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OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

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DEAN I HAZAMA
DEPUTY DIRECTOR | KA HOPE LUNA HO'OKELE

KA 'OIHANA PILI KĀLEPA
335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: (808) 586-2850
Fax Number: (808) 586-2856
cca.hawaii.gov

Testimony of the Department of Commerce and Consumer Affairs

Before the
Senate Committee on Commerce and Consumer Protection
Friday, February 14, 2025
9:30 a.m.
State Capitol, Conference Room 229 and via Videoconference

On the following measure:
S.B. 1050, RELATING TO INSURANCE

Chair Keohokalole and Members of the Committee:

My name is Jerry Bump, and I am the Acting Insurance Commissioner of the Department of Commerce and Consumer Affairs' (Department) Insurance Division. The Department opposes this bill.

The purpose of this bill is to allow captive insurance companies that are not risk retention captive insurance companies to apply to the Insurance Commissioner for certificates of exemption from examination after meeting certain requirements.

This bill would amend Hawaii Revised Statutes (HRS) section 431:19-108 by creating provisions to exempt captive insurance companies from certain examination requirements. This will dilute the regulatory standards of Hawaii's captive insurance laws and may contribute to a negative perception of the state's regulatory standards. Hawaii benefits from attracting captive insurance companies that value strong regulatory oversight as opposed to captive insurance companies seeking less robust standards.

An examination of a captive insurance company allows the Insurance Division to assess that company's internal controls, financial condition, ability to fulfill insurance obligations, and compliance with insurance laws.

Further, the conditions for a certificate of exemption listed in 431:19-108(e) are vague and open to broad interpretation, which may result in confusion and disputes with captive insurance companies seeking a certificate of exemption.

Thank you for the opportunity to testify.



**TESTIMONY SUPPORTING SB 1050 - PROPOSED AMENDMENTS TO
ARTICLE 19, CHAPTER 431, HAWAII REVISED STATUTES
RELATING TO INSURANCE**

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair

Senator Carol Fukunaga, Vice Chair

February 14, 2025 - 9:30 a.m.

Conference Room 229 & Videoconference

State Capitol

415 South Beretania Street

Honolulu, Hawaii 96813

To Senator Jarrett Keohokalole – Chair; Senator Carol Fukunaga – Vice Chair; and members of the Committee on Commerce and Consumer Protection:

My name is Paul Shimomoto, and I submit this testimony in strong support of **SB 1050** as President of the Hawaii Captive Insurance Council (“HCIC”). The HCIC is a nonprofit corporation whose mission is to promote, develop, and maintain a strong, stable and reputable captive insurance industry in the State of Hawaii. We do this in partnership with the State of Hawaii Insurance Division (“Division”) on a local, national, and international level.

Today, Hawaii is home to 272 actively operating and licensed captive insurance companies. Their parent companies are headquartered all over the US, in Japan and Europe. A large portion of them are traded on major stock exchanges globally and are regularly included in Forbes’ Global 100 and 500 lists. As of the end of 2024, Hawaii was ranked the fifth largest captive domicile (in terms of number of active licenses) in the US, and the eighth largest domicile worldwide. Hawaii is also currently the domicile of choice for 46 Japanese-owned captive insurance companies, making it the global leader. As of December 31, 2023, these captive insurance companies wrote **nearly \$17.5 billion of gross written premium** and had **invested assets in Hawaii financial institutions that totaled nearly \$2.2 billion**.

The captive industry that represents and supports the State of Hawaii as a captive domicile has been, and continues to be, a shining example of real, economic diversification. This industry provides local, professional job opportunities in the legal, accounting, banking and finance, and insurance management sectors to name a few, and it is estimated that it **currently contributes over \$120 million to Hawaii’s economy annually**; nearly double of what it contributed to the State’s economy in 2021.

Hawaii’s prominence within the global captive insurance industry is, however, not without competition. In the US, there are approximately 39 other states that are active captive insurance domiciles. This means that prospective captive owners – as well as current captive owners – have

choices as to where they domicile and operate their captive insurance companies. Although Hawaii is an established and well-respected captive domicile, it nevertheless has some inherent challenges given its location and certain perceptions of “doing business” in Hawaii. Thus, it is critically important that our legal and regulatory framework is structured and operates in a manner that incentivizes prospective captive owners to choose Hawaii in the first place and continually reaffirms the value proposition for existing captive owners already domiciled here.

