



P.O. Box 2815  
Honolulu, Hawaii 96803

TESTIMONY IN SUPPORT OF  
S.B. NO. 3023

THE SENATE  
COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND AFFORDABLE  
HOUSING

Senator Russell S. Kokubun, Chair  
Senator David Y. Ige, Vice Chair

7th day of February, 2008, 9:00 a.m.  
State Capitol, Conference Room 229

My name is Denys Kazama, Chair of the Legislative Committee of the Hawaii Captive Insurance Council. As a member of the Hawaii Captive Insurance Council ("HCIC") and Office Head of Marsh Management Services Inc., we thank you for the opportunity to provide this written testimony. HCIC's members represent 164 active captive insurance companies domiciled in the State of Hawaii, and many of the financial institutions, captive insurance managers, accountants, and other professionals and entities that service these Hawaii-domiciled captive insurance companies.

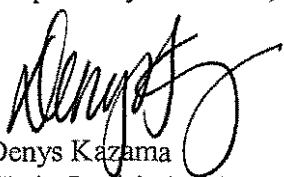
We strongly support S.B. No. 3023, which would keep Hawaii competitive as a leading captive insurance domicile in the U.S. and throughout the world. Keeping Hawaii at the forefront of the U.S. captive domiciles will ensure that we continue to attract new captive formations by reputable corporations in the future. Special Purpose Financial Captive Insurance Companies will allow national and international insurance companies to provide securitization of insurance risks through a Hawaii captive insurance company.

Although Hawaii is the second largest captive insurance domicile in the United States, the State faces increasing competition from other states that have recognized the value of implementing captive insurance enabling regulations. While there were only a handful of captive insurance domiciles when Hawaii licensed its first captive insurance company in 1987, there has been a significant increase in U.S. jurisdictions that have enacted captive insurance legislation in recent years.

This is a critical time for Hawaii's captive insurance industry. By passing this bill you will ensure that Hawaii's captive industry will continue to thrive and develop in an increasingly competitive marketplace. The captive industry in Hawaii has provided professional employment in captive management companies, financial institutions and law firms for Hawaii residents. In addition, local banks and investment firms manage hundreds of millions of dollars in deposits and investments on behalf of the captive insurance companies. Captive insurance companies are required to hold at least one Board meeting a year in the State. As the majority of the captive owners are corporations based outside of Hawaii, this requirement contributes to our visitor industry.

We are in strong support of this bill and urge the Committee to pass S.B. No. 3023. Thank you for this opportunity to testify.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Denys Kazama', with a large, stylized flourish at the end.

Denys Kazama  
Chair, Legislative Committee, Hawaii Captive Insurance Council  
Office Head, Marsh Management Services Inc.

TESTIMONY OF JASON L. PALMER, CPA

IN SUPPORT OF  
S.B. NO. 3023

SENATE  
COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND AFFORDABLE  
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Senator Russell S. Kokubun, Chair

Senator David Y. Ige, Vice Chair

7th day, February, 2008, 9:00 a.m.  
State Capitol, Conference Room 229

My name is Jason L. Palmer, CPA, Managing Director of Willis Management (Hawaii), a division of Willis, the third largest global insurance broker in the world. Willis Management (Hawaii) serves as a consultant and captive manager to several captive insurance companies domiciled in Hawaii and in other US jurisdictions. In addition, I am a Director and Officer of the Hawaii Captive Insurance Council (“HCIC”) and a Director of several captive insurance companies licensed in Hawaii.

We strongly support S.B. No. 3023, which would help Hawaii in continuing to be a leading captive insurance domicile worldwide and also ensure that Hawaii remains a competitive captive domicile in maintaining captive insurance companies already domiciled in Hawaii, and attracting new captive formations in the future.

Although Hawaii is the second largest captive insurance domicile in the United States, the State faces increasing competition from other states that have recognized the value of implementing captive insurance enabling regulations. While there were only a handful of captive insurance domiciles when Hawaii licensed its first captive insurance company in 1987, there are now over 30 U.S. jurisdictions that have enacted captive insurance legislation. Over the past several years, amongst this competitive landscape, Hawaii has clearly fallen behind, while new formations within the State of Hawaii have been weak, other jurisdictions such as Arizona and Nevada have had very strong results, exhibiting a more attractive captive domicile. While we understand and support the need for

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good regulation, it is our opinion that the proposed legislation still provides for such while providing the flexibility that our industry warrants.

Special Purpose Financial Captive Insurance Companies have become a common form of captive organization and reflect the growing use of capital markets and securitization strategies by captive insurers. Unfortunately, since Hawaii Revised Statutes do not specifically allow for the formation of Special Purpose Financial Captive Insurance Companies, Hawaii is currently unable to compete with other captive domiciles for this type of business.

This is a critical time for Hawaii's captive insurance industry. By passing this bill you will ensure that Hawaii's captive industry will continue to thrive and develop in an increasingly competitive marketplace. We are in strong support of this bill and urge the Committee to pass S.B. No. 3023. Thank you for this opportunity to testify in support of S.B. No. 3023.

Respectfully submitted:



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