
A BILL FOR AN ACT

RELATING TO STATE SELF-INSURANCE AGAINST PROPERTY AND CASUALTY
RISKS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the State currently
2 purchases third-party insurance through its risk management and
3 insurance administration to cover the State's property and
4 casualty risks. Property and casualty insurance provides risk
5 mitigation to minimize the State's loss exposure. The
6 legislature further finds that the State's property and casualty
7 insurance premium costs are significant and subject to further
8 premium increases.

9 The purpose of this Act is to save the State on the costs
10 of its annual insurance premiums for property and casualty
11 insurance coverage by making it easier for the State to self-
12 insure or utilize a captive insurer for property and casualty
13 risks.

14 SECTION 2. Chapter 41D, Hawaii Revised Statutes, is
15 amended by adding two new sections to be appropriately
16 designated and to read as follows:



1 "§41D- State self-insurance against property and
2 casualty risks special fund. (a) There is established in the
3 state treasury the state self-insurance against property and
4 casualty risks special fund to be administered by the
5 comptroller, through the risk manager.

6 (b) Moneys in the special fund shall be used to provide
7 the State with self-insurance coverage against property and
8 casualty risks pursuant to section 41D-2(a)(1) and (2). The
9 special fund shall pay claims to state agencies for losses to
10 property of the State caused by fire or other casualty,
11 including the cost to:

- 12 (1) Repair or replace buildings and other structures;
13 (2) Replace damaged contents; and
14 (3) Provide alternate structures while damaged structures
15 are being repaired or replaced.

16 (c) Moneys in excess of the amounts necessary for meeting
17 the immediate requirements of the special fund may be invested
18 as provided in section 36-21. Interest earned by the special
19 fund shall be credited to the special fund.



1 (d) To ensure that the special fund is operated on an
2 actuarially sound basis, the governor shall authorize the annual
3 transfer of \$ in general funds to the special fund.

4 (e) The comptroller may establish deductibles for the
5 state agencies for certain perils or classes of property or
6 casualty risks and may:

7 (1) Assess the agencies for losses incurred in the amount
8 of the deductible; or

9 (2) Reduce the payment from the special fund to cover the
10 property or casualty loss by the amount of the
11 deductible.

12 (f) For any year in which the balance in the special fund
13 is insufficient to keep the special fund actuarially sound and
14 pay the claims required under subsection (b), the comptroller
15 shall request that the governor authorize an advance to the
16 special fund of sufficient sums of money from other funds in the
17 state treasury.

18 (g) The moneys advanced to the special fund pursuant to
19 subsection (f) shall be repaid from the special fund in annual
20 installments, with interest. The amount of each annual
21 installment shall be fixed by the comptroller so that the moneys



1 advanced can be reasonably expected to be repaid in not more
2 than ten years.

3 (h) To ensure that moneys advanced to the special fund are
4 repaid as specified in subsection (g), the comptroller may
5 further assess the state agencies.

6 §41D- Establishment of the captive insurance program.

7 (a) The comptroller, through the risk manager, shall establish
8 a captive insurance program pursuant to article 19 of chapter
9 431, owned and controlled by the State, solely to insure the
10 potential losses, exposures, and risks of state agencies that
11 are subject to insurance and self-insurance pursuant to this
12 chapter, including, but not limited to, executive, legislative,
13 and judicial branch state agencies and state institutions of
14 higher education.

15 (b) The comptroller, through the risk manager, shall:

16 (1) Approve the captive insurance program's business plan;

17 (2) Periodically determine, reevaluate, and revise:

18 (A) The potential losses, exposures, and risks that
19 will be insured through the captive insurance
20 company;



- 1 (B) The nature and scope of insurance coverage or
2 coverages to be provided through the captive
3 insurance company; and
- 4 (C) The method by which coverage and coverages are to
5 be extended and contributions are to be paid and
6 collected, including, but not limited to,
7 premiums and assessments;
- 8 (3) Establish the amount of the exposure for each line of
9 insurance coverage, as well as the premium amounts for
10 each agency;
- 11 (4) Establish a process through which premiums may be
12 collected directly from each agency;
- 13 (5) Determine the initial and continuing capital
14 requirements to form and maintain the captive
15 insurance program, including but not limited to the
16 amount and funding source for the initial and
17 continuing capital and the process through which
18 premiums may be collected directly from each agency or
19 from other sources allowable under applicable laws and
20 rules;



- 1 (6) Establish an investment policy pursuant to section
2 41D-5 or establish a policy that is authorized by the
3 director of finance or is otherwise allowable under
4 applicable laws and rules;
- 5 (7) Approve regulatory filings by the State on behalf of
6 the captive insurance program in compliance with
7 applicable laws and rules of the department of
8 commerce and consumer affairs;
- 9 (8) Be responsible for the day-to-day operations and
10 responsibilities of the captive insurance program,
11 including the implementation of claim procedures;
- 12 (9) Perform other duties or actions necessary and provide
13 administrative support for the implementation,
14 operation, and administration of the captive insurance
15 program;
- 16 (10) Prepare or assist in the preparation of financial
17 statements and reports of financial condition of and
18 maintain or assist in maintaining accounting for the
19 captive insurance program; and
- 20 (11) Facilitate contracts, agreements, and procurements for
21 the captive insurance program to effectuate this



1 section, including but not limited to financial
 2 consultants, investment consultants, insurers,
 3 reinsurers, actuaries, auditors, accountants, brokers,
 4 adjusters, attorneys, third party administrators, and
 5 other contractors as necessary to carry out the duties
 6 and responsibilities of establishing, implementing,
 7 and administering the captive insurance program, which
 8 shall be funded through the risk management revolving
 9 fund or the assets of the captive insurance program;

10 (c) Funds received by the captive insurance program shall
 11 be used exclusively for the purposes and activities set forth in
 12 this section, and shall be invested and reinvested in the name
 13 of the captive insurance program by the State in accordance with
 14 the purpose of this section.

15 (d) The captive insurance program described in subsection
 16 (a) shall be subject to, and shall comply with, all applicable
 17 laws and rules for captive insurance companies."

18 SECTION 3. There is appropriated out of the general
 19 revenues of the State the sum of \$ _____ or so much thereof
 20 as may be necessary for fiscal year 2023-2024 to be deposited



1 into the state self-insurance against property and casualty
2 risks special fund.

3 SECTION 4. There is appropriated out of the state self-
4 insurance against property and casualty risks special fund the
5 sum of \$ or so much thereof as may be necessary for
6 fiscal year 2023-2024 for the purposes of this Act.

7 The sum appropriated shall be expended by the department of
8 accounting and general services for the purposes of this Act.

9 SECTION 5. New statutory material is underscored.

10 SECTION 6. This Act shall take effect on June 30, 3000.



Report Title:

Self-Insurance; State Property and Casualty Risks; Special Fund;
Department of Accounting and General Services; Appropriation

Description:

Establishes the State Self-Insurance Against Property and
Casualty Risks Special Fund to be administered by the
Comptroller to make it easier for the State to self-insure or
utilize a captive insurer to mitigate against property and
casualty risks. Appropriates funds. Effective 6/30/3000.
(SD1)

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not legislation or evidence of legislative intent.*