We believe the proposed amendments to Article 19, Chapter 431 of the Hawaii Revised Statutes set forth in Senate Bill 1050 (“Bill”) are critical for enhancing the efficiency and regulatory effectiveness of the captive insurance industry in Hawaii while ensuring that the state remains a competitive and trusted domicile for these types of insurance companies.

Specifically, the Bill proposes a process for pure captive insurance companies to apply for a certificate of exemption from future regulatory examinations, provided they meet certain statutory criteria and can demonstrate, to the satisfaction of the Insurance Commissioner, that they are well-established and well-run enough to be effectively considered “gold standard” licensees. The Bill would then provide such “gold standard licensees” with a pathway (a reward, if you will) to reduce regulatory burdens and expense, allowing them to focus on core operations while maintaining sufficient oversight and financial stability.

The Bill will not only benefit eligible pure captives – a group that currently represents approximately 84% of all of the actively licensed captive insurers in Hawaii. The Bill will also greatly benefit the Captive Insurance Branch within the Insurance Division. The number of new captives forming in Hawaii grows at an average of about 6-8% (15-20 new captives) per year. This means the number of regulatory examinations the Branch must conduct also increases at that rate. What is not growing at the same rate is the number and capacity of the personnel who work in the Captive Insurance Branch. Reducing the number of examinations the Branch must conduct will allow it to more efficiently allocate resources and time to more complex captive insurers like risk retention groups (which are not eligible for this exemption), and it will allow the Branch to reduce backlogs that frustrate existing and prospective captive owners.

For the foregoing reasons, the HCIC strongly supports the Bill.

Thank you for the opportunity to submit this testimony. We look forward to your kind and favorable consideration.

Respectfully submitted,

Paul Shimomoto

Paul Shimomoto, President
Hawaii Captive Insurance Council

AIG Insurance Management Services, Inc.

**TESTIMONY ON PROPOSED AMENDMENTS TO
ARTICLE 19, CHAPTER 431, HAWAII REVISED STATUTES
RELATING TO INSURANCE (S.B. NO. 1050)**

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TESTIMONY IN SUPPORT OF SB 1050

To Senator Jarrett Keohokalole – Chair; Senator Carol Fukunaga – Vice Chair; and members of the Committee on Commerce and Consumer Protection:

My name is Yuta Yanachi, and I am submitting this testimony as a Captive Management Company in Hawaii, AIG Insurance Management Services, Inc. (“AIMS”).

AIMS is headquartered in Vermont and has its Hawaii office serving our captive clients domiciled in Hawaii. As a local captive management company in Hawaii, our Hawaii office has been helping not only the US companies but also Japan corporations.

Today, Hawaii is home to 272 actively operating and licensed captive insurance companies. Their parent companies are headquartered all over the US, in Japan and Europe. A large portion of them are traded on major stock exchanges globally and are regularly included in Forbes’ Global 100 and 500 lists. As of the end of 2024, Hawaii was ranked the fifth largest captive domicile (in terms of number of active licenses) in the US, and the eighth largest domicile worldwide. Hawaii is also currently the domicile of choice for 46 Japanese-owned captive insurance companies, making it the global leader. As of December 31, 2023, these captive insurance companies wrote **nearly \$17.5 billion of gross written premium** and had **invested assets in Hawaii financial institutions that totaled nearly \$2.2 billion.**

The captive industry that represents and supports the State of Hawaii as a captive domicile has been, and continues to be, a shining example of real, economic diversification. This industry provides local, professional job opportunities in the legal, accounting, banking and finance, and insurance management sectors to name a few.

Hawaii’s prominence within the global captive insurance industry is, however, not without competition. In the US, there are approximately 40 other states that are active captive insurance domiciles. This means that prospective captive owners – as well as current captive owners – have choices as to where they domicile and operate their captive insurance companies. Although Hawaii is an established and well-respected captive domicile, it nevertheless has some inherent

challenges given its location and certain perceptions of “doing business” in Hawaii. Thus, it is critically important that our legal and regulatory framework is structured and operates in a manner that incentivizes prospective captive owners to choose Hawaii in the first place and continually reaffirms the value proposition for existing captive owners already domiciled here.

