

STAND. COM. REP. NO.

2378

Honolulu, Hawaii

FEB 15 2008

RE: S.B. No. 3023
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Commerce, Consumer Protection, and
Affordable Housing, to which was referred S.B. No. 3023 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to enhance Hawaii's position
as one of the world's leading captive insurance jurisdictions by
providing the opportunity for qualified captive organizers to
pursue the securitization of insurance risks through a Hawaii-
licensed captive insurance company, known as a "Special Purpose
Financial Captive Insurance Company" (SPFCIC).

Specifically, this measure adds a new part to chapter 431,
article 19, Hawaii Revised Statutes, relating to captive insurance
companies to provide for the organization, licensing, operation,
and regulation of SPFCICs in Hawaii.

Testimony in support of this measure was submitted by the
Department of Commerce and Consumer Affairs, Artex Risk Solutions,
Inc., the Hawaii Captive Insurers Council, and a private
individual.

Securitization is a financing process that allows a company
to obtain current funding from illiquid assets that cannot be
readily sold. Large national and international insurance
companies utilize special purpose vehicles, including SPFCICs, to
issue securities to sophisticated capital market investors, and
then use the proceeds from the securities to fund their respective

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operations or reserves. Your Committee finds that the demand for implementing SPFCIC insurance securitization is anticipated to continue for the next several years as life insurers have to increase their reserves to meet new regulatory reserving standards as well as catastrophic mortality risks prompted by terrorism and pandemics. Providing the organization, licensing, operation, and regulation of SPFCICs will provide the State an opportunity to attract some of the United States demand as well as the potential demand from emerging Pacific and Asian insurance markets.

Your Committee has amended this measure by:

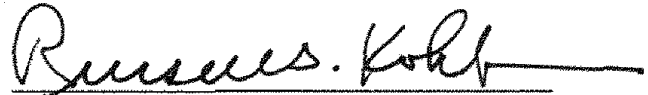
- (1) Adopting the clarifying amendments and inserting the suggested language provided by the Department of Commerce and Consumer Affairs;
- (2) Adopting the suggested amendments from the Hawaii Captive Insurance Council and inserting the suggested language that adds a new part to and makes several amendments under chapter 431, article 19, Hawaii Revised Statutes, to provide clarity on sponsored captive insurance companies; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and style.

Your Committee believes that this measure, as amended, fulfills the intent of this measure, which is to enhance Hawaii's position as one of the world's leading captive insurance jurisdictions.

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 S.B. No. 3023, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3023, S.D. 1, and be referred to the Committee on Ways and Means.



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



RUSSELL S. KOKUBUN, Chair



