



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
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
House Committee on Consumer Protection & Commerce
Tuesday, March 31, 2026
2:05 p.m.
State Capitol, Conference Room 329 and via videoconference**

**On the following measure:
S.B. 2043, S.D. 1, RELATING TO INSURANCE**

Chair Matayoshi, Vice Chair Grandinetti, 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 offers comments on this bill.

The purpose of this bill 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.

The Department has previously noted concerns that the bill will dilute the regulatory standards of Hawaii's captive insurance laws and may contribute to a negative perception of the state's regulatory standards. Hawaii benefits from attracting captive insurance companies that value strong regulatory oversight as opposed to captive insurance companies seeking less robust standards.

In consultation with the Hawaii Captive Insurance Council (HCIC), the Department has proposed amendments to S.B. 2043, S.D. 1, which are attached.

Thank you for the opportunity to testify on this bill.

A BILL FOR AN ACT

RELATING TO INSURANCE.

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

1 SECTION 1. Section 431:19-108, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 “(a) The commissioner or any authorized examiner may
4 conduct an examination, investigation, or financial surveillance
5 of any captive insurance company as often as the commissioner
6 deems appropriate; provided that, unless the commissioner
7 requires otherwise:

8 ~~[(1) An examination shall be conducted at least once
9 every five years for all captive insurance companies,
10 except as provided in paragraph (2); and]~~

11 (1) Except as provided in paragraph (2), each captive
12 insurance company, other than a risk retention captive
13 insurance company, shall be subject to an examination
14 no later than five years after licensure. Thereafter,
15 until December 31, 2031, the captive insurance company
16 shall be subject to examination at the discretion of
17 the commissioner; provided that on or after January 1,

1 2032, each captive insurance company shall be subject
2 to examination at least once every five years; and

3 (2) An examination of a risk retention captive insurance
4 company shall be conducted no later than three years
5 after its formation and at least once every five years
6 thereafter."

7 SECTION 2. The insurance commissioner shall submit a
8 report to the legislature no later than twenty days prior to the
9 convening of the regular session of 2031 that evaluates the
10 effectiveness of the discretionary examination framework
11 established by this Act. The report shall include, but not be
12 limited to:

13 (1) An assessment of whether the discretionary examination
14 approach adequately protects policyholders and ensures
15 the financial condition and regulatory compliance of
16 captive insurance companies;

17 (2) A comparison of examination frequency, costs, and
18 resource allocation before and after implementation of
19 this Act; and

20 (3) Any recommendations, including whether to continue,
21 modify, or repeal the discretionary examination
22 framework.

S.B. NO. 2043
S.D. 1

Proposed H.D. 1

1 SECTION 3. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 4. This Act shall take effect ~~on January 1, 3000~~
4 July 1, 2026.

S.B. NO. 2043 S.D. 1

Proposed H.D. 1

Report Title:

Insurance Commissioner; Insurance; Captive Insurance Companies;
~~Certificate of Exemption~~; Examinations.

Description:

~~Allows 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.~~

Clarifies examination requirements for captive insurance
companies. Effective 1/1/30007/1/2026. (~~SD1~~HD1)

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



COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Scot Z. Matayoshi, Chair

Rep. Tina Nakada Grandinetti, Vice Chair

Tuesday, March 31, 2026, 2:05 p.m.

Conference Room 329 & 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. 2043 SD1**

**RELATING TO INSURANCE – CAPTIVE INSURANCE COMPANIES;
CERTIFICATE OF EXEMPTION FROM EXAMINATION**

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 2043 SD1**, 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 commitment to maintaining robust regulatory oversight of captive insurance companies while also ensuring that Hawaii’s regulatory framework remains efficient, risk-based, and aligned with modern supervisory practices.

Purpose and Effect of S.B. 2043 SD1

S.B. 2043 SD1 amends section 431:19-108, Hawaii Revised Statutes, to allow captive insurance companies that are not risk retention group captive insurance companies to apply to the Insurance Commissioner for a certificate of exemption from routine examination, provided that strict statutory conditions are met. Most importantly, this bill’s language is the result of direct cooperation between the HCIC and the Hawaii Insurance Division.