SB 1050 will not only benefit eligible pure captives – a group that currently represents approximately 84% of all of the actively licensed captive insurers in Hawaii. The proposed legislation will also greatly benefit the Captive Insurance Branch within the Insurance Division. Exempting deserving pure captives from regulatory examinations will reduce the number of regulatory examinations the Branch must conduct, which will allow the Branch to more efficiently allocate resources and time to more complex captive insurers like risk retention groups, and it will allow the Branch to reduce current backlogs and improve its response time for new and existing captive insurer requests and applications. Speed to market is a critical distinguishing factor for the kinds of companies that utilize captive insurance companies, and this proposed legislation will help Hawaii deliver in that area.

For the foregoing reasons, we strongly support the Bill.

Thank you for the opportunity to submit this testimony. We look forward to your kind and favorable consideration.

Respectfully submitted,



Yuta Yanachi
AIG Insurance Management Services, Inc.



ALAKAI
GLOBAL

**TESTIMONY ON PROPOSED AMENDMENTS TO
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TESTIMONY IN SUPPORT OF SB 1050

To Senator Jarrett Keohokalole – Chair; Senator Carol Fukunaga – Vice Chair; and members of the Committee on Commerce and Consumer Protection:

My name is Sotaro Misawa, and I am submitting this testimony as the President of Alakai Global Inc., an approved Hawaii captive insurance manager.

Alakai Global Inc. is a Hawaii local service provider, which supports Hawaii captive insurance companies to form and operate in the state of Hawaii. Our services include management of books and records and insurance compliance of the Hawaii captive insurance companies. As a local service provider, we proudly serve captive insurance companies domiciled in the State of Hawaii.

Today, Hawaii is home to 272 actively operating and licensed captive insurance companies. Their parent companies are headquartered all over the US, in Japan and Europe. A large portion of them are traded on major stock exchanges globally and are regularly included in Forbes' Global 100 and 500 lists. As of the end of 2024, Hawaii was ranked the fifth largest captive domicile (in terms of number of active licenses) in the US, and the eighth largest domicile worldwide. Hawaii is also currently the domicile of choice for 46 Japanese-owned captive insurance companies, making it the global leader. As of December 31, 2023, these captive insurance companies wrote **nearly \$17.5 billion of gross written premium** and had **invested assets in Hawaii financial institutions that totaled nearly \$2.2 billion.**

The captive industry that represents and supports the State of Hawaii as a captive domicile has been, and continues to be, a shining example of real, economic diversification. This industry provides local, professional job opportunities in the legal, accounting, banking and finance, and insurance management sectors to name a few.

Hawaii's prominence within the global captive insurance industry is, however, not without competition. In the US, there are approximately 40 other states that are active captive insurance domiciles. This means that prospective captive owners – as well as current captive owners – have choices as to where they domicile and operate their captive insurance companies. Although Hawaii is an established and well-respected captive domicile, it nevertheless has some inherent challenges given its location and certain perceptions of “doing business” in Hawaii. Thus, it is critically important that our legal and regulatory framework is structured and operates in a manner that incentivizes prospective captive owners to choose Hawaii in the first place and continually reaffirms the value proposition for existing captive owners already domiciled here.

SB 1050 will not only benefit eligible pure captives – a group that currently represents approximately 84% of all of the actively licensed captive insurers in Hawaii. The proposed legislation will also greatly benefit the Captive Insurance Branch within the Insurance Division. Exempting deserving pure captives from regulatory examinations will reduce the number of regulatory examinations the Branch must conduct, which will allow the Branch to more efficiently allocate resources and time to more complex captive insurers like risk retention groups, and it will allow the Branch to reduce current backlogs and improve its response time for new and existing captive insurer requests and applications. Speed to market is a critical distinguishing factor for the kinds of companies that utilize captive insurance companies, and this proposed legislation will help Hawaii deliver in that area.

For the foregoing reasons, we strongly support the Bill.

Thank you for the opportunity to submit this testimony. We look forward to your kind and favorable consideration.

Respectfully submitted,



Sotaro Misawa
Alakai Global Inc.



