

Honolulu, Hawaii

FEB 28 2025

RE: S.B. No. 1050
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 1050 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose and intent of this measure 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.

Your Committee received testimony in support of this measure from the Hawaii Captive Insurance Council; AIG Insurance Management Services, Inc.; Alakai Global Inc.; Webcor L.P.; Brown & Brown; Pacific Risk Solutions, LLC; Lokahi Assurance, Ltd.; and Hawaii Captive Insurance Council.

Your Committee received testimony in opposition to this measure from the Department of Commerce and Consumer Affairs.

Your Committee received comments on this measure from one individual.

Your Committee finds that there are hundreds of active licensed captive insurance companies currently domiciled and operating in the State, with their presence creating more job opportunities across several fields for local residents. However,



captive insurance companies may choose to do business in other states as their domiciles due to considerations such as location, availability of resources, and the local legal and regulatory framework governing the industry. Although Hawaii is an established and well-respected captive domicile, it nevertheless has some inherent challenges given its location and the high level of competition in the market to incentivize prospective captive owners to choose other states. This measure provides a process for pure captive insurance companies to apply for a certificate of exemption from future regulatory examinations after meeting certain requirements, thereby reducing the regulatory burdens and expenses of captive insurance companies and allowing them to focus on core operations while maintaining financial stability and oversight. Your Committee believes that this measure will enhance the efficiency and regulatory effectiveness of the captive insurance industry in Hawaii and ensure that Hawaii remains a competitive and trusted domicile for these types of insurance companies.

Your Committee notes that conversation regarding this measure are ongoing, but some agreements have been made. Therefore, amendments to this measure are necessary to incorporate this consensus language.

Your Committee has amended this measure by:

- (1) Clarifying that a captive insurance company applying for a certificate of exemption from examination shall have completed at least one examination to the satisfaction of the Insurance Commissioner;
- (2) Inserting language that requires a captive insurance company to timely file all reports, including financial statements and other reports pursuant to section 431:19-107, Hawaii Revised Statutes;
- (3) Requiring the captive insurance company's officer and its captive manager to attest to the company's compliance at the time of application and annually thereafter;
- (4) Clarifying that a captive insurance company may apply for renewal of its current certificate of exemption for



one successive renewal and requiring the completion of at least one examination before applying for another certificate of exemption; and

- (5) Inserting an effective date of July 1, 2050, to encourage further discussion.

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. 1050, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1050, 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 KEOHOKALO, Chair



