

## **Summary Results**

### **The Economic Impact of the Captive Insurance Industry on South Carolina** *September 2018*

- *Since the year 2000 when captive insurance legislation was initially passed in South Carolina, the captive insurance industry has experienced rapid growth statewide. As of 2018, nearly 330 captive companies have been licensed in South Carolina, including approximately 170 that actively manage insurance policies. In addition, South Carolina currently has the 2<sup>nd</sup> largest number of captive insurance service providers in the United States.*
- *The annual economic impact of the captive insurance industry in South Carolina totals \$56.8 million. This figure reflects the dollar value of all final goods and services produced statewide that can be attributed (either directly or indirectly) to captive companies domiciled in South Carolina. This annual economic impact corresponds to roughly 400 jobs and over \$22 million in labor income for South Carolinians that would not exist otherwise.*
- *The South Carolina captive insurance industry has been expanding at an average annual rate of 32 percent since the year 2000. Approximately \$3.1 billion in premiums are currently written in South Carolina every year.*
- *The \$56.8 million total annual economic impact supported by South Carolina's captive insurance industry generates significant tax revenue for the state. Specifically, a net gain of over \$1.7 million in new state tax revenue is generated each year for the South Carolina General Fund as a direct result of all ongoing business activity associated with the captive insurance industry.*
- *The total economic impact resulting from the captive insurance industry is associated with a statewide multiplier effect of 2.2. This implies that for every \$100 in new spending activity by captive companies that occurs in South Carolina, a total of \$220 in new economic activity is generated across the state.*
- *Since its inception in the year 2000, the captive insurance industry has generated total economic activity in excess of \$539 million for South Carolina. This is associated with nearly \$211 million in labor income and approximately \$14 million in state tax revenue.*

<b>Summary – Annual Economic Impact of the Captive Insurance Industry on South Carolina</b>			
	<b>Employment</b>	<b>Labor Income</b>	<b>Economic Output</b>
<b>Industrial Impact</b>	290	\$18,022,956	\$38,733,648
<b>Consumer Spending Impact</b>	108	\$4,178,984	\$18,075,702
<b>Total Impact</b>	398	\$22,201,940	\$56,809,350
<b>-----Total Economic Impact of S.C. Captives Since the Year 2000: \$539.1 million-----</b>			

### **Definitions and Descriptions of Economic Impact Terminology**

The total economic impact of the captive insurance industry on South Carolina can be divided into *industrial* and *consumer spending* impacts. Industrial impacts include all business activities associated with South Carolina captives, their service providers, and all associated vendors/suppliers. The total annual economic output resulting from this industrial impact on the part of the captive insurance industry is \$38.7 million.

Consumer spending impacts refer to all economic activity that is created as a result of wages that are spent in the local economy by the employees holding the jobs created through the industrial impacts – including employees at captives, service providers, and all vendors/suppliers. For example, the increase in consumer demand that results from the \$38.7 million in economic activity cited above generates an additional \$18.1 million across the state’s economy within industries that primarily fall outside of the captive insurance sector (e.g., retail, housing, utilities, etc.).

*Economic multipliers* are measures that determine the total economic impact that results from a given impact generated directly by South Carolina captives. For example, the economic multiplier associated with the captive insurance industry in South Carolina is 2.2. This means that for every \$100 directly spent by a captive in South Carolina, an additional \$120 in economic activity is created elsewhere in the state’s economy by way of the economic multiplier effect (i.e., new demand created through S.C. suppliers and through consumer spending impacts). Multiplier effects are determined by many factors, including the size of the supplier network and the particular region being examined.

The total economic impact of an industry is typically expressed in dollars by using estimates of *economic output*. Economic output is a broad measure of business activity that represents final demand and incorporates the total value of production.

**2018**



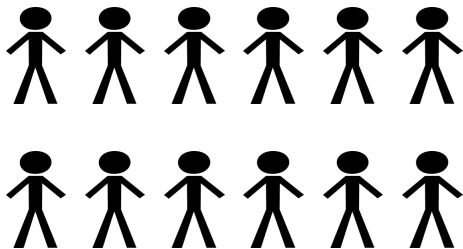
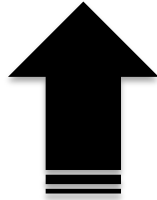
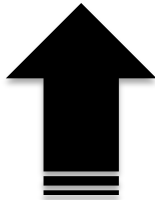
**BY THE  
NUMBERS**

*Total Annual Economic Impact of  
the S.C. Captive Insurance Industry*

**\$56.8 MILLION**

*supporting...*

**400**     **\$22M**  
**JOBS**   **LABOR**  
              **INCOME**

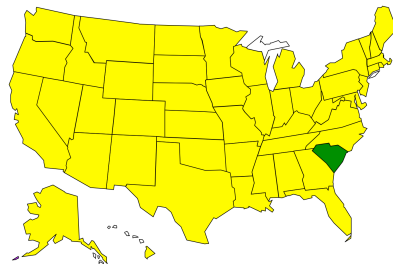


**168**

*# of South Carolina captive  
companies actively managing  
insurance policies*



*S.C. has the 2<sup>nd</sup> Largest Number  
of Captive Insurance Service  
Providers in the U.S.*



**\$3.1 BILLION**

*...total volume of premiums  
written by captive companies in  
South Carolina every year*

**32%**

*...the average annual  
growth rate of the captive  
insurance industry*