & Economic Research (CABER) released an economic impact study, The Economic Contributions of the Captive Insurance Industry to the Delaware Economy, showing that Delaware's captive insurance industry contributes nearly \$360 million annually to the state's annual gross domestic product. The report breaks down the program's economic impact per \$1,000 spent by the Department of Insurance for the captive industry. For every \$1,000 spent, 1.95 jobs are created, \$83,574 in income is generated, and \$4,301 in taxes are collected.

The captive insurance industry also directly and indirectly supports 2,537 Delaware jobs, creates almost \$109 million in additional income, and generates over \$5 million for the state in tax revenue. At a press conference announcing the report's release, the authors noted that because Delaware is a small state adjacent to three others, additional spending occurs outside the state which is not captured by the report. The authors emphasized that the report's numbers are therefore conservative projections.

To complete the survey, CABER surveyed 1,081 captive insurance companies doing business in Delaware and used data from businesses providing services to those companies. Captive program spending supports 950 jobs in finance and investment industry, 447 jobs in legal, accounting and professional support, and 209 retail jobs. The report states, "In addition there are further impacts on the economy as the employees associated directly with the industry as well as those of its direct and indirect suppliers, spend their wages and salaries. All of these further purchases are termed 'additional multiplier contributions.' The total contribution is the sum of the direct or initial spending and the multiplier contributions. At all stages of purchasing of goods and services and paying of wages and salaries, additional taxes are paid to Federal, State and Local governments. The multiplier contributions and tax payments are calculated using the IMPLAN Group's widely used and respected modeling system which is based on published Federal government data."

Read or download the complete report (PDF) at <http://captive.delawareinsurance.gov/docs/pdfs/captive-industry-impact-on-de-econ-caber-report-201608.pdf>

CABER, a research center at the University of Delaware's Alfred Lerner College of Business & Economics, has also completed similar studies on the economic impact of the Firefly Music Festival, Delaware's horseracing industry and Habitat for Humanity of New Castle County, among others. Economic reports by CABER provide data on impacts in terms of jobs, incomes and taxes to state and local governments for existing and proposed economic activities.

Captive insurance entities are owned by the companies that they insure, and are generally formed by businesses who wish to better manage the cost and administration of their insurance coverage. DOI's captive bureau is self-sustaining and currently contributes an annual surplus in tax and fee revenue of over \$3 million to the Delaware general fund.

Delaware is third largest domicile for captives in the country and the fifth largest in the world. For more information about Delaware's Bureau of Captive and Financial Insurance Products visit captive.delawareinsurance.gov