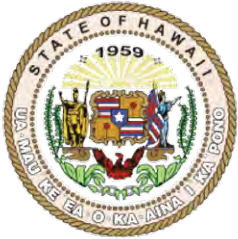


Hawaii to Captives: 'Ho'olu Komo la Kaua' (Please Join Us)

George Sumner, Hawaii's Captive Insurance Administrator, says: "This is our 25th year of having captives licensed in Hawaii, so we are very experienced, and based on our numbers we obviously are doing something right." The following are excerpts of that interview.



World class
captive domicile

175 active formations

Provides dedicated
resources to captives

GEORGE W. SUMNER III, ACI

Hawaii's Captive Insurance Administrator

“We want to be positive and friendly regulators, but at the same time don't let any shenanigans happen.”

How Hawaii maintains a competitive advantage:

There are about 36 states that either are already in or in the process of trying to get in the captive arena, so we're just doing what we have been doing and that's good and balanced, common sense regulation. We're also looking at adjusting our cap on premium tax to attract more of the larger captives. We have had great success in that area, but believe we can do better. By the end of this year, we expect to have between \$17 billion or \$18 billion from \$7 billion in 2009 in assets, so we must be doing something right here.

What's taking place in the way of new formations:

We've seen quite a few re-domestications. Also we're seeing things like workers' compensation, GL and auto liability. What's more, we're seeing an influx of employee benefits captives. For example, Imi Assurance Inc. set up a captive here and was successful in establishing employee benefits. To service this growth, we have 10 people in our Captive Insurance Branch and we have plans of expanding further as a result of the growth we're seeing in the captive formations here.

The regulatory environment in Hawaii: Because of my experience in the private sector, the Captive Branch is more business friendly. We will work hard to help businesses establish what they need to achieve here. That being said, from time to time we are tough on those looking to undermine the domicile's regulation. We have had to shut down a few, and it is not something that we like to do, but it's a necessity to protect the reputation of both the state of Hawaii and the companies who have entrusted us with establishing their captives here.

Plans moving forward: Hawaii will continue to look at ways to be responsive to the needs of businesses. When issues arise with respect to captives, we will seek practical and responsible solutions; one such issue is regarding fronting by RRGs. We are working with the NAIC and states to seek clarity on the issue of fronting by RRGs. There are some states that require you to front and there are some states that say you cannot. Our vision is to continue leading the way in the industry with innovation and flexibility.