



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII

OFFICE OF THE DIRECTOR

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

KA 'OIHANA PILI KĀLEPA

335 MERCHANT STREET, ROOM 310

P.O. BOX 541

HONOLULU, HAWAII 96809

Phone Number: 1-844-808-DCCA (3222)

Fax Number: (808) 586-2856

cca.hawaii.gov

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

NADINE Y. ANDO
DIRECTOR | KA LUNA HO'OKELE

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

Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Commerce and Consumer Protection
Thursday, January 29, 2026
9:31 a.m.**

State Capitol, Conference Room 229 and via videoconference

**On the following measure:
S.B. 2042, RELATING TO INSURANCE**

Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee:

My name is Scott K. Saiki, and I am the Insurance Commissioner of the Department of Commerce and Consumer Affairs' Insurance Division. The Department offers comments on this bill.

The purpose of this bill is to reduce the unimpeded minimum capital and surplus that class 4 sponsored captive insurance companies are required to maintain under certain circumstances.

This bill seeks to amend HRS § 431:19-104 as shown on page 2, lines 4 to 6, by reducing the minimum capital requirements for class 4 companies to "not less than...\$100,000; provided that the sponsored captive insurance company does not retain insurance risk;". We support the reduction of the minimum capital requirement amount, however with the Commissioner's existing discretionary authority to require capital in excess of those minimums for any class of captive, the qualifying language,

"provided that the sponsored captive insurance company does not retain insurance risk;", is not necessary.

Thank you for the opportunity to testify on this bill.



COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair

Senator Carol Fukunaga, Vice Chair

Thursday, January 29, 2026, 09:31 a.m.
Conference Room 229 & Videoconference
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

**TESTIMONY OF PAUL SHIMOMOTO
PRESIDENT, HAWAII CAPTIVE INSURANCE COUNCIL
IN STRONG SUPPORT OF S.B. 2042**

**RELATING TO INSURANCE – SPONSORED CAPTIVE INSURANCE COMPANIES;
MINIMUM CAPITAL AND SURPLUS**

Aloha, Chair, Vice Chair, and Members of the Committee:

My name is Paul Shimomoto, and I submit this testimony in **strong support of Senate Bill 2042**, on behalf of the Hawaii Captive Insurance Council (“HCIC”), the nonprofit trade association representing Hawaii’s captive insurance industry.

HCIC appreciates the Legislature’s continued leadership in ensuring that Hawaii remains a globally competitive, well-regulated, and financially sound captive insurance domicile, while also recognizing the practical realities of modern captive structures and risk-financing arrangements.

Purpose and Effect of S.B. 2042

S.B. 2042 makes a targeted and carefully conditioned adjustment to the minimum unimpaired capital and surplus requirement applicable to Class 4 sponsored captive insurance companies, only where the sponsored captive (the Core of that facility) does not retain insurance risk.

Specifically, the bill would reduce the statutory minimum capital and surplus requirement from \$500,000 to \$100,000 for the core, sponsoring entity within this specialized facility, while leaving untouched the Insurance Commissioner’s discretion and judgment to establish risk-appropriate capital requirements for the protected cells within this class of captive where actual insurance risk is in fact being retained.

Risk-Appropriate Capitalization

Sponsored captive insurance companies that do not retain insurance risk function primarily as administrative or structural platforms, rather than as balance-sheet risk-bearing insurers. Requiring these entities to maintain capital levels designed for risk-retaining insurers does not enhance policyholder protection, but instead creates unnecessary friction and cost and can be a deterrent and obstacle for prospective companies wanting to establish these kinds of facilities in Hawaii.

Preservation of Regulatory Oversight

Importantly, S.B. 2042 does not eliminate or weaken the Insurance Commissioner's authority. The Commissioner will continue to evaluate the nature and volume of business transacted within each protected cell under the core entity and will be able to set risk-appropriate capital for those entities as he currently does.

The bill simply aligns statutory minimums with actual economic and regulatory risk.

Maintaining Hawaii's Competitive Position

Hawaii competes globally with other leading captive domiciles. Many peer jurisdictions already distinguish between risk-retaining and non-risk-retaining sponsored captives when setting minimum capital requirements. This bill ensures Hawaii remains competitive without compromising solvency, transparency, or regulatory integrity.

Encouraging Innovation and Growth

Sponsored captive structures are increasingly used by sophisticated organizations seeking efficient, well-governed insurance platforms. This measured adjustment helps ensure that Hawaii continues to attract high-quality captive formations, management activity, and professional services—supporting local jobs and long-term economic benefits.

