

STAND. COM. REP. NO.

224

Honolulu, Hawaii

February 17, 2015

RE: H.B. No. 281

H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Eighth State Legislature  
Regular Session of 2015  
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 281 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to require the Auditor to conduct a study on the feasibility of having the State establish a captive insurance company to manage the State's property and casualty insurance risks.

The Department of Accounting and General Services testified in support of this measure. The Department of Commerce and Consumer Affairs (DCCA) provided comments.

Your Committee notes that forming a captive insurance company to manage the State's property and casualty insurance risks could result in potential savings of \$14,000,000.

DCCA noted that the Insurance Division delivered a report to the Legislature in February of 2001 in response to Act 132, Session Laws of Hawaii 2000, entitled *Findings and Recommendations on a Potential Captive Insurance Company for State Risks* (Act 132 Report). The Act 132 Report concluded that while the State may reap significant financial and operational benefits by establishing a captive insurance company to insure some of the State's risks, it is difficult to gather the data needed to design and implement an effective captive program because of the State's

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decentralized fiscal and statutory responsibility to maintain its various risks. DCCA recommended that the measure be amended to reference the Act 132 Report and include additional criteria to be used in conducting the feasibility study.

Your Committee has amended this measure by:

- (1) Incorporating the recommendations from DCCA's written testimony to require the Auditor to:
  - (A) Review and use the Act 132 Report as a baseline from which to conduct its feasibility study; and
  - (B) Examine "an objective comparison among options, presented in a format that includes the respective benefits and shortcomings of each, and that the experts selected to explore feasibility include in their report(s) comprehensive findings, conclusions, recommendations and plans for implementation"; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee finds that the Auditor estimated that the feasibility study proposed by this measure would cost \$300,000 and would require specialized actuarial work, and not a general review by the Auditor. Should the Committee on Finance deliberate this measure further, your Committee respectfully requests that it consider appropriating \$300,000 for the feasibility study.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 281, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 281, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on  
behalf of the members of the  
Committee on Consumer  
Protection & Commerce,



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ANGUS L.K. MCKELVEY, Chair



