



Hawaii Captive Insurance Council

VOLUME 1, ISSUE 1

NEWSLETTER JULY 2010

SPECIAL POINTS OF INTEREST:

- 167 active Captives in Hawaii
- Hawaii is the 2nd largest captive domicile in the United States
- HCIC has over 100 active members.
- HCIC established since 1987

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Upcoming Events

HCIC Annual Forum

October 25-27, 2010
 JW Marriott Ihilani Resort & Spa
 Oahu, Hawaii

E Komo Mai! This Fall, the Hawaii Captive Insurance Council presents its annual educational forum right here on Oahu. Gather in the place where so many captive owners and industry professionals have chosen to domicile their captive insurance companies to learn technical, innovative and creative ways of forming and operating your captive in Hawaii.

For more info, please visit:
www.hawaiicaptives.com



JW Marriott Ihilani Resort & Spa is the location for the 2010 HCIC Education Forum.

**Please Register
 by August 15th
 for Early Bird Rates!**

Legislative Update

The Hawaii Captive Insurance Council (“HCIC”), in cooperation with the Hawaii Insurance Division (“Division”), initiated the introduction of **S.B. No. 2812** (enacted as Act 7 on March 17, 2010). This proposal makes housekeeping and

clarifying amendments to Hawaii’s captive insurance laws, including:

1. Changing the interval for examination of captive insurance companies to once every five years subject, however, to a requirement that

VCIA Annual Conference

Visit us at Booth #216, August 10-12, 2010 in Burlington, Vermont.

State of Hawaii & HCIC Japan Briefing

This annual captive seminar will be held in Tokyo at the Imperial Hotel on Monday, November 8, 2010. The seminar will focus on the economic benefit of a captive insurance company and the benefits of setting up a captive in Hawaii versus other jurisdictions.

For more information, visit our website
www.hawaiicaptives.com

the first exam for risk retention group captives be conducted no later than 3 years after formation. The Insurance Commissioner would still retain his authority to examine a captive as often as deemed appropriate; and

State Update



**George Sumner III,
ACI - Deputy Captive Administrator
for the Hawaii Insurance Division**

**HAWAII
CAPTIVE
INSURANCE
COUNCIL**

Settling in and looking back – It's been eight months since I took the reigns of the Captive Insurance Branch (CIB), time has been flying by and great things have been happening. We have been looking for ways to make Hawai'i an even more attractive domicile and compete effectively with all of the new choices that have been sprouting up around the world. When I explain the strategy, I have had a similar response from most people, saying it is just common sense. It seems to be working because we formed 3 new captives in the 4th quarter of 2009, 5 so far in 2010 and we have 9 in the works! Many of the parent companies of the captives that have been or will be forming are very impressive. If I was able to mention their names, you would say "WOW".

The CIB reviewed the annual meeting requirement and decided to follow the letter of the law. We allow participants to call into the meeting in lieu of physically being in Hawaii. Especially during rough economic times we need to give business as much assistance without jeopardizing the solvency of their cap-

tive. We still strongly recommend that they do make the trip to Hawai'i to focus on their captive since they are taking on risk. My primary objective is the creation of professional jobs in the community with a secondary objective the business traveler.

CIB and HCIC worked with the legislature this year to oppose a "bad" bill and support a "good" bill. As usual we had great support from the legislature and the bill that we supported passed and the bill we opposed was withdrawn. The S.B. 2812 created more flexibility of how often the regulatory exams are conducted as well as defining the form that cell captives can be structured i.e. association, corporation, limited liability company, partnership, or trust.

Two new captive managers USA Risk and Pacific Risk Solutions, LLC are now managing captives in Hawaii. We have also had several other captive managers inquire about the opportunity to do so in Hawai'i

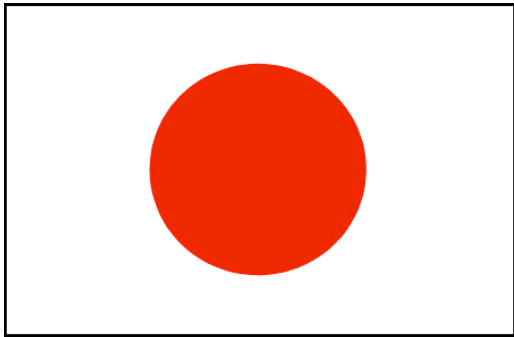
Due to the special funding of the CIB, two new examiners were added in January and we have been approved by the Governor

to add two additional examiners. Currently we are preparing for the NAIC accreditation in 2011 and are conducting risk focused exams on the RRG captives. We have also requested that HCIC form a committee to review Hawaii Administrative Rules and make recommendations that will make it easier to do business in Hawai'i without jeopardizing the solvency a captive. Going forward we would like to be thought of as being common sense regulator, let us know how we can help you.

