L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INSURANCE PREMIUMS, Increase rate

BILL NUMBER: HB 2851

INTRODUCED BY: Say

BRIEF SUMMARY: Amends HRS section 431:7-202 to increase the tax rate on authorized insurers, other than life insurance contracts, ocean marine insurance contracts, and real property title insurance contracts from 4.265% to 5.331%; increases the tax rate on life insurance contracts from 2.75% to 3.437%; increases the tax rate on ocean marine insurance contracts from .8775% to 1.0968%; increases the tax rate on real property title insurance contracts from 4.265% to 5.331%.

Amends HRS section 431:8-205 to increase the tax rate from 4.68% to 5.85%.

Amends HRS section 431:8-315 to increase the tax rate on surplus lines brokers from 4.68% to 5.85%.

Amends HRS section 431:19-116 to increase the tax rate on captive insurance companies from .25% to 0.3125 % on $0 to $25,000,000 of gross premiums for such insurance; and from 0.15% to 0.1875% on more than $25,000,000 to $50,000,000; from 0.05% to 0.0625% on more than $50,000,000 to $250,000,000; from 0.00% to 0.05% on more than $250,000,000. Also deletes the cap of $200,000 annual maximum aggregate tax on gross premiums to be paid by a captive insurance company.

This act shall be repealed on June 30, 2015; provided that HRS sections 431:7-202(a), (b), (c), and (d), 431:8-205(c), 431:8-315(a), and 431:19-116(a), amended by this act, shall be reenacted in the form in which they existed on the day prior to the effective date of this act.

EFFECTIVE DATE: July 1, 2010

STAFF COMMENTS: It appears that this measure temporarily increases the insurance tax rates in an attempt to generate additional revenues to address the state's financial crisis. The state needs additional revenues and while the easiest thing to do is increase taxes on businesses, any increase in costs to a business will, not doubt, be passed on to taxpayers in the form of higher prices of goods and services. In a down economy, taxpayers are examining their spending priorities and paring back their spending - a concept that state government has to adopt to regain control of their finances. At a time when taxpayers are doing more with less, government should do the same.

Given that the insurance premiums tax is imposed in-lieu if the general excise and net income tax, should lawmakers increase rates under those taxes, the premiums tax should also share in some of the increased burden. Inasmuch as the vagaries of the legislative process may have some measures approved while not others, such an increase in tax rates across the board should pass as part and parcel of the same measure to insure that all participate in the bail out of state finances.

Digested 2/16/10

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

My name is Gerald C. Yoshida, Chairman of the Legislative Committee of the Hawai`i Captive Insurance Council (HCIC), a trade organization of captive insurance companies and service providers who comprise and support Hawai`i's captive insurance industry. I am also 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 Hawai`i.

HCIC strongly opposes H.B. No. 2851, particularly with regard to section 5 of the bill, which proposes to raise the premium tax rates for captive insurance companies and eliminate the premium tax cap for captives. We, therefore, respectfully request that this bill be held or that section 5 be stricken from the bill.

Captive insurance companies are set up primarily to finance the risks of its owners or participants and are a form of self-insurance. Hawaii captive owners include Global 500, Fortune 500, and small- to medium-sized companies headquartered in Hawaii, the mainland US, France, and Japan. Hawaii has long been one of the leading captive insurance domiciles in the United States and throughout the world (2nd and 9th, respectively).

In 2008, Hawaii captives had combined assets of approximately $7 billion with $1.1 billion being invested through Hawaii financial investments. In 2008, Hawaii's captive industry spent approximately $17 million in direct and indirect expenditures in Hawaii.

We note that while no captive insurance company has reached the premium tax cap, captives still contribute a fair amount of premium tax revenue to the State, and in fact are self-supporting in terms of the Hawaii Insurance Division's costs of regulating the program. Nevertheless, it is the formation and maintenance of captive business in Hawaii that generates significantly more revenue in the form of general excise, income, and transient accommodation taxes paid by service providers and others doing business with the captives in Hawaii. In addition, captives provide other significant direct and indirect benefits to the State in the form of employment of Hawaii-based professional services providers, investment of captive dollars with Hawaii financial institutions, and tourism dollars generated when captives hold their annual Board meetings and other business meetings in Hawaii, as well as attend annual captive conferences in this State. The potential non-premium tax revenues generated through the formation of new captive business and the maintenance of existing captives far exceeds the increase in premium tax proposed by this bill.

By comparison, other U.S. domiciles have successfully attracted captive insurance companies to their states by reducing or eliminating premium taxes for captives. For example, Vermont, the number one captive domicile in the United States, enacted a tax credit against premium taxes due for new captive formations in 2009 and 2010. This new law boosted captive formations in Vermont from 16 at the end of 2008, to 39 in 2009.

Hawaii is not only facing competition from US domiciles. Micronesia is aggressively promoting itself to Japanese companies. We are aware of at least one major Japanese company with a Hawaii captive that moved its captive to Micronesia because Micronesia has more favorable tax treatment.

Whereas, there were about 5 captive domiciles (including Hawaii) when Hawaii licensed its first captive in 1987, today there are over 30 captive domiciles in the U.S. Other states have increasingly recognized the value of the captive insurance industry as a clean, economic diversification initiative, such that today it is an extremely competitive environment among the growing number of states vying for this type of business.

In this increasingly competitive marketplace, we are concerned that the provisions contained in Section 5 of this bill would have a substantial chilling effect on Hawaii's captive industry that will ultimately result in the demise of the industry in this State and result in a decrease in overall direct and indirect captive insurance related tax revenues.

We, therefore, strongly urge this Committee to either hold this bill or remove section 5 from this bill. Thank you for this opportunity to testify on this measure.

Respectfully submitted:

Gerald C. Yoshida
Chair, Legislative Committee
Hawaii Captive Insurance Council
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Ph: 524-3800

HAWAII INSURERS COUNCIL
A trade association of property and casualty insurance companies

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Alison Powers
Executive Director

TESTIMONY OF JOHN SCHAPPERLE

HOUSE COMMITTEE ON FINANCE
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010
1:30 p.m.

H.B. 2851

Chair Oshiro, Vice-Chair Lee and members of the Committee, my name is John Schapperle. I am the President of Island Insurance Companies and Chairman of the Hawaii Insurers Council, a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. I am testifying today on behalf of the Hawaii Insurers Council and our eleven member companies that underwrite approximately 45% of all property and casualty insurance premiums in the state. Our member companies include AIG, Allstate, DTRIC, Farmers Insurance Hawaii, Fireman's Fund, First Insurance, Island Insurance, Liberty Mutual, Progressive, SeaBright, and Zephyr.

The Hawaii Insurers Council **opposes** H.B. 2851 because this bill proposes an excessive premium tax increase – particularly in light of the numerous other government imposed financial burdens already borne by the property and casualty insurance industry in addition to the premium tax.

Property and casualty insurance is a risk management tool that is integral to society. In most cases it is not optional but is compulsory and mandated to be purchased and kept in force by law, contract, or other business arrangement. The four major lines of property and casualty insurance are motor vehicle insurance, workers' compensation insurance, homeowners and business property loss insurance, and general liability insurance.

This bill would increase premium taxes for property and casualty insurers by 25% from the present rate of 4.265% to 5.331%. If enacted, the proposed increase in premium tax would be included in future rate filings by insurers and the financial impact of the increase will be felt by virtually every homeowner, tenant, motorist, property owner, consumer, and business in Hawaii. Because of the compulsory nature of insurance coverage, most policyholders would be unable to avoid the consequences of such an increase by opting not to buy insurance or by reducing their coverage.

Hawaii already has, by far, the highest premium tax rate for property and casualty insurance in the nation at 4.265%. With the proposed increase to 5.331%, it would further set our state apart among the 50 states with a premium tax rate that is **267% of the median premium tax rate of 2% and 180% of the next highest premium tax in the country**. (Attached is a chart that outlines property and casualty insurance premium tax rates across the country.) That would be far too high and would only add to the heavy burden already carried by residents and businesses in our state.

