

**ECONOMIC IMPACT OF
BRICKSTREET INSURANCE
2007**

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The opinions contained herein reflect those of the author and do not necessarily represent those of the West Virginia University Board of Trustees.

OVERVIEW

Brickstreet Insurance (Brickstreet), located in Charleston, West Virginia, has been the exclusive provider of worker's compensation insurance for West Virginia businesses since January 2006. Brickstreet was designated as the state's sole provider of worker's compensation insurance in 2005 as part of West Virginia's transition from a state-run insurance system to a market system of providing worker's compensation insurance.

The economic impact of a business on a state economy can vary greatly depending on their presence in that state. A business that is located solely within the state, employs residents of the state, and purchases goods and services from within the state has a larger impact on the state economy. Brickstreet, as a West Virginia-based company, generates a significant economic impact on the state economy.

Brickstreet's presence in the state in 2007 generated a total business volume impact in excess of \$560 million that supported 3,500 jobs and \$115 million in employee compensation. This report documents Brickstreet's expenditures and the economic impact these expenditures had on the state economy in 2007.

ECONOMIC IMPACT MODEL

The economic impacts of the activities associated with Brickstreet were estimated using the IMPLAN® input-output model. This is standard methodology used in many national and regional economic impact studies. This methodology has been used by the West Virginia University Bureau of Business and Economic Research (BBER) in numerous studies.¹

The economic impacts are estimated for the West Virginia economy during calendar year 2007. The economic impacts estimated in this report are business volume, employee compensation, employment, and assorted state taxes. Definitions of these impacts are included in Appendix A.

¹ BBER studies can be obtained from the BBER website (www.bber.wvu.edu).

ECONOMIC IMPACT OF BRICKSTREET INSURANCE

Brickstreet has a significant economic impact on the state economy. The economic impact is generated through Brickstreet’s direct spending for its operations (expenditures with suppliers and wages and salaries paid to employees), the increased economic activity that occurs from claims payments, as well as construction spending.

TOTAL IMPACT OF OPERATIONS, CLAIMS PAYMENTS, AND CONSTRUCTION SPENDING

Table 1 provides the total economic impact generated from the spending that occurs from both the operations of Brickstreet and the claims payments distributed by Brickstreet. These total impacts include the direct impact (expenditures and claims payments of Brickstreet) and the indirect and induced impacts that are generated from the purchases with West Virginia businesses. The impacts presented are for the West Virginia economy for monies that were distributed during calendar year 2007.

Table 1
Economic Impact of Brickstreet Insurance - 2007
Total Impact of Operations and Claims Payments
West Virginia Economy

Type of Impact	Operations Impact	Claims Payments Impact	Total Impact
Business Volume (Sales)	\$185,800,000	\$340,100,000	\$525,900,000
Employment (Jobs)	1,245	2,000	3,245
Employee Compensation	\$48,800,000	\$59,900,000	\$108,700,000
Assorted State Taxes	\$2,854,000	\$1,268,000	\$4,122,000

Notes: Employment is reported in average annual jobs. Totals may not sum due to rounding. Assorted state taxes include consumer sales taxes, personal income taxes, corporate net income taxes, and business franchise taxes.

During calendar year 2007 Brickstreet’s expenditures with suppliers, payments to employees, and claims payments generated \$525.9 million of economic activity in the state. This economic activity supported over 3,200 jobs in the state and provided \$108.7 million in wages and benefits to these West Virginia workers. The business volume and income generated from

Brickstreet resulted in over \$4 million paid in assorted state taxes (consumer sales, personal income, business franchise, and corporate net income).

In addition to the impacts from the operations and claims payments of Brickstreet, spending for the construction of Brickstreet's new facility generated \$35.3 million of additional business volume in the state. This supported 300 additional jobs and \$6.6 million in employee compensation.

Brickstreet's presence in the state in 2007 generated a total business volume impact in excess of \$560 million that supported 3,500 jobs and \$115 million in employee compensation.

