



DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
Insurance Division

DCCA News Release

LINDA LINGLE
GOVERNOR

LAWRENCE REIFUTRTH
DIRECTOR
Phone: (808) 586-2850
Fax: (808) 586-2856

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INSURANCE COMMISSIONER HOSTS SEMINAR ON CAPTIVE INSURANCE IN JAPAN

HONOLULU – Insurance Commissioner J. P. Schmidt and Captive Insurance Administrator George Sumner hosted a captive insurance seminar, with 145 attendees, at the Imperial Hotel in Tokyo, Japan on Monday, November 9. The seminar’s content comprised of the economic benefit of a captive insurance company and the benefits of setting up a captive in Hawai‘i versus other jurisdictions.

“Each year, we invite risk managers and executives of companies in Japan to our seminar,” stated Commissioner Schmidt. “We also set up individual meetings with captive owners, prospective captive owners, traditional insurers, and the U. S. Embassy in Tokyo. On this trip we will meet with top executives of Aioi Insurance Company (part owner DTRIC Insurance Co.), Tokio Marine and Fire Insurance Co. (part owners of First Insurance Co. of Hawaii) and Fuji Fire and Marine Insurance Company.”

Hawai‘i is the number one domicile in the world for Japanese companies to form captives. Currently, Hawai‘i has 18 captive insurance companies that are ultimately owned by Japanese companies. Hawai‘i is the second largest domicile in the United States with 163 active captives, and 10th largest in the world. Based on the combined capital assets of the captives, Hawai‘i is the fifth largest domicile in the world.

“We have a long standing historical and cultural relationship with Japan, and thus can better help the company achieve its goals,” said Captive Administrator George Sumner. “Interest in new captives in Hawai‘i continues to be strong, and Hawai‘i’s captive industry continues to do a superior job in meeting the dynamic insurance and risk financing needs of businesses in the U.S. and abroad.”

Hawai'i is one of the few captive jurisdictions in the world, which maintains a dedicated branch within the government to provide for the prudent regulation and development of this special kind of industry.

Professionals in the captive branch are led by Chief Examiner Judy Nako, a Certified Public Accountant and Certified Financial Examiner, and serves as a Board of Governor for the Society of Financial Examiners. Other professionals in the branch includes Certified Public Accountants, Certified Financial Examiners and insurance regulation specialists who provide for the monitoring, surveillance and development of all Hawai'i licensed captives.

Since Hawai'i's captive law was enacted in 1986, the state has issued 221 captive licenses, of which 163 are active today. For the year ended December 31, 2008, Hawai'i's captive industry had estimated total combined assets of \$7.0 billion, which approximately \$1.1 billion was invested in or through Hawai'i-based financial institutions. The economic impact of this captive industry has brought approximately \$20 million in direct spending to Hawai'i, with local professional services, board of directors meetings, and other ancillary spending.

"The evolving needs of business owners and the dynamic environment in which they operate has made it imperative for us to maintain appropriate technical expertise in the regulation and development of this unique industry," said Schmidt. "Because of independent funding from the industry, Hawai'i will be adding two additional examiners at this time when most domiciles are cutting back."

Captive insurance is a kind of formal self-insurance, where large companies set up their own insurance company to cover their risks. Smaller companies may take advantage of a similar alternative risk management approach by banding together in a risk retention group.

For more information, contact the Captive Insurance Branch of the Insurance Division at (808) 586-0981 or log on to the branch's website at www.captiveinsurance.hawaii.gov.

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For more information, contact:
Christine Hirasa
Public Information Officer
Phone: 586-2622
Email: chirasa@dcca.hawaii.gov