Hawaii's premium tax is assessed against the gross revenues of the insurance industry. The dollars generated from this tax goes to the General Fund of the State. However, unlike most other industries that are taxed and contribute to the General Fund, the property and casualty insurance industry is required to pay other government extractions (separate and apart from the premium tax) mandated by statutes reflecting social policy adopted by the Legislature. These payments that are imposed by law **in addition to our payment of the premium tax** include the following:

1. We are required by statute to pay for the cost of regulating our own industry through an annual assessment for the Compliance Resolution Fund ("CRF")

which is administered by the Department of Commerce and Consumer Affairs and **requires insurers, excluding health insurers to contribute to the CRF up to $5 million.**

2. Our industry is required by statute to underwrite the cost of the Workers' Compensation Special Compensation Fund ("SCF") that was established by statute to pay for second injury claims of workers and to pay claims on behalf of defunct and defaulting employers. Every year a percentage assessment is calculated and charged to workers' compensation insurers based upon their market share. There is no cap on the potential liability to the SCF that insurers must bear. **It is noteworthy that workers' compensation insurers have been informed that the percentage assessment for 2010 is 7.2% of their workers' compensation premiums!**

3. As part of our scheme of no-fault motor vehicle insurance coverage, the Hawaii Joint Underwriting Plan ("HJUP") was established by statute and imposed by law upon the motor vehicle insurance industry to insure high-risk drivers and drivers who are indigent and cannot afford to pay for insurance. The motor vehicle insurance industry is required to underwrite the cost of providing **free** motor vehicle insurance coverage to qualified indigent drivers. In addition, the industry is also required to cover the insured losses attributable to high-risk drivers through the HJUP. **There is no dollar cap on the amount insurers must bear to underwrite the HJUP.**

4. Another mandated financial burden imposed on property and casualty insurers is through the Hawaii Property Insurance Association ("HPIA") which was established by statute to enable the HPIA to provide coverage to residential property owners with high-risk homes especially those in certain high-risk lava flow zones. HPIA provides homeowners insurance to such residents through an insurance pool underwritten by property insurance carriers in the event that the

loss reserves of that insurance pool are inadequate to cover the insured losses of the HPIA. **In such a contingency the property insurance carriers must bear the financial burden of the excess losses of the HPIA fund in an amount up to 2% of their respective annual direct written premiums.**

5. The Hawaii Insurance and Guaranty Association ("HIGA") is again another statutorily created fund that subjects all property and casualty insurers to annual assessments to ensure that policyholders and claimants of insolvent insurance carriers receive up to $300,000 in insurance benefits. If HIGA's fund is short and unable to cover losses attributable to an insolvent insurance carrier, **then the other solvent property and casualty insurers must pay an annual assessment of up to 2% of their respective direct written premiums to the HIGA fund to cover those losses.**

6. Much attention has been given to tapping for the benefit of the General Fund the approximately $150 million reserve in the now dormant Hawaii Hurricane Relief Fund ("HHRF"). But those millions of dollars would not be in HHRF's reserve fund were it not for the payments into that fund that the property and casualty insurance industry made over a six year period to build it up through statutorily required assessments. During that time, all property and casualty insurance premiums (excluding motor vehicle insurance) were surcharged 3.75% in order to build up this fund. **The HHRF statute still remains intact and the need to again surcharge property and casualty insurance premiums may yet arise should we experience another recurrence of a catastrophe like Hurricane Iniki.**

7. Despite the millions of dollars in premium taxes our industry contributes to the General Fund, we are still required to pay fees for our use of government services. Most glaring is the charges our industry is assessed for obtaining motor vehicle traffic records. Such records are an essential part of underwriting

hundreds of thousands of motor vehicle insurance policies yet we must pay a fee of $7 for each traffic abstract we obtain, of which $5 goes directly into the General Fund, rather than just covering the actual cost of retrieving the record. **Moreover, there is now pending legislation to increase the fee to $10 of which 80% will go to the General Fund.**

We wish to be good corporate citizens and support our State, especially in such dire economic times. However a 25% increase in the premium tax on our industry is not the right solution to close that fiscal deficit. The property and casualty insurance industry already bears more than its fair share when one considers how we are already making a substantial financial contribution to the General Fund through an extraordinarily high premium tax; subsidizing, through fees and assessments, the cost of providing government services; and by shouldering the financial cost of underwriting statutorily prescribed social goals.

We therefore respectfully request that you hold this bill.

Thank you for the opportunity to testify.

National Premium Tax Rates - 2009 , Property and Casualty

Rank	State	Rate
1	Hawaii	4.27%
2	Alabama	3.60%
3	Nevada	3.50%
4	Louisiana	3.00%
5	Mississippi	3.00%
6	New Mexico	3.00%
7	W Virginia	3.00%
8	Montana	2.75%
9	Alaska	2.70%
10	Arkansas	2.50%
11	S Dakota	2.50%
12	Tennessee	2.50%
13	California	2.35%
14	Georgia	2.25%
15	Oklahoma	2.25%
16	Utah	2.25%
17	Virginia	2.25%
18	New Jersey	2.10%
19	Arizona	2.00%
20	Colorado	2.00%
21	Kansas	2.00%
22	Kentucky	2.00%
23	Maine	2.00%
24	Maryland	2.00%
25	Massachusetts	2.00%
26	Minnesota	2.00%
27	Missouri	2.00%
28	New York	2.00%
29	Pennsylvania	2.00%
30	Rhode Island	2.00%
31	Vermont	2.00%
32	Washington	2.00%
33	N Carolina	1.90%
34	Connecticut	1.75%
35	Delaware	1.75%
36	Florida	1.75%
37	N Dakota	1.75%
38	DC	1.70%
39	Idaho	1.70%
40	Texas	1.60%
41	New Hampshire	1.50%
42	Ohio	1.40%
43	Indiana	1.30%
44	Michigan	1.25%
45	S Carolina	1.25%
46	Iowa	1.00%
47	Nebraska	1.00%
48	Wyoming	0.75%
49	Illinois	0.50%
50	Oregon	-
51	Wisconsin	-
NAT. MEDIAN		**2.00%**

Source: PCI: 2009 PCI State Tax Guide for 2008 Property Casualty Returns

AMERICAN COUNCIL OF LIFE INSURERS
TESTIMONY IN OPPOSTION TO HB 2851, RELATING TO INSURANCE

February 17, 2010

Via e mail: fintestimony@capitol.hawaii.gov
Honorable Marcus R. Oshiro, Chair
Committee on Finance
House of Representatives
Hawaii State Capital, Conference Room 308
415 S. Beretania Street
Honolulu, Hawaii 96813

Dear Chair Oshiro and Members of the Committee:

Thank you for the opportunity to testify in opposition to HB 2851, relating to insurance.

Our firm represents the American Council of Life Insurers ("ACLI"), a national trade association whose three hundred forty (340) member company's account for 94% of the life insurance premiums and 94% of the annuity considerations in the United States among legal reserve life insurance companies. ACLI member company assets account for 93% of legal reserve company total assets. Two hundred fifty-three (253) ACLI member companies currently do business in the State of Hawaii.

ACLI opposes HB 2851.

- House Bill 2851 would increase the state premium tax on life insurers from 2.75% to 3.437% for a temporary 5 year period beginning on July 10, 2010 and sunset on June 30, 2015. This amounts to a 25% increase in the tax burden on life insurers.

- Life insurers already pay their fair share of taxes.

  - At 2.75%, Hawaii already has one of the highest life insurance premium tax rates in the nation (the national average is 1.9%).

  - Unlike a non-insurance company which is subject to a tax on its <u>net</u> income, a life insurer is taxed on its <u>gross</u> premiums – no deductions for claims or expenses and tax must be paid whether the life insurer is profitable or not.

  - $26.2 million that life insurers already pay under the 2.75% <u>gross</u> premium tax = a corporate <u>net</u> income tax rate of 31.9% – or nearly 5 times the highest statutory corporate profit tax rate imposed by Hawaii and more than 4 times the rate imposed on banks and other financial institutions.

    - The non insurers corporate tax rate = 4.4% to 6.4% of a company's <u>net</u> income.

    - Banks and financial institutions rate = 7.92%.

- An increase in the premium tax from 2.75% to 3.437%, even on a temporary basis, would be costly to life insurers.

    - Unlike Property and Casualty Policies (which are renewed annually or more frequently) many life insurance products (life, disability and long term care insurance policies) insure the insured for extended periods of time which, in the case of life insurance, may be as long as the insured's lifetime. As a result, life insurers do not have flexibility as do P & C insurers to adjust their premium rates to reflect cost changes due to condition & circumstances.

