

Honolulu, Hawaii

MAR 23 2007

RE: H.B. No. 272
H.D. 1
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Commerce, Consumer Protection, and
Affordable Housing, to which was referred H.B. No. 272, H.D. 1,
entitled:

"A BILL FOR AN ACT RELATING TO CAPTIVE INSURANCE COMPANIES,"

begs leave to report as follows:

The purpose of this measure is to allow captive insurance
companies to be formed as limited liability companies, to clarify
the minimum capital and surplus requirements, and increase the
investment flexibility for pure captives.

Your Committee received testimony in support of this measure
from the Department of Commerce and Consumer Affairs, Willis
Management (Hawaii), and one individual.

Your Committee finds that while Hawaii is the second largest
captive insurance domicile in the United States, it is facing
increasing competition from other states that have recognized the
value of implementing captive insurance enabling regulations.

Your Committee further finds that the Hawaii Revised Statutes
do not currently allow for the formation of captive insurance
companies to form as limited liability companies, while other
states do. This leaves Hawaii unable to compete with other
captive domiciles for this type of business. This measure will
help Hawaii to continue to be a leading captive insurance domicile
by maintaining captive insurance companies already domiciled in



Hawaii and attracting new captive insurance companies in the future.

Your Committee has amended this measure by:

- (1) Clarifying that the captive investment requirements found in section 431:19-110, Hawaii Revised Statutes, do not apply to class 3 risk retention captive insurance companies;
- (2) Inserting new language to require the captive insurance administrator, who is currently appointed by the Insurance Commissioner and approved by the Director of Commerce and Consumer Affairs, to also be designated as a deputy commissioner; and
- (3) Making other technical, nonsubstantive changes for purposes of clarity and style.

Your Committee notes that these amendments were agreed upon by the Department of Commerce and Consumer Affairs and the Hawaii Captive Insurers' Council.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Affordable Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 272, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 272, H.D. 1, S.D. 1, and be placed on the calendar for Third Reading.


Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Affordable
Housing,


BRIAN T. TANIGUCHI, Chair



The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Commerce, Consumer Protection and Affordable Housing
CPH

Bill / Resolution No.:* HB 272 HD1	Committee Referral: CPH	Date: 3/14/07		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
TANIGUCHI, Brian T. (C)	✓			
IGE, David Y. (VC)				✓
ESPERO, Will	✓			
IHARA, Jr., Les				✓
SAKAMOTO, Norman	✓			
SLOM, Sam	✓			
TOTAL	4			2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">  </div>				
Distribution: Original Yellow Pink File with Committee Report Clerk's Office Drafting Agency				

*Only one measure per Record of Votes