**TESTIMONY ON PROPOSED AMENDMENTS TO
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TESTIMONY IN SUPPORT OF SB 1050

To Senator Jarrett Keohokalole – Chair; Senator Carol Fukunaga – Vice Chair; and members of the Committee on Commerce and Consumer Protection:

My name is Matthew Reece, and I am submitting this testimony as CFO and Treasurer of Paramount Insurance, Inc., Senior Executive Vice President, CFO, and CAO of Webcor L.P., and newly elected Chairman of Hawai'i Captive Insurance Council Board. Paramount Insurance, Inc., (Paramount) is celebrating its twenty-second year operating as a licensed captive insurance company in the State of Hawai'i. Members of Paramount's Board of Directors travel annually to Hawai'i to conduct their annual Board meeting and attend the Hawai'i Captive Insurance Council (HCIC) Conference as well as travel to the State to conduct regular captive business. Members of the Paramount Board have presented at the HCIC conference, and on behalf of the HCIC at other out-of-state conferences. In addition, Paramount supports the local captive industry by retaining the Honolulu office of its captive manager, Honolulu-based law firm and both local banks for its custodial and investment management needs. Recently, Paramount converted from a Class 2 pure captive to a Class 4 sponsored captive, helping to grow the domicile by adding a protected cell account.

As Paramount's Sponsor, the operating arms of Webcor L.P. provide general contracting and self-perform concrete, drywall and carpentry services in the State of California with its origin dating back to 1971. Paramount functions as an integral component of Webcor's business, fortifying its Sponsor's balance sheet, delivering relatively consistent profit over time, and ensuring certain risks that are challenging to cover in the traditional market. The decision to select Hawai'i over other domiciles was not a difficult one. Twenty-two years ago, the options were limited, and geographically, Hawai'i made the most sense for a California-based Sponsor. That decision has not only proved to be a great one but is perhaps one of the best strategic decisions ever made by Webcor, and the decision to remain in Hawai'i is supported by the State's efforts to fund a specialized captive insurance division that provides fair, prompt and professional regulatory review responsive to the industry's needs.

Today, Hawaii is home to 272 actively operating and licensed captive insurance companies. Their parent companies are headquartered all over the US, in Japan and Europe. A large portion of them are traded on major stock exchanges globally and are regularly included in Forbes' Global 100 and 500 lists. As of the end of 2024, Hawaii was ranked the fifth largest captive domicile (in terms of number of active licenses)

in the US, and the eighth largest domicile worldwide. Hawaii is also currently the domicile of choice for 46 Japanese-owned captive insurance companies, making it the global leader. As of December 31, 2023, these captive insurance companies wrote **nearly \$17.5 billion of gross written premium** and had **invested assets in Hawaii financial institutions that totaled nearly \$2.2 billion.**

The captive industry that represents and supports the State of Hawaii as a captive domicile has been, and continues to be, a shining example of real, economic diversification. This industry provides local, professional job opportunities in the legal, accounting, banking and finance, and insurance management sectors to name a few.

Hawaii’s prominence within the global captive insurance industry is, however, not without competition. In the US, there are approximately 40 other states that are active captive insurance domiciles. This means that prospective captive owners – as well as current captive owners – have choices as to where they domicile and operate their captive insurance companies. Although Hawaii is an established and well-respected captive domicile, it nevertheless has some inherent challenges given its location and certain perceptions of “doing business” in Hawaii. Thus, it is critically important that our legal and regulatory framework is structured and operates in a manner that incentivizes prospective captive owners to choose Hawaii in the first place and continually reaffirms the value proposition for existing captive owners already domiciled here.]

SB 1050 will not only benefit eligible pure captives – a group that currently represents approximately 84% of all of the actively licensed captive insurers in Hawaii. The proposed legislation will also greatly benefit the Captive Insurance Branch within the Insurance Division. Exempting deserving pure captives from regulatory examinations will reduce the number of regulatory examinations the Branch must conduct, which will allow the Branch to more efficiently allocate resources and time to more complex captive insurers like risk retention groups, and it will allow the Branch to reduce current backlogs and improve its response time for new and existing captive insurer requests and applications. Speed to market is a critical distinguishing factor for the kinds of companies that utilize captive insurance companies, and this proposed legislation will help Hawaii deliver in that area.

For the foregoing reasons, we strongly support the Bill.

Thank you for the opportunity to submit this testimony. We look forward to your kind and favorable consideration.