Aloha,

George W. Sumner III, ACI

Website Additions



Japanese translated pages added!

Japanese translations of several web pages are now available -- just look for the Japanese flag (Hinomaru, or "sun disc") for translation of that page. Many thanks to the

HCIC members who contributed their time and efforts in producing these translations. Also just launched: HCIC directors, officers, and committee chairs can now access HCIC organizational and procedural documents at their fingertips through a special password protected section of hawaii captives.com.

NEW ON
www.hawaiicaptives.com

Green fees for guests of the JW Marriott Ihilani Resort & Spa (conference host hotel) will be \$159 plus taxes, greens fees for Kamaaina will be \$75 plus taxes

On The Green

During the HCIC Forum 2010 - Come join fellow HCIC Education Forum participants at the Ko Olina Golf Club for an informal morning on the links. Ko Olina Golf Club is Oahu's premier ocean view Championship Golf course. This Ted Robinson

designed 18-hole Championship Golf course provides exceptional water features, multi-tiered greens, expansive landing areas, no parallel fairways and measures up to 6,867 yards from back tees. Ko Olina Golf Club features the ProLink GPS System with a golf course map,

yardage, and scoring capabilities. A group of tee-times is being held specifically for our group, so please reserve your space now by contacting Jason Palmer at (808) 521-0730 or jason.palmer@willis.com.

J.P. Schmidt Resigns

J.P. Schmidt, has resigned from his position as Insurance Commissioner to join the Honolulu law firm of Bays Deaver Lung Rose Holma, effective July 1.

Schmidt will be practicing General Business, Corporate and Government Regulatory Law with particular concentration in Insurance, Health and Captive Insurance matters. Schmidt was appointed Insurance Commissioner in February of 2003 and has served longer than any prior State Insurance Commissioner. In Hawaii the average term for insurance commissioners is two and a half years.

The Insurance Commissioner position is an appointed position and with gubernatorial election coming this November and the current governor, Linda Lingle, barred from seeking third term, a new governor will be elected in Hawaii and will certainly make a new appointment. The Captive Insurance Administrator, George Sumner, serves at the pleasure of the Insurance Commissioner. In the past election cycles, the Captive Insurance Administrator has not turned over with a new Insurance Commissioner. The prior Captive Insurance Administrator, Mr. Craig Watanabe, served two different Insurance Commissioners under both Democratic and Republican administrations. The Captive Insurance Branch enjoys broad bipartisan support from its elected officials.



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The captive industry is a leading example of government and private sectors working in partnership. The Hawaii Captive Insurance Council, comprised of Hawaii captive owners and service providers, works in concert with State of Hawaii captive regulatory authorities to develop a stable, top-quality environment for Hawaii captives. To learn more, please visit our website: www.hawaiicaptives.com

The Premiere Domicile of the Pacific

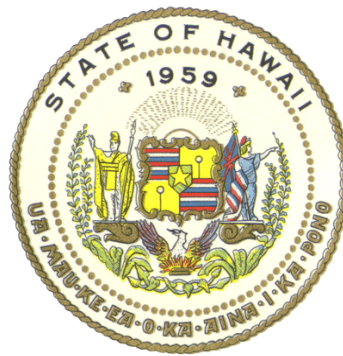
Legislative Updates continued...

2. Clarifying that the protected cell of a sponsored cell captive insurance company may be organized and operated in such forms of business organizations authorized by the Commissioner, specifically including associations, corporations, limited liability companies, partnerships, or trusts.

With the passage of **H.B. No. 2136, S.D. 1** (enacted as Act 43 on April 21, 2010), Hawaii's non-profit captive insurance companies that are recognized as section 501(c)(3) companies would be able to make member or affiliate distributions, subject to Division approval.

We are also pleased to report that as a result of strong opposition by HCIC, many captive insurance companies, and the Division, **H.B. No. 2851**, which proposed to increase premium taxes for all

insurers, including captives, was amended by the House Finance Committee on February 22, 2010, to delete the provisions relating to captives. On March 16, 2010, the Senate Commerce and Consumer Protection Committee held the bill, effectively killing the bill this session.



<http://www.capitol.hawaii.gov>