Conclusion

S.B. 2042 strikes a common-sense balance between prudential regulation and practical modernization. Specifically, it:

- Aligns capital requirements with actual risk
- Preserves full regulatory authority
- Enhances Hawaii's competitiveness, and
- Supports responsible growth of the captive insurance sector

For these reasons, the Hawaii Captive Insurance Council respectfully urges your **support of S.B. 2042**.

Thank you for the opportunity to submit testimony.

HAWAII CAPTIVE INSURANCE COUNCIL

By: *Paul Shimomoto*
Paul Shimomoto, President



**TESTIMONY ON PROPOSED AMENDMENTS TO
CHAPTER 431, HAWAII REVISED STATUTES
RELATING TO INSURANCE (S.B. NO. 2042)**

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair

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TESTIMONY IN STRONG SUPPORT OF S.B. 2042

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 \$10 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 as 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.

Background & Overview of the Captive Industry's Competitive Landscape

Today, Hawaii is home to 269 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. Hawaii is also currently the domicile of choice for 45 Japanese-owned captive insurance companies, making it the world's leader.

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. **Unfortunately, Hawaii has seen declines in the number of active captives over the last year amid a period of significant growth in the industry.**

For example, Vermont, arguably Hawaii's leading competitor, licensed 51 new captives in 2025. Captive industry data has not yet been published for 2025, 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.

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 approximately \$140 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.

Importance of S.B. 2042

S.B. 2042 is a measured and appropriate update to Hawai'i's captive insurance statute. By adjusting minimum capital and surplus requirements for Class 4 sponsored captive insurance companies that do not retain insurance risk, the bill aligns statutory requirements with actual risk exposure, while preserving the Insurance Commissioner's authority and discretion.

This bill does not weaken solvency standards or regulatory oversight. Instead, it reflects a risk-based approach that avoids imposing capital requirements designed for risk-bearing insurers on entities that function primarily as administrative or structural platforms.

S.B. 2042 supports regulatory clarity, promotes efficient use of capital, and helps maintain Hawai'i's position as a competitive and well-regulated captive domicile.

For the foregoing reasons, we strongly support S.B. 2042.

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 IN SUPPORT OF S.B. 2042

RELATING TO INSURANCE – SPONSORED CAPTIVE INSURANCE COMPANIES

Chair, Vice Chair, and Members of the Committee:

My name is Sotaro Misawa, and I submit this testimony in support of S.B. 2042.

I am President at Alakai Global Inc., and I participate in the captive insurance industry as a Captive Insurance Manager.

S.B. 2042 is a measured and appropriate update to Hawai'i's captive insurance statute. By adjusting minimum capital and surplus requirements for Class 4 sponsored captive insurance companies that do not retain insurance risk, the bill aligns statutory requirements with actual risk exposure, while preserving the Insurance Commissioner's authority and discretion.

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S.B. 2042 supports regulatory clarity, promotes efficient use of capital, and helps maintain Hawai'i's position as a competitive and well-regulated captive domicile.

For these reasons, I respectfully urge the Committee to pass S.B. 2042.

Respectfully submitted,



Sotaro Misawa

President

Alakai Global Inc.

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair

Senator Carol Fukunaga, Vice Chair

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TESTIMONY IN SUPPORT OF SENATE BILL 2042

RELATING TO INSURANCE – SPONSORED CAPTIVE INSURANCE COMPANIES

Chair, Vice Chair, and Members of the Committee:

My name is Christina Kamaka, Secretary 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. As a member of the Hawaii Captive Insurance Council (“HCIC”) and Vice President of Aon Insurance Managers (USA) Inc., we thank you for the opportunity to provide this written testimony. Aon provides consulting and captive management services for 47 of Hawaii captive insurance companies.

Today, Hawaii is home to 269 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 eighth 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 44 Japanese-owned captive insurance companies, making it the world’s leader. On a combined basis as of December 31, 2024, these 260+ captive insurance companies wrote approximately \$18.4 billion of gross written premium and had invested assets in Hawaii financial institutions that totaled nearly \$2.5 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 directly contributes nearly \$46 million to Hawaii’s economy annually.

This year, the Hawaii Insurance Division will celebrate its 40th year anniversary since legislation was enacted allowing companies to form and license their captive in our state. 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.

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This bill does not weaken solvency standards or regulatory oversight. Instead, it reflects a risk-based approach that avoids imposing capital requirements designed for risk-bearing insurers on entities that function primarily as administrative or structural platforms.

S.B. 2042 supports regulatory clarity, promotes efficient use of capital, and helps maintain Hawai‘i’s position as a competitive and well-regulated captive domicile.

For these reasons, I respectfully urge the Committee to pass S.B. 2042.

Respectfully submitted,

Christina Kamaka
Vice President
Aon Insurance Managers (USA) Inc.