    - Once issued the provisions of many life insurance products cannot be changed, including the cost of its premiums. For example, if a 25 year old purchases a $1M "whole life" insurance policy on his life paying a premium of $100 a month the premium remains fixed at $100 even if the insurer's cost for that insurance increases. Thus, unlike P & C insurers and other businesses, *life insurers are not able to* pass on *any increase in the premium tax on* *<u>existing policies</u>* to the insurance consumer.

    - ACLI estimates that there are over 225,000 permanent life insurance policies alone (not counting disability and long term care insurance policies) issued and in force in the State of Hawaii. If the premium tax was increased by .687% (from 2.75% to 3.437%), life insurers would not be able to pass this increased cost on to the insured consumer because of the fixed nature of these policies. Based upon the $26M in premium taxes paid to the State in 2008 life insurers would be required to pay over $3M in additional taxes that they could not recover from policyholders..

    - With respect to new life insurance products, special pricing of a policy to take into account a temporary increase in the Hawaii market will result in an increased expense for insurers doing business in this State. Insurers will be required to decide whether to absorb the tax increase or increase their premiums in pricing Hawaii policies. Alternatively, an insurer may decide to leave the Hawaii market, thereby decreasing competition for life insurance in this State.

        - Because of the fixed nature of the policies, unless the new policies are revised to include provisions that would adjust the cost of their premiums to track the temporary increase in the premium tax, the premiums would be fixed for the life of the policy. Who would buy such a policy?

        - The insured consumer may have to pay a higher premium for the new policies. The new premium may include not only the tax increase paid by the insurer under HB 2851 but it may also include the following: (1) the cost of the additional premium taxes the insurer is required to pay on preexisting policies, and (2) the cost of revising its policies to address the temporary increase in the premium tax. In any event, again the unknown here is whether there will be a viable market for the life insurers' product – who will buy a policy when the cost of its premiums will be higher than those purchased after the tax increase is repealed?

- Every year Hawaii already gains increasing premium tax revenue without having to increase the premium tax rate.

- Hawaii continues to collect premium taxes on all policies still active, regardless of how long ago they were sold. Unlike the sale of other products, a life insurance policy can continue to generate tax revenue for decades.

- The sale of each new life insurance policy creates a new tax revenue stream to the State of Hawaii on top of the revenue stream generated by all the other policies already in force.

- Because more life insurance policies are sold each year and these policies are generating tax revenue on top of that already being generated by existing policies, Hawaii annually gains increased revenue from the premium tax without having to raise the rate of taxation. While some policies leave the market due to either lapse or the death of the insured, the net effect is nevertheless an overall gain in the number of policies and thus a net gain in tax revenue to the state.

- Increasing the tax rate even on a temporary basis will hurt Hawaii's insurance community and its citizens.

  - Hawaii's largest domestic life insurer, Pacific Guardian Life Insurance Company, pays additional "retaliatory taxes" in other states because of Hawaii's already high premium tax rate on life insurance. Increasing the premium tax rate for life insurers will increase the amount of retaliatory taxes paid by Hawaii domestic life insurers to other states.

  - Hawaii's citizens could see a price increase for life insurance.

  - Because life insurers cannot adjust the premiums on existing policies, any adjustments for a tax increase would fall disproportionately on new life insurance purchasers.

  - Driving up prices for young families trying to protect their futures (especially during such difficult economic times) is not in the best interests of Hawaii consumers.

- Life insurers already contribute substantially to Hawaii's economy:

  - The life insurance industry employs approximately 3,000 people in Hawaii. Those jobs which require advanced education and specialized skills are ranked on the higher end of the pay spectrum.

  - Life insurance companies invest approximately $20 billion of their assets in Hawaii's economy. About $15 billion of this investment is in stocks and bonds that help finance business development, job creation, and services in the state. Life insurers also provide $1 billion in mortgage loans on farm, residential, and commercial properties.

  - Life insurers paid $2 billion to Hawaii residents in the form of death benefits, matured endowments, policy dividends, surrender values, and other payments in 2008.

- As the proposed premium tax increase will be applied retroactively to all premiums received by insurers last year, if the bill is enacted into law they should not be subject to any penalty for underpayment of their estimated tax based on the premium tax rate in effect at the time those taxes were paid.

For the foregoing reasons, ACLI strongly opposes HB 2851 and requests that this Committee defer passage of this bill. Again, thank you for the opportunity to testify in opposition to HB 2851.

CHAR HAMILTON
CAMPBELL & YOSHIDA
Attorneys At Law, A Law Corporation

By: ______________________
OREN T. CHIKAMOTO
otc@charhamilton.com

cc Joann Waiters, Esq.

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

My name is Wanda Jong, Owner of Alliance Captive Insurance Services LLC. Alliance Captive Insurance Services LLC provides consulting and captive management services for Hawaii captives insurance companies.

We strongly oppose H.B. No. 2851, particularly section 5 of the bill which increases premium taxes for Hawaii captive insurance companies, and respectfully request that this bill be held or that section 5 be stricken from the bill.

The potential tax revenues generated through the formation and maintenance of new captive business far exceeds the increase in premium tax proposed by this bill. While captives contribute a fair amount of premium tax revenue to the State, the formation and maintenance of captive business in Hawaii generate significant revenues and benefits to Hawaii in the form of general excise, income, and transient accommodation taxes paid by service providers and others doing business with captives in Hawaii.

Captives provide significant direct and indirect benefits to the State in the form of employment of Hawaii-based professional service providers, investment of captive dollars in Hawaii financial institutions, and tourism dollars generated when captives hold their annual Board and other meetings in Hawaii, as well as attend annual captive conferences in this State.

We are concerned that this proposal is contrary to what other U.S. domiciles are doing to attract business to their states. For example, in an effort to attract new business, Vermont, the top captive domicile in the United States, enacted a tax credit for new captive formations in 2009. This new law boosted captive formations in Vermont from 39 at the end of 2009, compared to 16 in 2008.

We believe that in this competitive marketplace, increasing captive premium taxes could very well drive Hawaii's captive business to other more attractive tax-free domiciles. We urge this Committee to either hold this bill or remove section 5 from this bill. Thank you for this opportunity to testify on this measure.

Respectfully submitted:

Wanda Jong

Wanda Jong
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Honolulu, Hawaii 96816
Phone: (808) 737-2000 Fax: (808) 737-2002

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

WRITTEN TESTIMONY ONLY

Workers' Assurance of Hawaii, Inc. owns a captive insurance company domiciled in Hawaii.

Workers' Assurance of Hawaii, Inc. strongly opposes H.B. No. 2851, especially section 5 of the bill which increases premium taxes for captive insurance companies.

Increasing captive premium taxes as proposed in this bill will have a substantial detrimental effect on Hawaii's position and competitive edge in the global captive community. There are lots of captive domicile choices out there, and more every year. Now is not the time for Hawaii to make its captive industry less attractive.

We urge you to either hold this bill or remove section 5 from this bill. Thank you very much.

Respectfully submitted:

Darren M. McCallon
Vice President
Workers' Assurance of Hawaii, Inc.
(253) 255-7466

TESTIMONY OF JASON PALMER, CPA

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

My name is Jason Palmer, 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.

We strongly oppose H.B. No. 2851, particularly section 5 of the bill which increases premium taxes for Hawaii captive insurance companies, and respectfully request that this bill be held or that section 5 be stricken from the bill.

The potential tax revenues generated through the formation and maintenance of new captive business far exceeds the increase in premium tax proposed by this bill. While captives contribute a fair amount of premium tax revenue to the State, the formation and maintenance of captive business in Hawaii generate significant revenues and benefits to Hawaii in the form of general excise, income, and transient accommodation taxes paid by service providers and others doing business with captives in Hawaii.

Captives provide significant direct and indirect benefits to the State in the form of employment of Hawaii-based professional service providers, investment of captive dollars in Hawaii financial institutions, and tourism dollars generated when captives hold their annual Board and other meetings in Hawaii, as well as attend annual captive conferences in this State.

We are concerned that this proposal is contrary to what other U.S. domiciles are doing to attract business to their states. For example, in an effort to attract new business, Vermont, the top captive domicile in the United States, enacted a tax credit for new captive formations in 2009. This new law boosted captive formations in Vermont from 39 at the end of 2009, compared to 16 in 2008.