Specifically, the bill:

- Preserves the Commissioner’s full discretionary authority to examine any captive at any time,
- Requires an applicant captive to first complete at least one satisfactory regulatory examination,
- Conditions eligibility on timely and ongoing compliance with all reporting obligations, and
- Limits any exemption to a defined term of no more than five years, with clear standards for renewal or revocation.

Why This Legislation Is Prudent and Appropriate

1. Risk-Based, Not Reduced, Oversight

S.B. 2043 SD1 does not eliminate examinations, nor does it weaken regulatory authority. Instead, it adopts a risk-based supervisory approach that allows the Commissioner to allocate examination resources more efficiently, focusing on captives that present higher risk profiles while reducing unnecessary duplication for well-run, consistently compliant entities.

2. Preservation of Commissioner Authority

At all times, the Commissioner retains the power to:

- Conduct an examination whenever deemed necessary,
- Revoke an exemption for good cause, and
- Require a full examination before any subsequent exemption is granted.

In short, this bill provides flexibility without sacrificing control.

3. Efficient Use of Regulatory and Industry Resources

Routine examinations are time- and resource-intensive for both regulators and captives. Allowing exemptions where appropriate:

- Reduces unnecessary costs borne by captive owners,
- Frees regulatory resources for higher-priority supervision, and
- Encourages continued investment and growth in Hawaii's captive sector.

4. Encouraging Gold-Standard Performance and Responsible Self-Regulation

S.B. 2043 SD1 also serves an important policy objective by encouraging high-performing captive insurance companies to maintain gold-standard governance, compliance, and transparency. By conditioning any examination exemption on a proven track record of satisfactory examinations, timely filings, and ongoing attestations by both company officers and captive managers, the bill incentivizes disciplined self-regulation rather than passive compliance. Captives that wish to qualify for an exemption must demonstrate sustained excellence, not merely meet minimum requirements. In this way, S.B. 2043 SD1 reinforces a culture of accountability and continuous compliance, while preserving the Insurance Commissioner's full authority to intervene whenever warranted.

Conclusion

S.B. 2043 SD1 reflects thoughtful, balanced modernization of Hawaii's captive insurance statute. It strengthens the regulatory framework by promoting risk-focused oversight, preserves the Insurance Commissioner's authority, and enhances Hawaii's competitiveness as a premier captive domicile.

For these reasons, the Hawaii Captive Insurance Council respectfully urges your **support of S.B. 2043 SD1.**

Thank you for the opportunity to submit testimony.

HAWAII CAPTIVE INSURANCE COUNCIL

By: _____
Paul Shimomoto, President

SB-2043-SD-1

Submitted on: 3/30/2026 11:35:43 AM

Testimony for CPC on 3/31/2026 2:05:00 PM

Submitted By	Organization	Testifier Position	Testify
Jill Miura	Hawaii Captive Insurance Council	Support	Written Testimony Only

Comments:

Testimony of Jill Miura, Treasurer, Hawaii Captive Insurance Council

In support of S.B. 2043 SD1, relating to insurance - captive insurance companies; exemption from examination upon application and regulatory approval.

Bill provides a limited exemption (no more than 5 years) for captive insurance companies, excluding risk retention groups, under strict regulatory conditions, subject to application and the approval of the Insurance Commissioner.

The Hawaii Captive Insurance Council is in support of the bill as it promotes risk focused oversight under the Insurance Commissioner's authority and aims to maintain a strong regulatory environment.

Thank you for the opportunity to submit testimony.



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Rep. Scot Z. Matayoshi, Chair
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Tuesday, March 31, 2026, 2:05 p.m.
Conference Room 329 & Videoconference
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415 South Beretania Street
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TESTIMONY OF IN STRONG SUPPORT OF S.B. 2043 SD1

**RELATING TO INSURANCE – CAPTIVE INSURANCE COMPANIES;
CERTIFICATE OF EXEMPTION FROM EXAMINATION**

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

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 \$25.1 billion in assets and writing \$11.2 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.

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For the foregoing reasons, we strongly support S.B. 2043 SD1

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

