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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2015

Monday, February 2, 2015
2:00 p.m.

TESTIMONY ON HOUSE BILL NO. 281 – RELATING TO INSURANCE.

TO THE HONORABLE ANGUS McKELVEY, 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 the intent of the bill, and submits the
following comments:

This bill requires the State Auditor to conduct a study to determine the feasibility
of establishing a State of Hawaii captive insurance company to insure all or a portion of
the State’s property and casualty risk.

We recognize and appreciate that the bill includes the captive feasibility criteria
developed and used by the Insurance Division to help Hawaii and other companies
decide whether to maintain their current methods of risk financing or to establish their
own captive insurer. Pursuant to Act 132, Session Laws of Hawaii 2000, the
Department’s Insurance Division delivered a report to the Legislature in February 2001
entitled *Findings and Recommendations on a Potential Captive Insurance Company for
State Risks* (“Act 132 Report”). The Act 132 Report concluded that the State might reap
significant financial and operational benefits by establishing a captive insurance

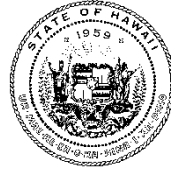
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company to insure some of the State's risks. It cautioned, however, that the State's decentralized fiscal and statutory responsibility to manage its various risks made it difficult to efficiently gather the data necessary to design and implement an effective captive program.

We suggest that the State Auditor review and use the Act 132 Report as a baseline from which to conduct its feasibility study. We also respectfully recommend that the study include 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.

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

DAVID Y. IGE
GOVERNOR



DOUGLAS MURDOCK
Comptroller

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TESTIMONY
OF
DOUGLAS MURDOCK, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE
ON
CONSUMER PROTECTION & COMMERCE
ON
FEBRUARY 2, 2015

H.B. 281

RELATING TO INSURANCE

Chair McKelvey and members of the Committee, thank you for the opportunity to testify on H.B. 281. The Department of Accounting and General Services (DAGS) supports H.B. 281, provided the measure does not replace or adversely impact priorities indicated in the Executive Budget.

DAGS views H.B. 281 as a logical and rational approach to determine if a captive insurance company is a viable and financially beneficial option to address the property and casualty insurance risks for the State of Hawaii. The study will include the purpose, objectives, and financial commitments in the formation of a captive insurance company, therefore, the process to analyze these different aspects of a captive insurance company prior to making a decision to proceed is a prudent business decision.

Thank you for the opportunity to testify on this matter.