

MARSH CAPTIVE SOLUTIONS: HAWAII

Marsh Captive Solution's Hawaii domicile office is the largest captive manager in the state, managing about a third of the domicile's captives. Our clients originate from the US and Japan representing a variety of industries, including healthcare, education, manufacturing, energy technology, financial services, hospitality, and construction. We have an excellent reputation as the leading captive manager.

GENERAL INFORMATION

Location	Hawaii is a group of islands located in the Pacific Ocean approximately 2,500 miles from the west coast of the United States mainland.
Accessibility	Direct flights are available to Hawaii from many US cities, including Chicago, Dallas, Detroit, Los Angeles, New York, Las Vegas, Phoenix, Portland, San Francisco, and Seattle. Direct flights are also available from several major Japanese cities.
Applicable Legislation	Act 253, effective July 1, 1987, subsequently revised and re-codified effective July 1, 1988 as Article 19 of Chapter 431, Hawaii Revised Statutes.
Regulatory Agency	Department of Commerce & Consumer Affairs – Insurance Division, Captive Administration Branch.

REGULATORY ISSUES

Acceptable Insurance Subsidiaries	Class 1: pure captive that only writes business as a reinsurer. Class 2: pure captive that is not a Class 1 (can write direct or reinsurance business). Class 3: association captive or risk retention group. Class 4: leased capital facility (protected cell captive). Class 5: reinsurance or excess insurance company.
Acceptable Corporate Forms	Stock, mutual, or reciprocals.
Permitted Business	All property and casualty lines; personal lines under certain circumstances upon approval of the Commissioner.
Direct Insurance Permitted	All permitted business.
Reinsurance Permitted	Any line of insurance, upon approval of the Commissioner.
Policy Form and Rate Approval	Not required.
Local Office Requirement	Principal place of business. At least one Board of Directors meeting held annually in Hawaii (can be by teleconference).

Head of Office

Scot Sterenberg

Senior Team

Toni Kanehira
Sanford Saito
Annie Woo

Office Address

745 Fort Street, Suite 1100
Honolulu, HI 96813-3800 USA

T: +1.808.585.3500

F: +1.808.585.3513

MARSH CAPTIVE SOLUTIONS: HAWAII CONTINUED

CAPITALIZATION & SOLVENCY REQUIREMENTS

Minimum Capital	<p>Class 1: US\$100,000 Class 2: \$250,000 Class 3: \$500,000 Class 4: \$1,000,000 Class 5: Not defined by Statute.</p> <p>Minimum capital and surplus is determined on a case-by-case basis. The Commissioner reviews the proposed captive operations and determines the appropriate level of capitalization. The amounts listed above are the minimum statutory levels. The captive's minimum statutory capital and surplus must be maintained in the form of cash, public obligations, irrevocable letter of credit issued by a bank chartered in the state of Hawaii or a member bank of the Federal Reserve System and approved by the Commissioner, or another investment approved by the Commissioner.</p>
Premium Taxes	<p>Premium taxes are imposed on gross direct written premium received on risks located in Hawaii or those risks located outside of Hawaii which have not been taxed at source. Premium taxes are waived on reinsurance premium assumed. The premiums tax is in lieu of all other state taxes except real and personal property taxes.</p> <p>Tax Rate 0.25% on first US\$25 million. 0.15% on next \$25 million. 0.05% thereafter up to \$200 million.</p> <p>Maximum premium tax is \$200,000.</p> <p>Premium tax is not assessed on reinsurance premiums assumed by the captive or on premiums that have been previously taxed in another jurisdiction.</p>
Intercompany Loans	Subject to the approval of the Insurance Commissioner.
Investment Restrictions	<p>Funds must be invested in accordance with regulations governing all Hawaii insurers, except that pure captives may obtain approval from the Commissioner for investments not specified in the insurance code.</p> <p>Pure captives may invest in accordance with a strategic investment policy approved by the captive's Board of Directors and the Insurance Commissioner.</p> <p>Investment guidelines are located in Article 19 of Article 6 Chapter 431 of the Hawaii Revised Statutes.</p>
Taxation	Income generated by the captive will be subject to the federal tax rate of the captive parent (assuming the parent is US-based); otherwise, the captive income will initially be subject to the US federal rate and consolidated at the rate of the foreign parent. The State of Hawaii does not impose an income tax or excise tax on Hawaii domiciled captives.
Reporting Requirements	<p>Audited financials.</p> <p>Certified loss reserves.</p> <p>NAIC statutory annual statement (RRG and Association Captives only).</p>