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TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-SIXTH LEGISLATURE
Regular Session of 2012

Monday, April 2, 2012 – Agenda #1
2 p.m.

TESTIMONY ON SENATE BILL NO. 2765, S.D. 2, H.D. 1 – RELATING TO CAPTIVE INSURANCE COMPANIES.

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). Thank you for hearing this bill. The Department strongly supports this Administration bill with a requested amendment.

The purpose of this bill is to maintain Hawaii's position as a major captive insurance domicile by updating and streamlining the captive insurance company law found in article 19, chapter 431, Hawaii Revised Statutes ("HRS")("Captive Law"), and ensuring that risk retention captive insurance companies comply with the accreditation standards of the National Association of Insurance Commissioners ("NAIC").

Besides making numerous housekeeping amendments to the Captive Law, this bill also:

1. Provides greater flexibility for pure captive insurance companies to insure or reinsure the risks of controlled unaffiliated business;

2. Provides greater flexibility for association captive insurance companies to insure the risks of its association and a member organization's affiliated entities;
3. Clarifies that a captive insurance company writing direct workers' compensation insurance policies pursuant to chapter 386, (Workers' Compensation), HRS, may be subject to article 15, chapter 431 (Insurers Supervision, Rehabilitation, and Liquidation), if the captive insurance company is deemed insolvent;
4. Clarifies that the Commissioner or any authorized examiner is authorized to conduct financial surveillance of captive insurance companies; and
5. Allows the Commissioner to impose fines on captive insurance companies of not less than \$100 nor more than \$10,000 per violation and specifies notice requirements when the Commissioner suspends or revokes a certificate of authority or imposes a fine.

The Department and Hawaii Captive Insurance Council have reached an understanding and fully support this measure in its present form, with the exception of its defective effective date. Accordingly, the Department respectfully requests an amendment to restore bill's effective date to July 1, 2012.

We thank this Committee for the opportunity to present testimony and request your favorable consideration.



S.B. 2765 SD2 HD1 RELATING TO CAPTIVE INSURANCE COMPANIES

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

Monday, April 2, 2012, 2:00 p.m.
State Capitol, Conference Room 308

My name is Matthew D. R. Takamine, President 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.

HCIC strongly supports S.B. 2765 SD2 HD1, and is proud of the private/public partnership the captive insurance industry shares with the Hawai'i Insurance Division. Through our efforts, Hawai'i is a leading captive domicile of the highest quality, known for its reliable regulatory approach and captive-business friendly environment. Captives provide significant direct and indirect benefits to the State in the form of employment of Hawai'i-based professional service providers, investment of captive dollars in Hawai'i financial institutions, and tourism dollars generated when captives hold their annual Board and other meetings in Hawai'i, as well as attend annual captive conferences in this State.

With increasing competition from other U.S. domiciles, it is critical that Hawai'i continue to attract new captive formations by reputable business entities, and maintain the quality captive insurance companies currently domiciled in this State. Passing this will enable Hawai'i to continue to compete as a preferred domicile in the increasingly competitive captive insurance marketplace.

Respectfully submitted:

A handwritten signature in black ink, appearing to read "Matthew D. R. Takamine".

Matthew D. R. Takamine
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