We believe that in this competitive marketplace, increasing captive premium taxes could very well drive Hawaii's captive business to other more attractive tax-free domiciles. We urge this Committee to either hold this bill or remove section 5 from this bill. Thank you for this opportunity to testify on this measure.

Thank you for this opportunity to submit testimony in opposition of H.B. No. 2851.

Respectfully submitted:

Jason Palmer, CPA

Willis Management (Hawaii)
1003 Bishop Street, Suite 1220
Honolulu, HI 96813
Phone (808) 521-0730

Willis

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

WRITTEN TESTIMONY ONLY

ValleyCrest Companies owns a captive insurance company domiciled in Hawaii.

Valleycrest Companies strongly opposes H.B. No. 2851, especially section 5 of the bill which increases premium taxes for captive insurance companies.

Increasing captive premium taxes as proposed in this bill will have a substantial detrimental effect on Hawaii's position and competitive edge in the global captive community.

We urge you to either hold this bill or remove section 5 from this bill. Thank you very much.

Respectfully submitted:

Katie Bouvier
ValleyCrest Companies & Plumeria Insurance Companies

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

Covenant Care owns a captive insurance company domiciled in Hawaii.

Covenant Care <u>strongly opposes</u> H.B. No. 2851, especially section 5 of the bill which increases premium taxes for captive insurance companies.

Increasing captive premium taxes as proposed in this bill will have a substantial detrimental effect on Hawaii's position and competitive edge in the global captive community.

Please note that the state of Hawaii excels at captive insurance, ranked 2nd in the nation and 10th in the world. Captive insurance programs create professional jobs and promote tourism. It is estimated that $17 million per year in spending is generated by the captive industry and over $1 billion is assets are invested in the state. However, the state faces stiff competition – there were 5 domiciles to choose from when Hawaii first entered the captive industry, now there are over 30.

<u>We urge you to either hold this bill or remove section 5 from this bill</u>. Thank you very much.

Respectfully submitted:

Christine Sims

Christine Sims
As CFO for Covenant Care

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

<u>WRITTEN TESTIMONY ONLY</u>

Safeway Inc. owns a captive insurance company domiciled in Hawaii.

Safeway Inc. strongly opposes H.B. No. 2851, especially section 5 of the bill which increases premium taxes for captive insurance companies.

Increasing captive premium taxes as proposed in this bill will have a substantial detrimental effect on Hawaii's position and competitive edge in the global captive community.

We urge you to either hold this bill or remove section 5 from this bill. Thank you very much.

Respectfully submitted:

Alice H. West
Director, Insurance
Safeway Inc.

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

<u>WRITTEN TESTIMONY ONLY</u>

CAP INSURANCE CO., INC. is a captive insurance company domiciled in Hawaii.

CAP INSURANCE CO., INC. strongly opposes H.B. No. 2851, especially section 5 of the bill which increases premium taxes for captive insurance companies.

Increasing captive premium taxes as proposed in this bill will have a substantial detrimental effect on Hawaii's position and competitive edge in the global captive community.

We urge you to either hold this bill or remove section 5 from this bill. Thank you very much.

Respectfully submitted:

CAP INSURANCE CO., INC.

By Julie Ninomoto
JULIE NINOMOTO
Its President

KMHLLP

A Hawaii Limited Liability Partnership

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

My name is Ross Murakami, Partner with KMH LLP. KMH LLP, is a locally owned accounting firm that provides annual audit services for approximately forty captive insurance companies domiciled in Hawaii.

We strongly oppose H.B. No. 2851, particularly section 5 of the bill which increases premium taxes for Hawaii captive insurance companies, and respectfully request that this bill be held or that section 5 be stricken from the bill.

The potential tax revenues generated through the formation and maintenance of new captive business far exceeds the increase in premium tax proposed by this bill. While captives contribute a fair amount of premium tax revenue to the State, the formation and maintenance of captive business in Hawaii generate significant revenues and benefits to Hawaii in the form of general excise, income, and transient accommodation taxes paid by service providers and others doing business with captives in Hawaii.

Captives provide significant direct and indirect benefits to the State in the form of employment of Hawaii-based professional service providers, investment of captive dollars in Hawaii financial institutions, and tourism dollars generated when captives hold their annual Board and other meetings in Hawaii, as well as attend annual captive conferences in this State.

We are concerned that this proposal is contrary to what other U.S. domiciles are doing to attract business to their states. For example, in an effort to attract new business, Vermont, the top captive domicile in the United States, enacted a tax credit for new captive formations in 2009. This new law boosted captive formations in Vermont from 39 at the end of 2009, compared to 16 in 2008.

We believe that in this competitive marketplace, increasing captive premium taxes could very well drive Hawaii' s captive business to other more attractive tax-free domiciles. We urge this Committee to either hold this bill or remove section 5 from this bill. Thank you for this opportunity to testify on this measure.

Respectfully submitted:

Ross Murakami
KMH LLP

Phone: (808) 526-2255
Fax: (808) 536-5817
Email: rmurakami@kmhllp.com

KMHLLP

A Hawaii Limited Liability Partnership

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

My name is Alton I. Ohira, Partner with KMH LLP. KMH LLP, is a locally owned accounting firm that provides annual audit services for approximately forty captive insurance companies domiciled in Hawaii.

We strongly oppose H.B. No. 2851, particularly section 5 of the bill which increases premium taxes for Hawaii captive insurance companies, and respectfully request that this bill be held or that section 5 be stricken from the bill.

The potential tax revenues generated through the formation and maintenance of new captive business far exceeds the increase in premium tax proposed by this bill. While captives contribute a fair amount of premium tax revenue to the State, the formation and maintenance of captive business in Hawaii generate significant revenues and benefits to Hawaii in the form of general excise, income, and transient accommodation taxes paid by service providers and others doing business with captives in Hawaii.

Captives provide significant direct and indirect benefits to the State in the form of employment of Hawaii-based professional service providers, investment of captive dollars in Hawaii financial institutions, and tourism dollars generated when captives hold their annual Board and other meetings in Hawaii, as well as attend annual captive conferences in this State.

We are concerned that this proposal is contrary to what other U.S. domiciles are doing to attract business to their states. For example, in an effort to attract new business, Vermont, the top captive domicile in the United States, enacted a tax credit for new captive formations in 2009. This new law boosted captive formations in Vermont from 39 at the end of 2009, compared to 16 in 2008.

We believe that in this competitive marketplace, increasing captive premium taxes could very well drive Hawaii's captive business to other more attractive tax-free domiciles. We urge this Committee to either hold this bill or remove section 5 from this bill. Thank you for this opportunity to testify on this measure.

Respectfully submitted:

Alton I. Ohira
KMH LLP

Phone: (808) 526-2255
Fax: (808) 536-5817
Email: aohira@kmhllp.com

KMHLLP

A Hawaii Limited Liability Partnership

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

My name is Jill Miura, Senior Manager with KMH LLP. KMH LLP, is a locally owned accounting firm that provides annual audit services for approximately forty captive insurance companies domiciled in Hawaii.

We strongly oppose H.B. No. 2851, particularly section 5 of the bill which increases premium taxes for Hawaii captive insurance companies, and respectfully request that this bill be held or that section 5 be stricken from the bill.

The potential tax revenues generated through the formation and maintenance of new captive business far exceeds the increase in premium tax proposed by this bill. While captives contribute a fair amount of premium tax revenue to the State, the formation and maintenance of captive business in Hawaii generate significant revenues and benefits to Hawaii in the form of general excise, income, and transient accommodation taxes paid by service providers and others doing business with captives in Hawaii.

Captives provide significant direct and indirect benefits to the State in the form of employment of Hawaii-based professional service providers, investment of captive dollars in Hawaii financial institutions, and tourism dollars generated when captives hold their annual Board and other meetings in Hawaii, as well as attend annual captive conferences in this State.

We are concerned that this proposal is contrary to what other U.S. domiciles are doing to attract business to their states. For example, in an effort to attract new business, Vermont, the top captive domicile in the United States, enacted a tax credit for new captive formations in 2009. This new law boosted captive formations in Vermont from 39 at the end of 2009, compared to 16 in 2008.

We believe that in this competitive marketplace, increasing captive premium taxes could very well drive Hawaii' s captive business to other more attractive tax-free domiciles. We urge this Committee to either hold this bill or remove section 5 from this bill. Thank you for this opportunity to testify on this measure.

