

TESTIMONY IN SUPPORT OF
H.B. NO. 111

SENATE COMMITTEE ON LABOR
Sen. Dwight Y. Takamine, Chair
Sen. Brian T. Taniguchi, Vice Chair

Tuesday, March 24, 2008, 2:45 p.m.
State Capitol, Conference Room 224

My name is Gerald C. Yoshida, an attorney in the Honolulu law firm of Char Hamilton Campbell & Yoshida. Our firm provides legal services to a number of captive insurance companies currently licensed in the State of Hawaii. I am also Chairman of the Legislative Committee of the Hawaii Captive Insurance Council (HCIC), a nonprofit trade organization of captive insurance companies and service providers who comprise and support Hawaii's captive insurance industry.

On behalf of the HCIC Legislative Committee, we strongly support H.B. No. 111, with an amendment that would enable Hawaii to maintain its position as a leading captive insurance domicile. Our testimony is limited to the proposed amendment that would increase the maximum salary limit of the Captive Insurance Administrator/Deputy Insurance Commissioner ("Captive Administrator"), a position that is currently vacant following the recent departure of the person who held that position for almost 10 years.

We believe that this proposed amendment is necessary to attract the best possible candidate to fill this recently vacated position. As the Captive Administrator is the key contact to the world from the government/regulatory side of the Hawaii captive insurance industry, we believe our proposal warrants special consideration. While we understand the difficult economic environment that is upon us, we offer the following support directly related to this proposed amendment:

- The Captive Administrator position is by statute funded by a special fund through premium taxes, assessments, and fees from licensed captive insurance companies. The salary for this position would not impact the State general fund.
- The advancement of the Hawaii captive industry directly contributes to Hawaii's economy and future tax revenues, not only through premium taxes, assessments, and fees, but more so in jobs created in the professional sector, billions of dollars on deposit with local financial institutions, increased tourism, and the multiplier effect of Hawaii income, general excise, and other taxes from or related to these sources, such that the increase in the number of captive insurance companies domiciled in this State will increase that revenue and tax base.
- In order to grow Hawaii's captive industry, Hawaii needs a well-qualified Captive Administrator with substantial knowledge, experience, and expertise in the establishment and ongoing regulation of specialized insurance vehicles (captives) and the ability to effectively promote Hawaii as a premier captive domicile. The universe of qualified individuals is small, and research has shown that the salaries of similar administrative positions in other leading, competitor captive domiciles in the U.S. are substantially higher than the current statutory maximum for the Captive Administrator.

The March 9, 2009 *Business Insurance* ratings of the world's top captive domiciles showed Hawaii is barely holding on to its rating as the 9th largest captive domicile in the world (and 2nd in the US) with 165 captives in 2008, and South Carolina following close behind us with 163 captives. Although Hawaii has been the second largest captive insurance domicile in the United States for many years, 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. The selection of a new Captive Administrator gives Hawaii, as a captive domicile, the opportunity to show the world that despite regulator turnover, Hawaii can attract a top quality candidate and continue business as usual: something other US captive domiciles have failed to do.

Passage of this bill, with our proposed amendment, will ensure that Hawaii's captive insurance industry will continue to thrive and develop at this critical juncture in this increasingly competitive captive insurance environment. We, therefore, strongly support the proposed amendment and respectfully request the Committee to passage of H.B. No. 111 with the same. Thank you for this opportunity to submit testimony on this measure.

Respectfully submitted:

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TESTIMONY IN SUPPORT OF
PROPOSED H.B. NO. 111, S.D. 1

SENATE COMMITTEE ON LABOR

Sen. Dwight Y. Takamine, Chair
Sen. Brian T. Taniguchi, Vice Chair

Tuesday, March 24, 2008, 2:45 p.m.
State Capitol, Conference Room 224

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 President of the Hawaii Captive Insurance Council (“HCIC”) and a Director and/or Officer of several captive insurance companies licensed in Hawaii.

I strongly support Proposed H.B. No. 111, S.D. 1, which would help Hawaii continue to be a leading captive insurance domicile worldwide. Our testimony is limited to the proposed amendment that would increase the maximum salary limit of the Captive Insurance Administrator/Deputy Insurance Commissioner (“Captive Administrator”). With Craig Watanabe’s departure as Captive Administrator in January, the eyes of the captive industry in the U.S. and throughout the world are on Hawaii.

I believe that this proposed amendment is necessary in order to attract the best possible candidate to fill this recently vacated position. The Captive Administrator is the face of the Hawaii captive industry to the world, and thus warrants this special consideration.

While I understand the difficult economic environment that is upon us, I offer the following support directly related to this proposed amendment:

- The Captive Administrator position is **special funded** by statute and, therefore, any changes to the salary for this position would not impact the State general fund.
- In order for the Hawaii captive industry to grow nationally, and internationally, the Captive Administrator needs to have certain specialized qualities, including but not limited to, expertise in the establishment and ongoing regulation of specialized insurance vehicles (captives) and the ability to effectively promote Hawaii as a



premier captive domicile. As it is rare to find qualified individuals possessing these qualities, it is critical that the person's compensation is commensurate to his or her abilities.

- The advancement of the Hawaii captive industry directly contributes to Hawaii's economy and future tax revenues in the following ways: one, increases professional jobs created in Hawaii in the finance, insurance, legal and accounting industries; two, increases billions of dollars on deposit with local financial institutions; and three, supports tourism by increasing the number of business visitors to our State.

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. The selection of a new Captive Administrator gives Hawaii, as a captive domicile, the ability to show the world that despite regulator turnover, Hawaii can attract a top quality candidate and continue business as usual: something some other US captive domiciles have failed to do.

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. I am in strong support of this bill and urge the Committee to pass Proposed H.B. No. 111, S.D. 1. Thank you for this opportunity to testify in support of this measure.

Respectfully submitted:



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