



# Quality, not quantity

Slow and steady growth has served the state of Hawaii well and continues to be one of the reasons it is consistently on the list of top domiciles for captives, says Paul Shimomoto of the Hawaii Captive Insurance Council.

**T**he state of Hawaii matched its best year ever since 1986 with its formation and licensure of 30 new captive insurance companies in 2017. Eighty percent (24) of the new captives were pure/single-parent captives; 10 percent (three) were reinsurance-only captives, 6.6 percent (two) were risk retention groups and 3 percent (one) was a sponsored (protected cell) captive.

In keeping with Hawaii's strong attraction as a domicile for companies in the western states, 46.67 percent (14) of the newly-formed captives were formed by companies located in those states, while 16.67 percent (five) were formed by companies based in the central US. Notably, 36.67 percent of the newly formed captives were formed by parent companies located in Japan. Also consistent with Hawaii's history of attracting diverse clientele, the new captive owners come from various industries, which include financial services, retail, manufacturing, construction, real estate, healthcare,

and transportation. As of December 31, 2017, there were 230 active licensed captive insurance companies domiciled in the state.

Hawaii remains a premier US domicile for captives because, unlike other captives domiciles, Hawaii has a separate and dedicated captive insurance branch within the greater insurance division of the state of Hawaii. This captive insurance branch with its dedicated captive insurance examiners and professionals means the state of Hawaii recognises the unique and dynamic features of captive insurance that require a different approach to regulation than traditional insurance companies.

A dedicated captive insurance branch also means captive insurance companies and their owners can be assured that there are regulators who understand their specific needs and desires and are willing to work in partnership to achieve them. Also, captive owners have



## Hawaii

\$23 million in economic benefits to Hawaii through various taxes and fees, professional services, annual conferences and visitor industry business.

Hawaii was ranked third in the US based upon total premium written, fourth in the US for largest captive domiciles and 11th in the world based on total number of active captive licences.

### Looking east

Hawaii is also expanding its reach into a developing captive insurance market in Japan. Through the Hawaii Captive Insurance Council (HCIC), the state captive insurance trade organisation, Hawaii has conducted captive insurance seminars and has fostered deep and meaningful relationships in Japan for nearly 15 years.

In May, the HCIC sponsored its first Japanese captive owners' summit in Tokyo. Hawaii is strategically located in the middle of the Pacific and maintains deep cultural ties to Japan, making it a natural location for Japanese companies to domicile their captives. ■

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consistently indicated that Hawaii is a preferred domicile because of its longevity in the industry, noting that Hawaii's enabling captive legislation has been on the books since 1986 and its first captive was licensed in 1987.

Slow and steady growth—with quality, not quantity, being its mantra—has served the state well and continues to be one of the reasons it is consistently on the list of top domiciles for captives.

Hawaii also distinguishes itself in how it views the size and vibrancy of its captives industry. Where other captive domiciles might simply quote the number of licences issued as their measure of success, Hawaii focuses on more meaningful data.

In 2016, Hawaii's captive insurers: 1) wrote more than \$6.22 billion in premiums; 2) had nearly \$1.05 billion in assets invested with Hawaii-based financial institutions; and 3) generated approximately