Respectfully submitted:

Jill Miura

Jill Miura
KMH LLP

Phone: (808) 526-2255
Fax: (808) 536-5817
Email: jmiura@kmhllp.com

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

Covenant Care owns a captive insurance company domiciled in Hawaii.

Covenant Care **<u>strongly opposes</u>** **H.B. No. 2851**, especially section 5 of the bill which increases premium taxes for captive insurance companies.

Increasing captive premium taxes as proposed in this bill will have a substantial detrimental effect on Hawaii's position and competitive edge in the global captive community.

Please note that the state of Hawaii excels at captive insurance, ranked 2nd in the nation and 10th in the world. Captive insurance programs create professional jobs and promote tourism. It is estimated that $17 million per year in spending is generated by the captive industry and over $1 billion is assets are invested in the state. However, the state faces stiff competition – there were 5 domiciles to choose from when Hawaii first entered the captive industry, now there are over 30.

<u>We urge you to either hold this bill or remove section 5 from this bill</u>. Thank you very much.

Respectfully submitted:

Christine Sims

Christine Sims
As CFO for Covenant Care

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

WRITTEN TESTIMONY ONLY

Public Storage owns a captive insurance company domiciled in Hawaii.

Public Storage strongly opposes H.B. No. 2851, especially section 5 of the bill which increases premium taxes for captive insurance companies.

Increasing captive premium taxes as proposed in this bill will have a substantial detrimental effect on Hawaii's position and competitive edge in the global captive community.

We urge you to either hold this bill or remove section 5 from this bill. Thank you very much.

Respectfully submitted:

Capri Haga

Capri Haga
Senior Vice President
Public Storage

MedAmericaMutual
RISK RETENTION GROUP, INC.

GLORIA H. EVERETT
PRESIDENT & CEO

925 949 0100
888 626 1160
everettg@mmrrg.com

2121 North California Blvd.
Suite 1010
Walnut Creek, CA 94596

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m
State Capitol, Conference Room 308

<u>WRITTEN TESTIMONY ONLY</u>

MedAmerica Mutual Risk Retention Group, Inc. owns a captive insurance company domiciled in Hawaii.

MedAmerica Mutual Risk Retention Group, Inc. strongly opposes H.B. No. 2851, especially section 5 of the bill which increases premium taxes for captive insurance companies.

Increasing captive premium taxes as proposed in this bill will have a substantial detrimental effect on Hawaii's position and competitive edge in the global captive community.

We urge you to either hold this bill or remove section 5 from this bill. Thank you very much.

Respectfully submitted,

Gloria H. Everett
President & CEO
MedAmerica Mutual Risk Retention Group, Inc.

Kyoya Management Company, LTD.

February 16, 2010

The Honorable Marcus R. Oshiro, Chair
The Honorable Marilyn B. Lee, Vice Chair
House Committee on Finance

RE: TESTIMONY ON H.B NO. 2851 - RELATING TO INSURANCE

Dear Representatives Oshiro and Lee:

Kyo-ya Management Company, Ltd. is the parent company of Kyo-ya Insurance Services, Ltd a wholly owned Captive Insurance company domiciled in Hawaii.

Kyo-ya Management Company, Ltd. strongly opposes H.B. 2851, especially Section 5 of the Bill which increases premium taxes for Captive Insurance companies.

Increasing captive premium taxes as proposed in this bill will have a substantial detrimental effect on Hawaii's position and competitive edge in the global captive community.

We respectfully ask that this bill be held or that Section 5 be removed from the bill.

Thank you very much

Respectfully submitted,

Carl Teruya
Kyo-ya Insurance Services, Ltd.

SHERATON WAIKIKI HOTEL, Second Floor
2255 Kalakaua Avenue, Honolulu, Hawaii 96815
Phone: (808) 931-8600 -- Fax. (808) 923-0892

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

My name is Ann W. Wick, President of Strategic Risk Solutions, Inc. (West) ("SRS-West"). SRS-West provides consulting and captive management services for Hawaii captive insurance companies.

We strongly oppose H.B. No. 2851, particularly section 5 of the bill which increases premium taxes for Hawaii captive insurance companies, and respectfully request that this bill be held or that section 5 be stricken from the bill.

The potential overall tax revenues generated for Hawaii through new formation of captives and maintenance of captive business far exceed the increase in premium tax proposed by this bill. While captives contribute a fair amount of premium tax revenue to the State, the formation and maintenance of captive business in Hawaii generate significant revenues and benefits to Hawaii in the form of general excise, income, and transient accommodation taxes paid by captive owners, service providers and others doing business with captives in Hawaii.

Captives provide significant direct and indirect benefits to the State in the form of employment of Hawaii-based professional service providers, investment of captive dollars in Hawaii financial institutions, and tourism dollars generated when captives hold their annual Board and other meetings in Hawaii, as well as attend annual captive conferences in this State.

We are concerned that this proposal is contrary to what other U.S. domiciles are doing to attract business to their states. For example, in an effort to attract new business, the State of Vermont, the top captive domicile in the United States, enacted a tax credit for new captive formations in 2009. This new law boosted captive formations in Vermont to 39 at the end of 2009, compared to 16 in 2008.

Currently, Hawaii faces stiff competition from 30+ states that have captive insurance laws. We believe that in this competitive marketplace, the increase in captive premium taxes on Hawaii captives could very well drive Hawaii's captive business to other more attractive tax-free domiciles. We urge this Committee to either hold this bill or remove section 5 from this bill. Thank you for this opportunity to testify on this measure.

Respectfully submitted:

Ann W. Wick

Ann W. Wick
Strategic Risk Solutions Inc. (West)
Phone: (480) 682-4985

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

WRITTEN TESTIMONY ONLY

Avery Dennison Corporation owns a captive insurance company, Worldwide Risk Insurance, Inc., domiciled in Hawaii.

Worldwide Risk Insurance, Inc. strongly opposes H.B. No. 2851, especially section 5 of the bill which increases premium taxes for captive insurance companies.

Increasing captive premium taxes as proposed in this bill will have a substantial detrimental effect on Hawaii's position and competitive edge in the global captive community.

We urge you to either hold this bill or remove section 5 from this bill. Thank you very much.

Respectfully submitted on February 16, 2010:

Gerald A. Colonna, Jr.

Gerald A. Colonna, Jr.
Vice President
Worldwide Risk Insurance, Inc.

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

WRITTEN TESTIMONY ONLY

As the CEO of Paradigm Indemnity Corp., I am opposed to such a large percentage increase in the premium tax as outlined in HB2851. Currently, I believe there are at least triple the number of captive domiciles available in the US to prospective captive owners as there was when we formed Paradigm. The national market for captives is very competitive today. One of the major attractions to us was the very favorable tax rate on our premiums. As a non-profit captive owner we use all the professional services available to our captive in Hawaii. We are very pleased with the expertise and professionalism of all of these services, and we have always been supported well by the State of Hawaii.

I would encourage the Legislature to look at the overall positive impact of captives on the State economy, through these professional relationship, tourism, etc., and not focus its revenue needs on increased taxes, but rather to encourage the Captive Division to come up with new ways to attract more captives to the State. The compounding effect of tourism dollars and professional employment will most certainly generate more dollars for the State than the proposed tax increase.

We urge you to either hold this bill or remove section 5 from this bill. Thank you very much.

Respectfully submitted:

David G. Triebes, CEO
Paradigm Insurance Corp.

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

WRITTEN TESTIMONY ONLY

Cast & Crew Payroll, LLC owns a captive insurance company domiciled in Hawaii.

Cast & Crew Payroll, LLC strongly opposes H.B. No. 2851, especially section 5 of the bill which increases premium taxes for captive insurance companies.

Increasing captive premium taxes as proposed in this bill will have a substantial detrimental effect on Hawaii's position and competitive edge in the global captive community. It should be noted that Hawaii is recognized as one of the world's premier domiciles and is ranked second in the US with over 30 captives domiciled in the state. This industry is good for Hawaii creating professional jobs and promoting tourism. Companies have a choice of where to domicile their captives. Companies value the strong support services including accounting, legal and banking in addition to the oversight and guidance provided by the regulatory bodies.

We urge you to either hold this bill or remove section 5 from this bill. We appreciate your attention to this very important matter.

