

STAND. COM. REP. NO. 812

Honolulu, Hawaii

MAR 03 2023

RE: S.B. No. 434
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 434 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require sponsored captive insurance companies to maintain separate protected cells for separate participant contracts;
- (2) Authorize captive insurance companies, other than risk retention captive insurance companies, to apply for an exemption from examination from the Insurance Commissioner, provided certain conditions are met;
- (3) Require protected cells established by sponsored captive insurance companies to be approved by the Insurance Commissioner;
- (4) Authorize sponsored captive insurance companies to establish and maintain protected cells to insure risks of parties unaffiliated with a participant under certain circumstances; and



- (5) Require a participant, through a sponsored captive insurance company, to insure only risks approved by the Insurance Commissioner.

Your Committee received testimony in support of this measure from the Hawaii Captive Insurance Council; Freeman Decorating, Co.; Aon Insurance Managers, Inc.; and one individual. Your Committee received testimony in opposition to a portion of this measure from the Department of Commerce and Consumer Affairs.

Your Committee finds that Hawaii has two hundred fifty-five licensed and operating captive insurance companies whose parent companies are headquartered across the United States, Japan, and Europe. This industry provides meaningful economic benefit to Hawaii, including local, professional job opportunities, and it is estimated that the captive industry contributes nearly \$67,000,000 to Hawaii's economy annually. This measure ensures that state law is flexible to support the captive industry domiciled in Hawaii; and that the regulatory environment remains responsive and efficient to incentivize prospective captive owners to choose to do business in the state.

Your Committee has amended this measure by:

- (1) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 434, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 434, S.D. 1, and be placed on the calendar for Third Reading.



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



JARRETT KEOHOKALOLE, Chair