Respectfully submitted,



Matthew Reece, CFO and Treasurer
Paramount Insurance, Inc.
Senior Executive Vice President, CFO, and CAO
Webcor, L.P.
Chairman
Hawai’i Captive Insurance Council Board



**TESTIMONY ON PROPOSED AMENDMENTS TO
CHAPTER 431, HAWAII REVISED STATUTES
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COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
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TESTIMONY IN SUPPORT OF SB 1050

To Senator Jarrett Keohokalole – Chair; Senator Carol Fukunaga – Vice Chair; and members of the Committee on Commerce and Consumer Protection:

My name is Matthew Takamine, and I submit this testimony as the leader of Brown & Brown’s global captive practice and the head of our Hawaii office. Brown & Brown is one of the world’s leading captive insurance managers and consultants, managing companies with over \$22 billion in assets and writing \$8.3 billion in insurance premiums. Brown & Brown has maintained an office in Hawaii since 1991. We manage captives and advise companies on captive jurisdictions throughout North America, Europe, and Asia.

I also submit this testimony a director of the Hawaii Captive Insurance Council (“HCIC”). The HCIC is a nonprofit corporation whose mission is to promote, develop, and maintain a strong, stable and reputable captive insurance industry in the State of Hawaii. We do this in partnership with the State of Hawaii Insurance Division (“Division”) on a local, national, and international level.

In my role as leader of our global captive practice, we regularly advise companies with respect to where they should domicile their captives. These recommendations are based on thorough domicile analyses which include a number of factors such as quality and consistency of regulation, quality of service providers, travel considerations, and the costs of doing business. Today, we actively manage captives in approximately 25 jurisdictions across North America, including the State of Hawaii.

Today, Hawaii is home to 272 actively operating and licensed captive insurance companies. Their parent companies are headquartered all over the US, in Japan and Europe. A large portion of them are traded on major stock exchanges globally and are regularly included in Forbes’ Global 100 and 500 lists. As of the end of 2023, Hawaii was ranked the fifth largest captive domicile (in terms of number of active licenses) in the US, and the eighth largest domicile worldwide. Captive industry data has not yet been published for 2024, but I believe Hawaii has fallen in the rankings amid otherwise rapid growth throughout the captive industry. While size is just one measure of a captive domicile and is not necessarily indicative of quality, I believe Hawaii has also fallen behind in our stature as a world-leading jurisdiction.

Hawaii is also currently the domicile of choice for 46 Japanese-owned captive insurance companies, making it the world’s leader. On a combined basis as of December 31, 2023, these captive insurance companies

wrote approximately \$17.5 billion of gross written premium and had invested assets in Hawaii financial institutions that totaled nearly \$2.2 billion.

The captive industry that represents and supports the State of Hawaii as a captive domicile has been, and continues to be, a shining example of real, economic diversification. This industry provides local, professional job opportunities in the legal, accounting, banking and finance, and insurance management sectors to name a few, and it contributes \$120 million to Hawaii's economy annually.

Hawaii's prominence within the global captive insurance industry is, however, not without competition. In the US, there are approximately 40 other states that are active captive insurance domiciles. This means that prospective captive owners – as well as current captive owners – have choices as to where they domicile and operate their captive insurance companies. Although Hawaii is an established and well-respected captive domicile, it nevertheless has some inherent challenges given its location and certain perceptions of “doing business” in Hawaii. Thus, it is critically important that our legal and regulatory framework is structured and operates in a manner that incentivizes prospective captive owners to choose Hawaii in the first place and continually reaffirms the value proposition for existing captive owners already domiciled here.

SB 1050 will not only benefit eligible pure captives – a group that currently represents approximately 84% of all of the actively licensed captive insurers in Hawaii. The proposed legislation will also greatly benefit the Captive Insurance Branch within the Insurance Division by allowing them the flexibility to take a risk-based approach to captive examinations. Exempting deserving pure captives from regulatory examinations will reduce the number of regulatory examinations the Branch must conduct, which will allow the Branch to more efficiently allocate resources and time to more complex captive insurers like risk retention groups, and it will allow the Branch to reduce current backlogs and improve its response time for new and existing captive insurer requests and applications. Speed to market is a critical distinguishing factor for the kinds of companies that utilize captive insurance companies, and this proposed legislation will help Hawaii deliver in that area.

For the foregoing reasons, we strongly support SB 1050.

Thank you for the opportunity to submit this testimony.

Very Truly Yours,

Matthew D. R. Takamine, CPA
Executive Managing Director, Captive Practice Leader
Brown & Brown

Director
Hawaii Captive Insurance Council





**TESTIMONY ON PROPOSED AMENDMENTS TO
ARTICLE 19, CHAPTER 431, HAWAII REVISED STATUTES
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TESTIMONY IN SUPPORT OF SB 1050

To Senator Jarrett Keohokalole – Chair; Senator Carol Fukunaga – Vice Chair; and members of the Committee on Commerce and Consumer Protection:

My name is Tony Schmidt, and I am submitting this testimony as the owner of Pacific Risk Solutions LLC, a captive insurance manager located in Honolulu, Hawaii.

