THE SENATE
THIRTY-THIRD LEGISLATURE, 2026
STATE OF HAWAII

S.B. NO. 2950

JAN 23 2026

A BILL FOR AN ACT

RELATING TO INSURANCE.

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

SECTION 1. The legislature finds that the State faces unique challenges in maintaining a stable and competitive property and casualty insurance market due to geographic isolation, concentration of risk, and exposure to natural catastrophes. These conditions periodically result in reduced underwriting capacity, increased premiums, and the withdrawal or threatened withdrawal of insurers from the State.

The legislature further finds that catastrophic property and casualty risks, including losses arising from hurricanes, earthquakes, floods, wildfires, and other low-frequency, high-severity events, are increasingly difficult to insure through traditional admitted markets alone, particularly for commercial, nonprofit, and institutional policyholders.

The legislature recognizes that captive insurance companies licensed under chapter 431, Hawaii Revised Statutes, are authorized to transact property and casualty insurance subject to regulation by the insurance commissioner. The legislature

notes that, although existing law allows captive insurers to transact property and casualty insurance, uncertainty regarding the scope of permissible catastrophic underwriting has limited the ability of captive insurers to participate fully in addressing market instability.

The legislature also finds that other states facing this uncertainty, including New Jersey, have expressly authorized captive insurers to underwrite and reinsure difficult-to-place property and casualty risks, including catastrophic exposures, as a means of stabilizing insurance markets and retaining capacity. Additionally, following the adoption and implementation of New Jersey's captive insurance law, insurers that had previously indicated an intent to reduce or exit the property and casualty market in that state reconsidered those decisions due, in part, to increased flexibility in risk financing and the availability of captive insurance mechanisms.

The legislature therefore declares that it is in the public interest to clarify and expressly authorize captive insurers licensed in the State to underwrite, reinsure, and participate in the financing of catastrophic property and casualty risks, subject to appropriate capital, solvency, and regulatory

safeguards. This Act 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.

Accordingly, the purpose of this Act is to:

(1) Authorize captive insurance companies to underwrite, reinsure, or otherwise assume catastrophic property and casualty risks, subject to the approval and continuing supervision of the insurance commissioner;

(2) Allow the commissioner to set certain minimum standards for captive insurance companies underwriting catastrophic property and casualty risks; and

(3) Require captive insurance companies underwriting catastrophic property and casualty risk to provide certain information to the commissioner.

SECTION 2. Chapter 431, Hawaii Revised Statutes, is amended by adding a new part to article 19 to be appropriately designated and to read as follows:

"PART . CATASTROPHIC PROPERTY AND CASUALTY RISKS

§431:19-A Catastrophic property and casualty risk; defined. For the purposes of this part, "catastrophic property

and casualty risk" means property or casualty exposures involving the potential for severe, extraordinary, or aggregate loss that exceeds ordinary underwriting risk and that may be unavailable, limited, or prohibitively priced in the standard commercial insurance market, including risks from:

(1) Natural disasters, including hurricanes, earthquakes, tsunamis, floods, wildfires, volcanic activity, landslides, and severe weather events;

(2) Business interruption, contingent business interruption, or extra expense losses from an event described in paragraph (1);

(3) Excess, umbrella, or layered liability exposures associated with catastrophic events;

(4) Infrastructure, energy, transportation, health care, housing, or other essential or high-value facilities exposed to catastrophic loss;

(5) Aggregate losses arising from a single catastrophic occurrence or series of related occurrences; and

(6) Reinsurance or retrocessional coverage directly related to risks described in paragraphs (1) through (5).

§431:19-B Catastrophic property and casualty risks; authorization. (a) A captive insurance company formed under this article may underwrite, reinsure, or otherwise assume catastrophic property and casualty risks, subject to the approval and continuing supervision of the commissioner.

(b) The authorization granted under this section shall apply only to commercial, industrial, institutional, governmental, or nonprofit risks and shall not apply to personal lines insurance unless expressly approved by the commissioner.

(c) A captive insurance company authorized under this section may participate in reinsurance agreements, risk pools, layered insurance programs, or other risk-sharing arrangement related to catastrophic property and casualty risks, subject to approval by the commissioner.

(d) Authorization under this section may be conditioned on requirements that exceed minimum standards otherwise applicable under this article, including capital, surplus, reserves, risk-based capital, or other solvency safeguards commensurate with the nature and severity of the risks assumed.

§431:19-C Catastrophic risks; capital, surplus, and solvency standards. (a) In addition to any other requirements

under this article, a captive insurance company underwriting catastrophic property and casualty risks shall maintain capital and surplus in amounts determined by the commissioner to be adequate to ensure solvency and the protection of policyholders.

(b) In determining appropriate capital and surplus levels, the commissioner may consider probable maximum loss estimates, catastrophe modeling, stress testing, reinsurance arrangements, concentration of risk, and other relevant financial factors.

(c) The commissioner may require independent actuarial opinions, catastrophe modeling analyses, or other financial certifications as a condition of approval or continued authorization under section 431:19-B.

§431:19-D Premium tax. (a) Premiums written by a captive insurance company authorized pursuant to section 431:19-B shall be subject to the premium tax applicable to captive insurance companies under this article.

(b) Premiums described in subsection (a) shall not be subject to any additional tax, surcharge, or assessment solely by reason of covering catastrophic property and casualty risks.

§431:19-E Reporting and disclosure requirements. (a) In addition to any reporting requirements otherwise applicable

under this article, a captive insurance company authorized to underwrite catastrophic property and casualty risks shall provide to the commissioner information regarding exposure levels, aggregate catastrophic risk, reinsurance arrangements, and financial condition, as the commissioner determines is necessary to ensure solvency and insurance market stability.

(b) The commissioner shall prescribe the form, timing, and content of the reports required under this section.

§431:19-F Rules. The commissioner may adopt rules pursuant to chapter 91 necessary for the purposes of this part."

SECTION 3. In codifying the new sections added by section 2 of this Act, the revisor of statutes shall substitute appropriate section numbers for the letters used in designating the new sections in this Act.

SECTION 4. This Act shall take effect upon its approval.

INTRODUCED BY: _____

S.B. NO. 2950

Report Title:
Captive Insurance Companies; Insurance Commissioner; Catastrophic Property and Casualty Risks; Authorization; Reports

Description:
Authorizes captive insurance companies to underwrite, reinsure, or otherwise assume catastrophic property and casualty risks, subject to the approval and continuing supervision of the Insurance Commissioner. Allows the Commissioner to set certain minimum standards for captive insurance companies underwriting catastrophic property and casualty risk. Requires captive insurance companies underwriting catastrophic property and casualty risk to provide certain information in reports to the Commissioner.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.