

HB 999, HD2

Measure Title: RELATING TO ELECTRIC COOPERATIVES.

Report Title: Electric Cooperatives; Waiver; Exemption; Public Utilities Commission; Division of Consumer Advocacy

Description: Directs the Public Utilities Commission and the Division of Consumer Advocacy to consider the ownership structure and interests of an electric cooperative in determining appropriate regulations. Authorizes the PUC to waive or exempt an electric cooperative from certain regulations. (HB815 HD2)

Companion: SB1045

Package: Gov

Current Referral: CPN

Introducer(s): SOUKI (Introduced by request of another party)



NEIL ABERCROMBIE
GOVERNOR

SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
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DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

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TO THE SENATE COMMITTEE ON COMMERCE & CONSUMER PROTECTION

TWENTY-SEVENTH LEGISLATURE
Regular Session of 2013

Tuesday, March 19, 2013
9:30 a.m.

TESTIMONY ON HOUSE BILL NO. 999, H.D. 2 – RELATING TO INSURANCE.

TO THE HONORABLE ROSALYN H. BAKER, 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"). The Department supports this bill, but respectfully requests that it be
amended to correct a clerical error.

The purpose of this bill is to clarify when a Hawaii risk retention captive insurance
company ("Risk Retention Captive") would qualify for credit for reinsurance on risks
ceded to a reinsurer.

Currently, a Risk Retention Captive may take credit for reserves on risks ceded
to a reinsurer, provided that the reinsurer complies with the credit for reinsurance
requirements under article 4A, chapter 431, Hawaii Revised Statutes ("Article 4A").

On March 29, 2008, the National Association of Insurance Commissioners
Reinsurance adopted Guidelines for Risk Retention Groups Licensed as Captive
Insurers ("NAIC Guidelines"), which give risk retention groups licensed as captive
insurers more flexibility in taking credit for reinsurance from reinsurers who may not be
authorized under Article 4A. If adopted in Hawaii, the NAIC Guidelines would allow a

Risk Retention Captive to take credit for reinsurance even if risks are ceded from a reinsurer that does not meet Article 4A requirements, provided that the reinsurer maintains an A- or higher A.M. Best rating or the reinsurer meets other standards determinative of its financial stability.

As most of the top U.S. risk retention group domiciles, including Vermont, District of Columbia, and Nevada, have adopted the NAIC Guidelines, Hawaii would lose its competitive edge as a leader in the captive industry if the State does not adopt the NAIC Guidelines.

Upon reviewing the latest version of this bill, we noticed that the word "for" was omitted from page 1, line 13, in HRS § 431:19-111(c)(1). HRS § 431:19-111(c) should refer to "credit for reinsurance" not "credit reinsurance." Accordingly, we respectfully request that page 1, line 13, of the bill be amended to read as follows:

"(1) Shall qualify for credit **for** reinsurance on risks ceded to" [bolded for emphasis]

We thank the Committee for the opportunity to submit testimony on this matter.

TESTIMONY OF JASON PALMER ON BEHALF OF WILLIS CAPTIVE PRACTICE

**TESTIMONY ON H.B. NO. 999, H.D.2
RELATING TO INSURANCE**

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Rosalyn H. Baker, Chair
Senator Brickwood Galuteria, Vice Chair

Tuesday, March 19, 2013, 9:30am
State Capitol, Conference Room 229

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.

I respectfully submit my testimony in support of this bill to clarify when a Risk Retention Group is allowed to qualify for credit for reinsurance and look forward to working with the Hawaii Insurance Division to enact such guidelines as expeditiously as possible.

Captive insurance entities not only contribute premium tax revenue to the State, the formation and maintenance of captive business in Hawaii generates significant revenues and benefits in the form of general excise, income, and transient accommodation taxes paid by service providers and others doing business with captives in Hawaii. 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 enhance opportunities for those captive entities currently domiciled in Hawaii. Passing this measure, will enable Hawaii to continue its position as a preferred domicile in the increasingly competitive captive insurance marketplace.

Thank you for this opportunity to submit testimony in support of H.B. No. 999, H.D.2.

Respectfully submitted:



Jason Palmer, CPA

TESTIMONY ON H.B. NO. 999, H.D. 2
RELATING TO INSURANCE

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Sen. Rosalyn H. Baker, Chair
Sen. Brickwood Galuteria, Vice Chair

Thursday, March 19, 2013, 9:15 a.m.
State Capitol, Conference Room 229

My name is Gerald C. Yoshida, Chairman of the Legislative Committee of the Hawaii 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 supports H.B. No. 999, H.D. 2, which seeks to amend the insurance code provisions relating to captive insurance companies by setting forth parameters under which risk retention groups licensed as captive insurers may take credit for reinsurance ceded to reinsurers consistent with the National Association of Insurance Commissioners' Reinsurance Guidelines for Risk Retention Groups Licensed as Captive Insurers.

Adoption of H.B. No. 999, H.D. 2 would allow Hawai'i to remain competitive as a domicile for risk retention groups licensed as captive insurance companies.

Thank you for this opportunity to submit testimony in support of H.B. No. 999, H.D. 2.

Respectfully submitted:
Gerald C. Yoshida
Chair, Legislative Committee
Hawaii Captive Insurance Council
737 Bishop Street, Suite 2100
Honolulu, Hawai'i 96813
Ph: 524-3800

TESTIMONY ON H.B. No. 999, H.D. 2
RELATING TO INSURANCE

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Rosalyn Baker, Chair
Senator Brickwood Galuteria, Vice Chair

Tuesday, March 19, 2013, 9:15 a.m.
State Capitol, Conference Room 229

My name is Fay Okamoto, branch manager of Artex Risk Solution, Inc.'s Hawai'i office. Artex serves as the authorized captive manager for a number of captive insurance companies domiciled in the State of Hawai'i. I am also Chairman of the Hawai'i Captive Insurance Council (HCIC), a trade organization representing approximately 100 captive insurance companies and service providers who support Hawai'i's captive insurance industry.

I support the purpose of H.B. No. 999 which seeks to allow guidelines prescribed by the National Association of Insurance Commissioners' Reinsurance Guidelines for Risk Retention Groups Licensed as Captive Insurers (NAIC Reinsurance Guidelines) to be adopted through Hawaii Administrative Rules. We look forward to working with the Hawaii Insurance Division in the rule-making process.

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 Hawaii financial institutions, and tourism dollars. We thank the legislature for their continued support of this unique industry.

Thank you for this opportunity to testify in support of H.B. No. 999, H.D. 2.

Respectfully submitted,



Fay Okamoto
Division Senior Vice President
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