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TO THE SENATE COMMITTEE ON WAYS AND MEANS

TWENTY-SIXTH LEGISLATURE
Regular Session of 2012

Thursday, February 23, 2012
9 a.m.

WRITTEN TESTIMONY ONLY

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

TO THE HONORABLE DAVID Y. IGE, 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 and requests that it be amended to restore its effective date of July 1, 2012.

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.

After having an opportunity to meet with the Hawaii Captive Insurance Council ("HCIC") subsequent to the bill being reported from the Senate Committee on Commerce and Consumer Protection, the Department and HCIC have reached an understanding and fully support this measure in its present form, with the exception of its defective effective date. Accordingly, we respectfully request that this bill be amended to restore its effective date of July 1, 2012.

We thank this Committee for the opportunity to present testimony and request your favorable consideration in amending this bill by restoring its original effective date of July 1, 2012.