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**Testimony of the Department of Commerce and Consumer Affairs**

**Before the  
Senate Committee on Commerce and Consumer Protection  
Wednesday, February 25, 2026  
9:32am  
State Capitol, Conference Room 229 and via Videoconference**

**On the following measure:  
S.B. 2950, 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' (Department) Insurance Division. The Department opposes this bill.

The purpose of this bill is to authorize captive insurance companies to underwrite, reinsure, or otherwise assume catastrophic property and casualty risk, subject to the approval and continuing supervision of the Insurance Commissioner. It allows the commissioner to set certain minimum standards for captive insurance companies underwriting catastrophic property and casualty risk. It also requires captive insurance companies underwriting catastrophic property and casualty risk to provide certain information in reports to the commissioner.

The Department acknowledges the interest in expanding captive insurance mechanisms to address catastrophic property and casualty in Hawaii, nevertheless the

Department opposes this bill which raises significant regulatory and consumer protection concerns.

There are significant differences between the regulatory framework governing captive companies and traditional commercial insurers. Captive companies are established to self-insure and manage the risks of their parent company and affiliates, not advance public interest objectives. Because of this, captive companies are not subject to regulations that address consumer protection, rate oversight, and market availability requirements that cover commercial insurers. SB2950 expands the captive insurer's role to provide coverage for the public, blurring the established distinction between captive insurers and admitted commercial carriers. Allowing captive companies to provide coverage to the public will also significantly impact Hawaii's captive insurers and captive regulatory statutes. For example, the National Association of Insurance Commissioners ("NAIC") may require captive companies to be included in the NAIC Accreditation Program. Captive insurers are currently not accredited by the NAIC because they are distinguished from commercial insurers.

The legislature also points to New Jersey's use of the captive insurance model to address instability in the insurance markets, but the Department is not aware of other states that permit captive insurers to provide the type of coverage in the manner contemplated by this bill. Captive insurers may have an indirect role in helping to stabilize the market by allowing businesses to form a captive company to manage their own difficult risks when commercial insurers withdraw, which reduces pressures on traditional insurers. This is not the same as a captive company underwriting catastrophic property and casualty risk to third parties. Some states may even participate in state-funded residual market mechanisms or reinsurance programs, but within the limits of established captive laws.

Notwithstanding some of the redundant provisions in this SB2950 that are already found in Hawaii's captive laws, this bill proposes a significant transformation of Hawaii's captive law that would be required to facilitate the shift of captive companies to a public insurer role. Consumer protection is currently absent from the existing captive regulatory framework because of the fundamental purpose and nature of captive

insurance companies. This bill also does not address the need for consumer protection, which will be significant if captive insurers interact with the public.

For these reasons, the Department respectfully opposes the bill and encourages continuing to work on collaborative solutions consistent with the existing regulatory framework.

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

Wednesday, February 25, 2026, 09:32 a.m.  
Conference Room 229 & Videoconference  
State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

**TESTIMONY OF PAUL SHIMOMOTO  
PRESIDENT, HAWAII CAPTIVE INSURANCE COUNCIL  
REGARDING S.B. 2950**

**RELATING TO INSURANCE**

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

My name is Paul Shimomoto, and I submit this testimony regarding *Senate Bill 2950*, on behalf of the Hawaii Captive Insurance Council (“HCIC”), the nonprofit trade association that represents Hawaii’s captive insurance industry.

SB 2950 raises important policy considerations regarding the role of captive insurance companies in the context of broader property and casualty insurance market challenges, including insurer withdrawal, capacity constraints, and catastrophic risk exposure. In reviewing the bill, I would like to offer several observations based on Hawaii’s existing captive insurance framework.

Hawaii’s captive insurance statute (HRS, Chapter 431:19) is built on a foundational principle that captive insurers insure the risks of their parent companies and affiliated entities within a defined corporate family. This relationship-based structure is the organizing principle of the statute and distinguishes captives from admitted insurers, which provide coverage to the general public and are regulated accordingly.

SB 2950 introduces a different conceptual framework by authorizing captive insurers to underwrite, reinsure, and participate in the financing of catastrophic property and casualty risks, including for “commercial, industrial, institutional, governmental, or nonprofit risks.” This approach shifts the focus from a relationship-based standard—centered on affiliation and control—to a risk- or entity-based standard. Terms such as “commercial,” “institutional,” or “nonprofit” describe the nature of an entity, but do not establish whether the insured is affiliated with, controlled by, or otherwise integrated into the captive sponsor’s enterprise.

As drafted, this framework permits captive insurers to underwrite risks that may fall outside the captive’s corporate family or qualifying control structure. This represents a significant departure from the statutory architecture of HRS Chapter 431:19, which is designed around enterprise risk management within defined affiliated groups, rather than broader participation in insurance markets.

More broadly, SB 2950’s legislative findings and structure reflect policy objectives—such as addressing insurance market instability and capacity constraints—that are more commonly associated with admitted insurance markets. Captive insurance statutes, by contrast, are generally designed to facilitate private risk financing within affiliated or otherwise controlled groups.

Because Hawaii’s captive statute is internally coherent around this relationship-based model, introducing a parallel framework based on risk categories and market participation raises difficult questions regarding how the two approaches would operate together; or even if they could. In particular, deeper consideration would be warranted as to how the bill’s provisions would interact with existing statutory constructs governing permitted insureds, capital and surplus requirements, solvency expectations, and regulatory oversight.

To the extent the bill is intended to expand the scope of permissible captive activity, aligning that expansion with the underlying structure of HRS Chapter 431:19 may help avoid potential inconsistencies or unintended consequences. As currently drafted, the bill introduces concepts that operate alongside—but are not fully integrated (and may not be consistent) with—the existing statutory framework.

The HCIC would welcome the opportunity to meet with and confer with members of the Committee and other stakeholders to better understand the concerns underlying this measure and to help explore potential approaches that may achieve similar policy objectives while remaining aligned with Hawaii’s established captive insurance framework.

Thank you for the opportunity to provide these comments.

HAWAII CAPTIVE INSURANCE COUNCIL

By: Paul Shimomoto  
Paul Shimomoto, President

**LATE**

**SB-2950**

Submitted on: 2/24/2026 11:27:45 PM

Testimony for CPN on 2/25/2026 9:32:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Jackie Keefe	Individual	Support	Remotely Via Zoom

Comments:

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

My name is Jackie Keefe and I am in **strong support of SB2950**, which is intended to strengthen market stability, encourage retention of insurance capacity in the State, and provide regulated alternatives to address catastrophic risk without diminishing consumer protections.

Hawai'i is experiencing more climate disasters in this time of severe climate change impacts. Insurance has proven itself unable to address the challenge of the disaster in Lahaina but is legally required for most homeowners. Our community deserved to be protected, and this is a step that should have been taken years ago when our 'ohana in Volcano was disregarded by insurance companies.

Not only do many people not have the ability to choose where they live, but they certainly do not deserve to be penalized for living in a place where disaster impacts them.

Please pass **SB2950**.

Mahalo for the opportunity to testify.

Jackie Keefe, Lahaina