Respectfully submitted:

Sally A. Knutson
Cast & Crew Payroll, LLC
Captive: Cast & Crew Insurance Company, Inc.

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

My name is Christina Kamaka, Vice President of Aon Insurance Managers (USA), Inc. - Hawaii ("Aon"). Aon provides consulting and captive management services for Hawaii captives insurance companies.

We strongly oppose H.B. No. 2851, particularly section 5 of the bill which increases premium taxes for Hawaii captive insurance companies, and respectfully request that this bill be held or that section 5 be stricken from the bill.

The potential tax revenues generated through the formation and maintenance of new captive business far exceeds the increase in premium tax proposed by this bill. While captives contribute a fair amount of premium tax revenue to the State, the formation and maintenance of captive business in Hawaii generate significant revenues and benefits to Hawaii in the form of general excise, income, and transient accommodation taxes paid by service providers and others doing business with captives in Hawaii.

Captives provide significant direct and indirect benefits to the State in the form of employment of Hawaii-based professional service providers, investment of captive dollars in Hawaii financial institutions, and tourism dollars generated when captives hold their annual Board and other meetings in Hawaii, as well as attend annual captive conferences in this State. The Captive Branch of the Department of Commerce and Consumer Affairs, Insurance Division has gathered data supporting $17m in spending in 2008 by our captives and over $1b of investments in Hawaii as of December 31, 2008.

We are concerned that this proposal is contrary to what other U.S. domiciles are doing to attract business to their states. For example, in an effort to attract new business, Vermont, the top captive domicile in the United States, enacted a tax credit for new captive formations in 2009. This new law boosted captive formations in Vermont from 39 at the end of 2009, compared to 16 in 2008. As a comparison, Hawaii formed four new captives in 2009, compared to eight in 2008. As of December 2008, the latest published surveys, Hawaii was second to Vermont within the United States and ninth in the world when measured by licensed captives and within the top five in the world when measured by assets.

We believe that in this competitive marketplace, increasing captive premium taxes could very well drive Hawaii's captive business to other more attractive tax-free domiciles. We urge this Committee to either hold this bill or remove section 5 from this bill. Thank you for this opportunity to testify on this measure.

Respectfully submitted:

Christina Kamaka
Aon Insurance Managers (USA), Inc.
201 Merchant Street, Suite 2400
Honolulu, HI 96813

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

WRITTEN TESTIMONY ONLY

Covenant Reinsurance Company owns a captive insurance company domiciled in Hawaii.

Covenant Reinsurance Company strongly opposes H.B. No. 2851, especially section 5 of the bill which increases premium taxes for captive insurance companies.

Increasing captive premium taxes as proposed in this bill will have a substantial detrimental effect on Hawaii's position and competitive edge in the global captive community.

We urge you to either hold this bill or remove section 5 from this bill. Thank you very much.

Respectfully submitted:

Thomas Kao, Secretary
Covenant Reinsurance Company

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

WRITTEN TESTIMONY ONLY

F.L. Insurance Corporation is a captive insurance company domiciled in Hawaii.

F.L. Insurance Corporation strongly opposes H.B. No. 2851, especially section 5 of the bill which increases premium taxes for captive insurance companies.

Increasing captive premium taxes as proposed in this bill will have a substantial detrimental effect on Hawaii's position and competitive edge in the global captive community.

We urge you to either hold this bill or remove section 5 from this bill. Thank you very much.

Respectfully submitted:

Michael S. Owens
Treasurer
F.L. Insurance Corporation

HOUSE COMMITTEE ON
FINANCE

February 17, 2010

<u>House Bill 2851 Relating to Insurance</u>

Chair Oshiro and members of the House Committee on Finance, I am Rick Tsujimura, representing State Farm Insurance Companies, a mutual company owned by its policyholders.

State Farm opposes House Bill 2851 which increases the premium tax from 4.265% to 5.331% for all insurance sold except for life insurance, ocean marine insurance and title insurance. Hawaii has the highest premium tax in the nation and this far exceeds all other states. Hawaii is a very small market and each insurer plays a vital role in the availability of insurance. Raising the premium tax will cause those who can least afford insurance coverage to drop their coverage. Hawaii has argued over the decades about uninsured motorists and has done much to make the cost of mandated auto insurance coverage affordable. This increase is counterproductive to that effort. Second, Hawaii's insurance market is comprised of numerous companies large and small which make up alternatives for those seeking insurance. Raising the premium tax may cause some of these small insurers to leave the market and thus create an availability problem for Hawaii residents. We believe that the concept of a premium tax increase while inviting would be counterproductive to Hawaii's desire to have affordable insurance available.

Likewise the increase in the life insurance premium tax will also be counterproductive given the number of other states which have a retaliatory provision. This provision would charge Hawaii producers who sell life insurance to a person in another state the same rate as in Hawaii regardless of the other state's lower life insurance premium tax. This would also be the highest tax in the nation. The result could be that life insurance will not be sold by Hawaii producers out of state.

Thank you for the opportunity to present this testimony.

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

WRITTEN TESTIMONY ONLY

Marquis Insurance Corporation is a captive insurance company domiciled in Hawaii.

Marquis Insurance Corporation strongly opposes H.B. No. 2851, especially section 5 of the bill which increases premium taxes for captive insurance companies.

Increasing captive premium taxes as proposed in this bill will have a substantial detrimental effect on Hawaii's position and competitive edge in the global captive community.

We urge you to either hold this bill or remove section 5 from this bill. Thank you very much.

Respectfully submitted:

Michael S. Owens
Treasurer
Marquis Insurance Corporation

PACIFIC GUARDIAN LIFE

DOUGLAS M. GOTO
Executive Vice President

February 16, 2010

The Honorable Marcus R. Oshiro
Chair, Committee on Finance
House of Representatives
Hawaii State Capitol, Conference Room 308
415 S. Beretania Street
Honolulu, Hawaii 96813

Via e-mail: fintestimony@capitol.hawaii.gov

Re: H.B. No. 2851, Relating to Insurance

Dear Chair Oshiro and Members of the Committee:

Thank you for the opportunity to testify in opposition to H.B. No. 2851, Relating to Taxation.

My name is Douglas M. Goto. I am the Executive Vice President of Pacific Guardian Life Insurance Company, Ltd. ("PGL"). PGL is a Hawaii corporation having its headquarters in Honolulu, Hawaii.

PGL provides life insurance, disability, annuities and temporary disability insurance benefits to the people of Hawaii, 20 other western states, the Territory of Guam, and the Commonwealth of the Northern Mariana Islands.

PGL has approximately 140 employees in the state of Hawaii and employs an additional 20 employees in branch offices, primarily in the state of California. All of our staff members are "white collar" employees with many holding professional and managerial positions. Approximately 40% of PGL's life insurance premium writings are to persons residing outside the state of Hawaii. Accordingly, PGL is and seeks to continue to contribute to the Hawaii economy by generating revenue from customers outside of Hawaii.

Hawaii's current tax rate on life insurance premiums of 2.75% is already one of the highest in the United States. The proposed increase to a rate of 3.437% would result in a rate significantly higher than the national average of 1.9%.

If enacted into law, H.B. No. 2851 would increase the gross premium tax which may make it more difficult for PGL to remain competitive and expand in some of the markets in which it serves.

PACIFIC GUARDIAN TOWER • 1440 KAPIOLANI BOULEVARD • HONOLULU, HAWAII 96814 • TEL (808) 942-1310 • FAX (808) 942-1290 • dgoto@pacificguardian.com

Increasing the tax will result in PGL's having to increase the cost of its premiums on some of its policies. Increasing the premium tax may also subject life insurance companies domiciled in this state, such as PGL, to additional "retaliatory taxes" imposed by other states in which PGL does business.

Additionally, life insurers, such as PGL, and their customers will also be burdened by the increase in general premium taxes to 5.331% as accident and health and disability insurance premiums written by life insurers would be affected by H.B. No. 2851.

At times, it is extremely difficult to effectively compete with other carriers, principally national and regional players, in the life insurance market in Hawaii and the western states. PGL is proud that it has, thus far, been successful in doing so from our home office in Hawaii. We respectfully submit that H.B. No. 2851 will introduce another element of competitive disadvantage that we will bear as a result of our choice of a Hawaii domicile.

