

Honolulu, Hawaii

APR 26 2012

RE: S.B. No. 2765  
S.D. 2  
H.D. 2  
C.D. 1

Honorable Shan S. Tsutsui  
President of the Senate  
Twenty-Sixth State Legislature  
Regular Session of 2012  
State of Hawaii

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Sixth State Legislature  
Regular Session of 2012  
State of Hawaii

Sirs:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 2765, S.D. 2, H.D. 2, entitled:

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

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to update and streamline Hawaii's captive insurance company law to ensure that risk retention captive insurance companies comply with the accreditation standards of the National Association of Insurance Commissioners.

Your Committee on Conference finds that Hawaii is a leading captive insurance domicile, nationally and worldwide. Captive insurance companies domiciled in Hawaii provide significant business and economic advantages for the State. It is therefore important for Hawaii to maintain a regulatory structure for this industry that ensures Hawaii's continued position as a major captive insurance domicile.



This measure provides greater flexibility in the coverage of captive risks, enables the Insurance Commissioner to better regulate the captive insurance industry, ensures that risk retention captive insurance companies comply with the accreditation standards of the National Association of Insurance Commissioners, and promotes clarity and consistency throughout the captive insurance company law.

Your Committee on Conference notes that the Insurance Division of the Department of Commerce and Consumer Affairs and interested stakeholders affected by this measure have agreed that, rather than authorize the Insurance Commissioner to adopt rules to govern the coverage of controlled unaffiliated business for pure captive insurance companies, it is preferable to specify that no pure captive insurance company may insure or reinsure any risks other than those of its parent, affiliated entities, and controlled unaffiliated businesses, which shall be approved on a case by case basis.

Accordingly, your Committee on Conference has amended this measure by:

- (1) Deleting the provision that would have permitted the Insurance Commissioner to adopt rules to govern the coverage of controlled unaffiliated business for pure captive insurance companies;
- (2) Specifying that the new section regarding applicability of other laws to captive insurance companies writing direct workers' compensation insurance policies be designated as section 431:19-115.7, Hawaii Revised Statutes;
- (3) Amending the definition of "controlled unaffiliated business" to clarify that all three conditions must apply to a controlled unaffiliated business;
- (4) Specifying that no pure captive insurance company may insure or reinsure any risks other than those of its parent, affiliated entities, and controlled unaffiliated businesses, which shall be approved on a case by case basis; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.



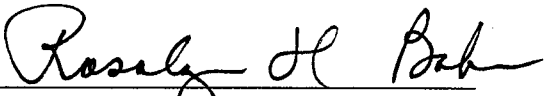
As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 2765, S.D. 2, H.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 2765, S.D. 2, H.D. 2, C.D. 1.

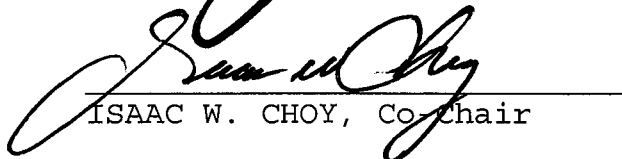
Respectfully submitted on behalf  
of the managers:

ON THE PART OF THE HOUSE

ON THE PART OF THE SENATE

  
\_\_\_\_\_  
RYAN I. YAMANE, Co-Chair

  
\_\_\_\_\_  
ROSALYN H. BAKER, Chair

  
\_\_\_\_\_  
ISAAC W. CHOY, Co-Chair

  
\_\_\_\_\_  
WILL ESPERO, Co-Chair



Record of Votes of a  
Conference Committee

Bill / Concurrent Resolution No.: <b>SB 2765, SD 2, HD 2</b>	Date/Time: <i>9:50 Am 4-25-2012</i>
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The recommendation of the House and Senate managers is to pass with amendments (CD).

The Committee is reconsidering its previous decision.

<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure	<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.
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Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
BAKER, Rosalyn H., Chr.	✓				YAMANE, Ryan I., Co-Chr.	✓			
ESPERO, Will, Co-Chr.	✓				CHOY, Isaac W., Co-Chr.	✓			
GALUTERIA, Brickwood	✓				MARUMOTO, Barbara C.	✓			
TANIGUCHI, Brian T.	✓								
SLOM, Sam	✓								
<b>TOTAL</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>TOTAL</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>

A = Aye      WR = Aye with Reservations      N = Nay      E = Excused

Senate Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted	House Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted
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Senate Lead Chair's or Designee's Signature: 	House Lead Chair's or Designee's Signature: 
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**Distribution:**      Original      Yellow      Pink      Goldenrod  
 File with Conference Committee Report      House Clerk's Office      Senate Clerk's Office      Drafting Agency