IMPACT OF BRICKSTREET'S OPERATIONS

Table 2 provides the direct, indirect and induced, and total impact of Brickstreet's operations. The direct impacts represent the expenditures of Brickstreet for both purchases of goods and services from other businesses as well as employee compensation for its employees. Employee compensation includes wage and salary payments and benefits (retirement, health insurance, social insurance, etc.).

Brickstreet's direct impact for its operations totaled more than \$94 million. These expenditures generated \$91.6 million of business volume in other West Virginia businesses for total business volume impact of \$185.8 million dollars. The economic activity of Brickstreet's operations supported 1,245 jobs in the state, 465 jobs directly with Brickstreet and 780 jobs with other West Virginia businesses. The impact of Brickstreet's operations generated nearly \$49 million in employee compensation and \$2.9 million in assorted state taxes.

Table 2
Economic Impact of Brickstreet Insurance Operations - 2007
West Virginia Economy

Type of Impact	Direct Impact	Indirect and Induced Impact	Total Impact
Business Volume (Sales)	\$94,200,000	\$91,600,000	\$185,800,000
Employment (Jobs)	465	780	1,245
Employee Compensation	\$27,300,000	\$21,500,000	\$48,800,000
Assorted State Taxes	\$1,509,000	\$1,345,000	\$2,854,000

Notes: Employment is reported in average annual jobs. Totals may not sum due to rounding. Assorted state taxes include consumer sales taxes, personal income taxes, corporate net income taxes, and business franchise taxes.

IMPACT OF CLAIMS PAID BY BRICKSTREET

In addition to the economic activity generated by Brickstreet through purchases with West Virginia businesses and wages paid to West Virginia residents, Brickstreet distributes millions of dollars of claims payments each year to West Virginia residents. These claims payments are used to pay medical and legal costs as well as to replace lost wages. The spending for medical and legal costs and the monies spent to replace lost wages creates additional economic activity in the West Virginia economy.

Table 3 provides the economic impact of the claims payments that were distributed during 2007. The \$162.1 million in claims payments used to pay for medical and legal costs and to replace lost wages generated an additional \$178 million in economic activity in the state. This spending generated 2,000 jobs and \$59.9 million in employee compensation throughout West Virginia.

Table 3
Economic Impact of Brickstreet Insurance Claims Payments - 2007
West Virginia Economy

Type of Impact	Direct Impact	Indirect and Induced Impact	Total Impact
Business Volume (Sales)	162,100,000	178,000,000	340,100,000
Employment (Jobs)	800	1,200	2,000
Employee Compensation	38,300,000	21,600,000	59,900,000
Assorted State Taxes	420,000	848,000	1,268,000

Notes: Employment is reported in average annual jobs. Totals may not sum due to rounding. Assorted state taxes include consumer sales taxes, personal income taxes, corporate net income taxes, and business franchise taxes.

APPENDIX A: ECONOMIC IMPACT DEFINITIONS

BUSINESS VOLUME

Sales plus net increase in finished inventories and the value of intra-corporate shipments. Equals output (see below) plus the cost of goods sold in retail and wholesale trade.

EMPLOYMENT

The number of jobs in a business, industry, or region. Also, the number of jobs attributable to an impact (see below). This is a measure of the number of full-time and part-time positions, not necessarily the number of employed persons. Jobs are annual average by place of work. A job year is equivalent to one job for one year.

EMPLOYEE COMPENSATION

Wages and salaries plus employers' contribution for social insurance (social security, unemployment insurance, workers compensation, etc.) and other labor income (pension contributions, health benefits, etc.). By place of work unless otherwise stated.

ECONOMIC IMPACT

The results of the recirculation of funds throughout a regional economy due to the activity of a business, industry, or institution. Estimated by tracing back the flow of money (backward linkages) through the initial businesses' employees and suppliers, the businesses selling to the employees and suppliers, and so on. Thus, they are a way to examine the distribution of industries and resources covered in the costs of the initial activity.

OUTPUT

For most sectors, measured as sales plus net inventories and the value of intra-corporate shipments. For retail and wholesale trade, measured as gross margins (i.e. sales minus cost of goods sold, also equal to the mark-up on goods sold).