



Financial Impact of the Captive Insurance Industry on Arizona's Economy

Results of an Economic Impact Survey
of Management Companies and
their clients as of December 31, 2007

Prepared by Arizona Captive Insurance Association

The Board of Directors of the Arizona Captive Insurance Association has conducted the first survey of the economic impact of the captive industry on the State of Arizona.

A note of caution is in order: being the first survey, the questions may need refining in order to better accomplish our objectives and, the responses need clarification in order to achieve a more complete understanding. Interpretation of the questions by various parties can vary widely and this will be addressed as we go forward.

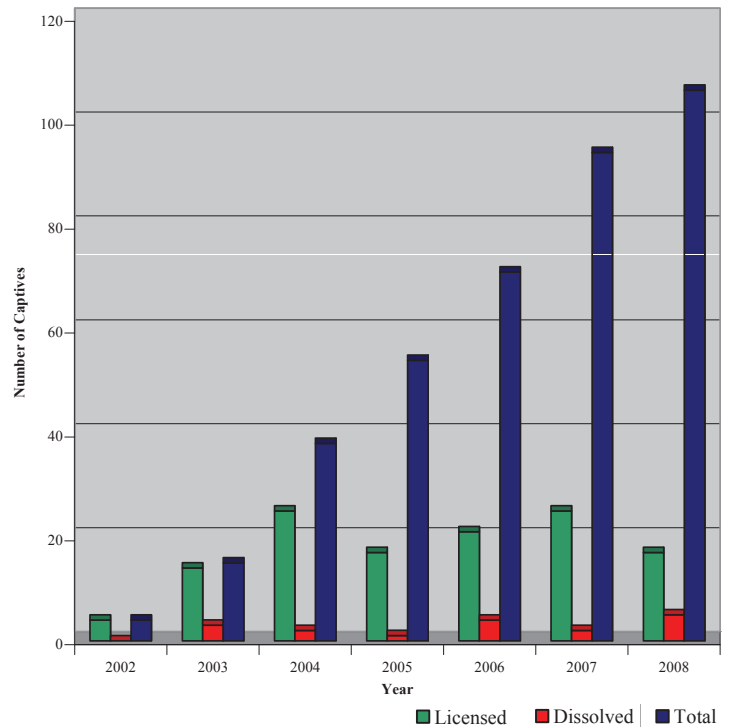
That said, it is clear that captives are an important industry in the State and provide many jobs and revenues to professionals.

Captives are a non-resource extracting industry employing well educated individuals. As the industry grows it directly provides more jobs, and those job holders pay taxes, make purchases and vote.

Additionally, while Arizona may not be in need of more tourism, the requirement of an annual meeting of the captive insurance companies' shareholders assures the state that there will be out of state visitors who will stay in hotels, dine and play. These are not discretionary decisions for the captive interests.

We urge you to look over the results of the survey and talk to us about captives, their impact on Arizona and their limitless potential to help the Arizona economy.

Arizona Captive Initiative 7 Years and Growing



Financial Impact of Captive Initiative

Item	Amount*	Economic Impact	Revenue to AZ	Multiplier	Income Tax Rate
1 Number					
Captives	76				
RRGs	13				
Total	89				
2 Total Assets @12/31/07	\$ 2,050,548,055				
3 Total Cash or Investments in AZ Institutions	\$ 299,109,227	\$ 2,991,092	\$ 206,385	0.010	0.0690
4 LOC	\$ 122,000	\$ 1,220	\$ 84	0.010	0.0690
5 Application Fees	\$ 252,000	\$ 252,000	\$ 252,000	na	na
6 Exam Fees	\$ 173,000	\$ 173,000	\$ 173,000	na	na
7 Annual Renewal Fees	\$ 390,500	\$ 390,500	\$ 390,500	na	na
8 Captive Managers	\$ 2,134,000	\$ 3,627,800	\$ 163,251	1.700	0.0450
9 Professional Services					
Legal	\$ 471,000				
Accounting	\$ 779,000				
Actuarial	\$ 350,000				
Total	\$ 1,600,000	\$ 2,720,000	\$ 187,680	1.700	0.0690
10 Operational Expenditures					
Rent	\$ 142,000				
Supplies	\$ 21,000				
Office Furnishings	\$ 21,000				
Communications & Utilities	\$ 18,000				
Total	\$ 202,000	\$ 343,400	\$ 23,695	1.700	0.0690
11 Board Meetings					
Travel and Lodging	\$ 105,000				
Other	\$ 9,500				
Meeting Expenses	\$ 61,000				
Total	\$ 175,500	\$ 298,350	\$ 20,586	1.700	0.0690
12 Marketing Expenses					
Meals	\$ 73,000				
Transportation	\$ 9,000				
Lodging	\$ 39,000				
Total	\$ 121,000	\$ 205,700	\$ 14,193	1.700	0.0690
13 AZCIA					
Income	\$ 153,250	\$ 153,250	\$ -	1.000	-
Conferences	\$ 100,003	\$ 170,006	\$ 11,730	1.700	0.0690
Attendees	\$ 39,631	\$ 67,373	\$ 4,649	1.700	0.0690
TOTAL		\$ 11,393,691	\$ 1,447,754		

Notes:

*Economic Impact Report

Line 1 — Total is 106 at 12/31/08

Line 2 — Assumes 1.0% return on investment & 6.9% state corporate income rate

Line 7 — 71 x \$5,500

Line 8 - Assumes a 1.70 economic multiplier and a 4.5% average state individual income tax rate

Lines 9 to 12 — Assumes a 1.70 economic multiplier and a 6.9% average state corporate income tax rate

Line 13 — Assume income is out of state

For questions about the survey, contact the AzCIA office by phone at (800) 423-4134, or by email at info@azcia.org.

For more information about AzCIA and its activities, go to www.azcia.org.



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