I have been involved in the captive insurance industry in Hawaii since 1997 and have worked in both the public sector as Chief Examiner of Captive Insurance and as a captive insurance manager. My firm was the first Hawaii-based independent captive manager in Hawaii and we will be celebrating our 20th anniversary in March 2025. A captive manager provides accounting and regulatory compliance for captive insurance companies and works directly with captive owners and other service providers (legal, audit, actuarial). My firm provides captive management services in a number of other jurisdictions in addition to Hawaii, so we have developed an understanding of how legislation is an important factor in the growth and sustainability of this industry.

Today, Hawaii is home to 272 actively operating and licensed captive insurance companies. Their parent companies are headquartered all over the US, in Japan and Europe. A large portion of them are traded on major stock exchanges globally and are regularly included in Forbes' Global 100 and 500 lists. As of the end of 2024, Hawaii was ranked the fifth largest captive domicile (in terms of number of active licenses) in the US, and the eighth largest domicile worldwide. Hawaii is also currently the domicile of choice for 46 Japanese-owned captive insurance companies, making it the global leader. As of December 31, 2023, these captive insurance companies wrote **nearly \$17.5 billion of gross**

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written premium and had **invested assets in Hawaii financial institutions that totaled nearly \$2.2 billion.**

The captive industry that represents and supports the State of Hawaii as a captive domicile has been, and continues to be, a shining example of real, economic diversification. This industry provides local, professional job opportunities in the legal, accounting, banking and finance, and insurance management sectors to name a few.

Hawaii's prominence within the global captive insurance industry is, however, not without competition. In the US, there are approximately 40 other states that are active captive insurance domiciles. This means that prospective captive owners – as well as current captive owners – have choices as to where they domicile and operate their captive insurance companies. Although Hawaii is an established and well-respected captive domicile, it nevertheless has some inherent challenges given its location and certain perceptions of “doing business” in Hawaii. Thus, it is critically important that our legal and regulatory framework is structured and operates in a manner that incentivizes prospective captive owners to choose Hawaii in the first place and continually reaffirms the value proposition for existing captive owners already domiciled here.]

SB 1050 will not only benefit eligible pure captives – a group that currently represents approximately 84% of all of the actively licensed captive insurers in Hawaii. The proposed legislation will also greatly benefit the Captive Insurance Branch within the Insurance Division. Pure captives are currently required to have an annual audit and actuarial review completed by an approved CPA firm. In addition to this annual audit, a regulatory examination is required every five years. This is typically a redundant function, especially for pure captives. By exempting deserving pure captives from regulatory examinations this will reduce the number of regulatory examinations the Branch must conduct, which in turn, will allow the Branch to more efficiently allocate resources and time to more complex captive insurers like risk retention groups, and it will allow the Branch to reduce current backlogs and improve its response time for new and existing captive insurer business plan requests and applications. Speed to market is a critical distinguishing factor for the kinds of companies that utilize captive insurance companies, and this proposed legislation will help Hawaii deliver in that area.

For the foregoing reasons, we strongly support the Bill.

Thank you for the opportunity to submit this testimony. We look forward to your kind and favorable consideration.

Respectfully submitted,



Tony Schmidt
President



Lokahi Assurance Ltd.
to obtain unity, balance and togetherness

One Kaiser Plaza, Oakland, CA 94612

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**TESTIMONY ON PROPOSED AMENDMENTS TO
ARTICLE 19, CHAPTER 431, HAWAII REVISED STATUTES
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TESTIMONY IN SUPPORT OF SB 1050

To Senator Jarrett Keohokalole – Chair; Senator Carol Fukunaga – Vice Chair; and members of the Committee on Commerce and Consumer Protection:

My name is Martin King, and I am submitting this testimony as President of Lokahi Assurance, Inc, a \$3+ billion captive domiciled in Hawaii and used by Kaiser Permanente as our primary vehicle for financing self-insured risk. As you know, Kaiser Permanente has an enormous investment in the healthcare services we provide in Hawaii; and our Hawaii captive Lokahi plays a significant role in our ability to fulfill our mission to provide high quality affordable healthcare to our members and to improve the health of our members and the Hawaii community at large.