PGL understands the gravity of the fiscal conundrum facing the State and applauds the efforts of the Legislature in facing these difficult issues "head on". We are also prepared to support a temporary increase in premium tax that is equitable against the landscape of other tax increases under consideration. However, for the foregoing reasons, PGL opposes H.B. No. 2851 and requests that this Committee defer passage of this bill.

Again, thank you for the opportunity to testify in opposition to H.B. No. 2851.

Respectfully submitted,

PACIFIC GUARDIAN LIFE
INSURANCE COMPANY, LIMITED

By: ______________________
Douglas M. Goto
Its Executive Vice President

OWLCO Indemnity Limited
201 Merchant Street, Suite 2400
Honolulu, Hawaii 96813

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

WRITTEN TESTIMONY

The Gregory J. Burden Trust (dated July 26, 2002) owns a captive insurance company, Owlco Indemnity Limited, domiciled in Hawaii.

The Gregory J. Burden Trust (dated July 26, 2002) and Owlco Indemnity strongly opposes H.B. No. 2851, especially section 5 of the bill which increases premium taxes for captive insurance companies.

Increasing captive premium taxes as proposed in this bill will have a substantial detrimental effect on Hawaii's position and competitive edge in the global captive community.

The state of Hawaii has much more to gain from job creation, tourism and the other taxes charged like sales taxes, etc. Do not put Hawaii at a competitive disadvantage to other captive domiciles.

We urge you to either hold this bill or remove section 5 from this bill. Thank you very much.

Respectfully submitted:

Gregory J. Burden, Trustee
The Gregory J. Burden Trust (dated July 26, 2002)

Gregory J. Burden, President
Owlco Indemnity Limited

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

My name is Matthew Takamine, Senior Vice President and Head of Office for Beecher Carlson and President of the Hawaii Captive Insurance Council. Beecher Carlson is one of the largest captive management firms in the State of Hawaii, representing 30 captive insurance companies with assets in excess of $1 billion. We thank you for the opportunity to provide this written testimony.

We strongly oppose H.B. No. 2851, particularly section 5 of the bill which increases premium taxes for Hawaii captive insurance companies, and respectfully request that this bill be held or that section 5 be stricken from the bill.

The potential tax revenues generated through the formation and maintenance of new captive business far exceeds the increase in premium tax proposed by this bill. While captives contribute a fair amount of premium tax revenue to the State, the formation and maintenance of captive business in Hawaii generate significant revenues and benefits to Hawaii in the form of general excise, income, and transient accommodation taxes paid by service providers and others doing business with captives in Hawaii. We estimate that the captive insurance industry generates in excess of $17 million annually in direct spending in the State of Hawaii. **The relatively minimal revenue of this proposed legislation jeopardizes the true economic benefit of the captive insurance industry to the State.**

Captives provide significant direct and indirect benefits to the State in the form of employment of Hawaii-based professional service providers, investment of captive dollars in Hawaii financial institutions, and tourism dollars generated when captives hold their annual Board and other meetings in Hawaii, as well as attend annual captive conferences in this State.

We are concerned that this proposal is contrary to what other U.S. domiciles are doing to attract business to their states. For example, in an effort to attract new business, Vermont, the top captive domicile in the United States, enacted a tax credit for new captive formations in 2009. This new law boosted captive formations in Vermont from 39 at the end of 2009, compared to 16 in 2008.

Unlike domestic insurers, captive insurers have a choice of where to domicile their companies. We believe that in this competitive marketplace, increasing captive premium taxes could very well drive Hawaii's captive business to other more attractive tax-free domiciles. **We urge this Committee to either hold this bill or remove section 5 from this bill.** Thank you for this opportunity to testify on this measure.

Respectfully submitted:
Matthew D. R. Takamine, CPA
Senior Vice President, Beecher Carlson
1001 Bishop Street, Suite 2788
Honolulu, Hawai`i 96813 |Ph: 808-526-2900

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

My name is Fay Okamoto, Vice Chairman of the Hawai`i Captive Insurance Council (HCIC), a trade organization of captive insurance companies and service providers who support Hawai`i's captive insurance industry. I am also the branch manager of Artex Risk Solution, Inc.'s Hawaii office and serve as the authorized captive manager for a number of captive insurance companies domiciled in the State of Hawaii.

We strongly oppose H.B. No. 2851, particularly section 5 of the bill which increases premium taxes for Hawaii captive insurance companies, and respectfully request that this bill be held or that section 5 be stricken from the bill.

The potential tax revenues generated through the formation and maintenance of new captive business far exceeds the increase in premium tax proposed by this bill. While captives contribute a fair amount of premium tax revenue to the State, the formation and maintenance of captive business in Hawaii generate significant revenues and benefits to Hawaii in the form of general excise, income, and transient accommodation taxes paid by service providers and others doing business with captives in Hawaii.

Captives provide significant direct and indirect benefits to the State in the form of employment of Hawaii-based professional service providers, investment of captive dollars in Hawaii financial institutions, and tourism dollars generated when captives hold their annual Board and other meetings in Hawaii, as well as attend annual captive conferences in this State.

Hawaii faces stiff competition with other U.S. and off-shore captive domiciles for captive insurance company business. We are concerned that this proposal is contrary to what other U.S. domiciles are doing to attract business to their states. For example, in an effort to attract new business, Vermont, the top captive domicile in the United States, enacted a tax credit for new captive formations in 2009. This new law boosted captive formations in Vermont from 39 at the end of 2009, compared to 16 in 2008.

We believe that in this competitive marketplace, increasing captive premium taxes could very well drive Hawaii's captive business to other more attractive tax-free domiciles. We urge this Committee to either hold this bill or remove section 5 from this bill. Thank you for this opportunity to testify on this measure.

Respectfully submitted:

Fay Okamoto

Fay Okamoto
Division Senior Vice President
Artex Risk Solutions, Inc.
1132 Bishop Street, Suite 1600
Honolulu, HI 96813

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

My name is David Kahaulelio, Chairman of the Hawaii Captive Insurance Council. The Hawaii Captive Insurance Council (HCIC), a nonprofit corporation since 1991, is committed to promoting, developing, and maintaining a quality captive insurance industry in the State of Hawaii.

We strongly oppose H.B. No. 2851, particularly section 5 of the bill which increases premium taxes for Hawaii captive insurance companies, and respectfully request that this bill be held or that section 5 be stricken from the bill.

The potential tax revenues generated through the formation and maintenance of new captive business far exceeds the increase in premium tax proposed by this bill. While captives contribute a fair amount of premium tax revenue to the State, the formation and maintenance of captive business in Hawaii generate significant revenues and benefits to Hawaii in the form of general excise, income, and transient accommodation taxes paid by service providers and others doing business with captives in Hawaii.

Captives provide significant direct and indirect benefits to the State in the form of employment of Hawaii-based professional service providers, investment of captive dollars in Hawaii financial institutions, and tourism dollars generated when captives hold their annual Board and other meetings in Hawaii, as well as attend annual captive conferences in this State.

We are concerned that this proposal is contrary to what other U.S. domiciles are doing to attract business to their states. For example, in an effort to attract new business, Vermont, the top captive domicile in the United States, enacted a tax credit for new captive formations in 2009. This new law boosted captive formations in Vermont from 39 at the end of 2009, compared to 16 in 2008.

We believe that in this competitive marketplace, increasing captive premium taxes could very well drive Hawaii's captive business to other more attractive tax-free domiciles. We face stiff competition from new domiciles which have grown tremendously in recent years. Indeed, tax holidays have helped established domiciles invigorate their growth.

We urge this Committee to either hold this bill or remove section 5 from this bill. Thank you for this opportunity to testify on this measure.

Respectfully submitted:
David Kahaulelio

David Kahaulelio
Chairman
Hawaii Captive Insurance Council
P.O. Box 2815 Honolulu, HI 96803

NAIFA
HAWAII

National Association of Insurance and Financial Advisors -- Hawaii
Phone: 394-3451

House Committee on Finance
Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair

Date of Hearing: Wednesday, February 17, 2010 -- Agenda # 2

Time: 1:30 pm

RE: HB 2851 – Relating to Insurance

Chair Oshiro, Vice Chair Lee and members of the Committee, the National Association of Insurance and Financial Advisors (NAIFA) Hawaii is made up of insurance agents throughout Hawaii, who primarily sell life insurance, annuities, long term care and disability income policies.

We oppose HB 2851 that will amend Section 431:7-202(b), HRS, by increasing the rate of the **premium tax on life insurance contracts from 2.75% to 3.437% -- a 25% increase, for 5 years.** We will limit our comments to the life insurance premium tax rate and not the increase on property & casualty premium tax rate.

Increasing the GET rate to 3.437% will only increase the cost of the life insurance contract to the consumer because the consumer will bear that increased tax rate since the insurance companies will probably include the tax into the premium cost of new life insurance contracts. Existing policies prior to an effective date of a premium tax increase should be excluded for the following reason.

This measure is very problematic for current life insurance policies since the amount of the insurance premium is set at the onset of the policy contract, as stated in Hawaii Revised Statutes:

> **§431:10-218 Stated premium must include all charges.** (a) The premium stated in the policy shall be inclusive of all fees, charges, premiums, or other consideration charged for the insurance or for its procurement. This subsection shall not apply to surety or group insurance contracts.
> (b) No insurer or its officer, employee, producer, or other representative shall charge or receive any fee, compensation, or consideration for insurance which is not included in the premium specified in the policy.

Since the premium amount is set as stated in the policy and approved by the Insurance Commissioner prior to issuance, increasing the rate of the premium tax on current life insurance policies will place the increased tax burden on the insurance companies entirely, without the ability to recoup the tax. The 2.75% tax burden on gross premium is equivalent to almost a 16% corporate income tax rate when current Hawaii corporate income tax rates range from over 4% to over 6% of net income.

Additionally, the components in a life insurance policy differ greatly from P&C risks. There is also cash value and an investment component that belongs entirely to the policyholder and any gains of the inside buildup does **not** revert to the insurers, therefore, is not considered income to the insurers. This is primarily why the life insurance premium tax rate is lower than other premium tax rates.

We ask that you hold this measure in Committee. We appreciate the opportunity to share our views.

Cynthia Hayakawa Takenaka
Executive Director

KAISER PERMANENTE®

Government Relations

Testimony of
Frank P. Richardson
Vice President and Regional Counsel

Before:
House Committee on Finance
The Honorable Marcus R. Oshiro, Chair
The Honorable Marilyn B. Lee, Vice Chair

February 17, 2010
1:30 P.M.
Conference Room 308

HB 2851 **RELATING TO TAXATION**

Chair Oshiro, and committee members, thank you for this opportunity to provide testimony on HB 2851 which would, among other things, increase the tax paid on gross premiums received by captive insurance companies.

Kaiser Permanente Hawaii and its captive insurance company, Lokahi Assurance, Ltd., opposes this bill.

Lokahi Assurance, Ltd. is Kaiser's captive insurance company. It provides certain types of insurance coverage for the Hawaii and other Kaiser regions. Each region pays premiums to Lokahi for that coverage.

The cost of delivering health care in Hawaii and elsewhere continues to mount. The proposed increase in the tax on Lokahi's gross premiums will only add to that cost. The burden of the increased tax will be passed on ultimately to purchasers and consumers in the Hawaii region and to the other regions, driving up the overall cost of healthcare to those purchasers and consumers.

Additionally, the increase in the tax could make the State of Hawaii a less attractive place for captive insurance companies.

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PCI
Property Casualty Insurers
Association of America
Shaping the Future of American Insurance
1415 L Street, Suite 670, Sacramento, CA 95814-3972

LATE TESTIMONY

To: The Honorable Marcus R. Oshiro, Chair

House Finance Committee

From: Samuel Sorich, Vice President

Re: HB 2851 – Insurance Premium Tax Rates; Increase
PCI Position: **Oppose**

Date: Wednesday, February 17, 2010, 1:30 pm
Agenda 2; Conference Room 308

Aloha Chairman Oshiro and Committee Members:

The Property Casualty Insurers Association of American (PCI) is opposed to HB 2851 which would increase Hawaii's already high premium tax rate from 4.265% to 5.331%. Hawaii already imposes the highest premium tax rate in the nation and it is substantially in excess of the national average of approximately 2.0%.

This proposed increase will hit Hawaii consumers and businesses in their pocketbooks. Like most taxes, the effects of premium taxes are largely felt by consumers – Hawaii drivers, homeowners, renters and business owners. Many of these consumers are already struggling and this premium tax rate increase will place an additional burden on these working families who must purchase insurance to comply with mandatory auto insurance laws or the demands of lenders who require homeowners insurance.

PCI opposes HB 2851 because it will increase insurance costs in Hawaii and negatively impact working families who depend on insurance.

Mark Hironaga
Vice President

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MARSH

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

My name is Mark Hironaga, Vice President of Marsh Management Services Inc., a Marsh & McLennan company. Marsh Management Services Inc. provides consulting and captive management services for Hawaii captive insurance companies. In addition to Hawaii, Marsh Management Service Inc. also has offices in many of the major captive insurance domiciles in the world including Vermont, South Carolina, Arizona, Bermuda, Barbados, Cayman Islands, Luxembourg, Guernsey and Singapore, to name a few.

We strongly oppose H.B. No. 2851, particularly section 5 of the bill which increases premium taxes for Hawaii captive insurance companies, and respectfully request that this bill be held or that section 5 be stricken from the bill.

The captive insurance company business is a perfect business for any state, which is why there are now more than 30 states that have enacted laws to allow captive insurance companies. When Hawaii started in the industry, there were only 5 captive insurance domiciles in the United States. It is a clean business with no negative environmental impact that creates professional jobs such as accountants, lawyers, auditors, bankers, and investment managers, in addition to insurance examiner positions in the Captive Insurance Branch of the Insurance Division.

Because of the extreme competition between captive insurance domiciles, Hawaii is now at a competitive disadvantage at attracting new captive insurance companies to our state. As a result of the current economic conditions, the distance Hawaii is from the large firms forming captive insurance companies and the current view of business trips taken by company executives to vacation/resort destinations such as Hawaii, we are finding it harder and harder to convince companies to domicile their captive insurance companies here in Hawaii.

This proposal will add another reason not to choose Hawaii, may cause some Hawaii captive insurance companies to re-domicile to another state, and is contrary to what other U.S. domiciles are doing to attract business to their states. For example, Vermont, the top captive domicile in the United States, enacted a tax credit for new captive formations in 2009. This new law boosted captive insurance company formations in Vermont from 16 in 2008 to 39 in 2009.

The potential tax revenues generated through the formation and maintenance of new captive business far exceeds the increase in premium tax proposed by this bill. While captives contribute a fair amount of premium tax revenue to the State, the formation and maintenance of captive business in Hawaii

MARSH

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

generate significant revenues and benefits to Hawaii in the form of general excise, income, and transient accommodation taxes paid by service providers and others doing business with captives in Hawaii. In addition, tourism dollars generated when captives hold their annual Board and other meetings in Hawaii, as well as attend annual captive conferences in this State, many of whom stay here longer, add significant indirect benefits to Hawaii.

We urge this Committee to either hold this bill or remove section 5 from this bill. Thank you for this opportunity to testify on this measure and please contact me if you have any questions.

Respectfully submitted:

Mark Hironaga

Mark Hironaga
Marsh Management Services Inc.
(808) 585-3526
Mark.Hironaga@marsh.com

Bank of Hawaii

ALLAN R. LANDON
CHAIRMAN OF THE BOARD
CHIEF EXECUTIVE OFFICER

TESTIMONY ON H.B. NO. 2851
RELATING TO INSURANCE

HOUSE COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, February 17, 2010, 1:30 p.m.
State Capitol, Conference Room 308

WRITTEN TESTIMONY ONLY

Bank of Hawaii provides financial services for more than 50 percent of the captive insurance companies domiciled in Hawaii. Since 1987, our state has enjoyed a reputation as a leading domicile for captive insurers. We are opposed to HB 2851, in particular, Section 5 of the bill which increases premium taxes for these businesses.

Increasing taxes as proposed in this bill will have a detrimental effect on Hawaii's position and competitive advantage in the global captive market. Hawaii currently ranks as the number two state in the country for captive insurance with the number of captives formed in Hawaii increasing from 15 in 1990 to 162 in 2009. This proposed tax could reverse years of proactive efforts to position Hawaii as a preferred domicile for businesses wishing to establish captive insurance businesses here, many of which are Fortune 500 companies.

We ask that you either hold this bill or remove section 5. Thank you very much.

Respectfully submitted,

Al Landon

Al Landon

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