I am asking that you please consider the importance of maintaining a competitively attractive domicile environment for captives. Prospective captive owners – as well as current captive owners – have choices as to where they domicile and operate their captive insurance companies. Thus, it is critically important that our legal and regulatory framework is structured and operates in a manner that incentivizes prospective captive owners to choose Hawaii in the first place and continually reaffirms the value proposition for existing captive owners already domiciled here.

I strongly support S.B. 1050 and ask that you please take my above notes into consideration.

Respectfully submitted,

Martin King
President, Lokahi Assurance, Inc.
Vice President, Kaiser Permanente

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**TESTIMONY ON PROPOSED AMENDMENTS TO
ARTICLE 19, CHAPTER 431, HAWAII REVISED STATUTES
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TESTIMONY IN SUPPORT OF SB 1050

To Senator Jarrett Keohokalole – Chair; Senator Carol Fukunaga – Vice Chair; and members of the Committee on Commerce and Consumer Protection:

My name is Jill Miura, and I am submitting this testimony as Treasurer of the Hawaii Captive Insurance Council (HCIC). The HCIC is a nonprofit corporation whose mission is to promote, develop and maintain a strong, stable, and reputable captive insurance industry in the State of Hawaii. We do this in partnership with the State of Hawaii Insurance Division (Insurance Division) on a local, national and international level.

Today, Hawaii is home to 272 actively operating and licensed captive insurance companies. Their parent companies are headquartered all over the US, in Japan and Europe. A large portion of them are traded on major stock exchanges globally and are regularly included in Forbes' Global 100 and 500 lists. As of the end of 2024, Hawaii was ranked the fifth largest captive domicile (in terms of number of active licenses) in the US, and the eighth largest domicile worldwide. Hawaii is also currently the domicile of choice for 46 Japanese-owned captive insurance companies, making it the global leader. As of December 31, 2023, these captive insurance companies wrote nearly \$17.5 billion of gross written premium and had invested assets in Hawaii financial institutions that totaled nearly \$2.2 billion.

The captive industry that represents and supports the State of Hawaii as a captive domicile has been, and continues to be, a shining example of real, economic diversification. This industry provides local, professional job opportunities in the legal, accounting, banking and finance, and insurance management sectors to name a few.

Hawaii's prominence within the global captive insurance industry is, however, not without competition. In the US, there are approximately 40 other states that are active captive insurance domiciles. This means that prospective captive owners – as well as current captive owners – have choices as to where they domicile and operate their captive insurance companies. Although Hawaii is an established and well-respected captive domicile, it nevertheless has some inherent challenges given its location and certain perceptions of “doing business” in Hawaii. Thus, it is

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critically important that our legal and regulatory framework is structured and operates in a manner that incentivizes prospective captive owners to choose Hawaii in the first place and continually reaffirms the value proposition for existing captive owners already domiciled here.

SB 1050 will not only benefit eligible pure captives – a group that currently represents approximately 84% of all of the actively licensed captive insurers in Hawaii. The proposed legislation will also greatly benefit the Captive Insurance Branch within the Insurance Division. Exempting deserving pure captives from regulatory examinations will reduce the number of regulatory examinations the Branch must conduct, which will allow the Branch to more efficiently allocate resources and time to more complex captive insurers like risk retention groups, and it will allow the Branch to reduce current backlogs and improve its response time for new and existing captive insurer requests and applications. Speed to market is a critical distinguishing factor for the kinds of companies that utilize captive insurance companies, and this proposed legislation will help Hawaii deliver in that area.

For the foregoing reasons, we strongly support the SB 1050.

Thank you for the opportunity to submit this testimony.

Very truly yours,



Jill Miura
Treasurer
Hawaii Captive Insurance Council

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SB-1050

Submitted on: 2/13/2025 9:02:50 AM
Testimony for CPN on 2/14/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Gregory Misakian	Individual	Comments	Remotely Via Zoom

Comments:

Please amend SB1050 to reduce the number of years an exemption may be allowed, from five years to three years.

(g) Unless previously revoked by the commissioner for good cause, a certificate of exemption from examination shall be valid for a term not to exceed ~~five~~ **three** years from its effective date. A captive insurance company may apply to the commissioner for renewal of a certificate of exemption from examination no earlier than six months before the expiration date of the applicant's certificate of exemption."

Gregory Misakian