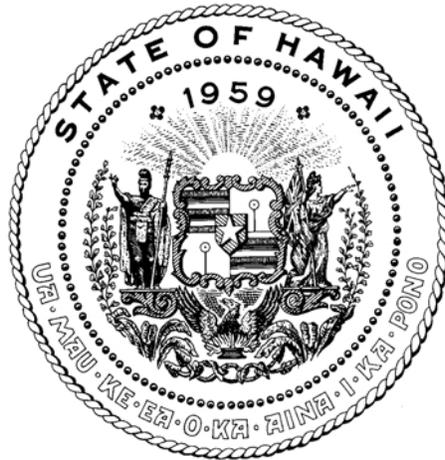


**2007 Annual  
Compliance Resolution Fund Report  
to the Legislature**



**DEPARTMENT OF COMMERCE  
AND CONSUMER AFFAIRS**

**STATE OF HAWAII**

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## INTRODUCTION

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### OVERVIEW

The Department of Commerce and Consumer Affairs (DCCA) submits its Annual Compliance Resolution Fund Report. As mandated by section 26-9(o) of the Hawaii Revised Statutes, DCCA describes the use of the Compliance Resolution Fund (CRF) by presenting individual overviews of the functions and activities of the various DCCA programs funded by the CRF, and provides a financial summary of the expenditures made from the fund including personnel and operating expenses, as well as revenues received. In addition, the report addresses throughout the department's compliance with the reporting requirements contained in Act 100 (1999) regarding the statement of goals, objectives and policies.

The CRF, in existence since July 1, 1996, evolved into the primary funding source for the various DCCA programs as the department moved its operations away from support by general tax revenues to funding by fees and charges generated by its various programs. Pursuant to section 26-9(o), Hawaii Revised Statutes, fees shall be assessed and deposited into the CRF for the issuance of a license, permit, certificate, or registration, subsequent renewals, together with all other fines, income, and penalties collected or reimbursement of costs or attorneys' fees assessed as a result of actions brought by the department. The director may use the moneys in the fund to employ and train hearings officers, investigators, attorneys, accountants, and other necessary personnel for CRF funded operations, and the fund shall defray all other administrative costs, including costs of operating the supporting offices of DCCA. Any other activity related to compliance resolution may also be funded by the CRF. "Compliance resolution" means a determination of whether:

- (1) Any licensee or applicant under any chapter subject to the jurisdiction of the department of commerce and consumer affairs has complied with the requirements of chapter;
- (2) Any person subject to chapters 485, 467B, 514E, and section 485-6(15), Hawaii Revised Statutes has complied with the applicable requirements; or
- (3) Any person has complied with the prohibitions against unfair and deceptive acts or practices in trade or commerce.

By Fiscal Year 1998-1999, eight DCCA programs were part of the CRF: Business Registration Division, Professional and Vocational Licensing Division<sup>1</sup>, Regulated Industries Complaint Office, Office of Consumer Protection, and the Director's Office with its supporting offices of Administrative Services, Information Systems and Communications, and Administrative Hearings (ISCO).<sup>2</sup> Act 129 SLH 1999,

<sup>1</sup> In addition, PVL administers a number of trust funds, such as the real estate education fund, real estate recovery fund, condominium management education fund, contractors' education fund, and contractor's recovery fund. These funds are not included in the CRF.

<sup>2</sup> The Director's Office provides general policy and administrative leadership in supervising and coordinating the various department activities. Personnel management services are provided by the Director's Office, while Administrative Services provides programs with centralized budgeting, accounting, personnel management, and organizational analysis support as well as centralized clerical services. Information Systems and Communications provides system and technical computer support services for the various DCCA programs. Administrative Hearings conducts formal administrative hearings for the department

effective July 1, 1999, expanded the CRF to include the Division of Consumer Advocacy, Division of Financial Institutions, and the Cable Television Division. Act 39, SLH 2002, effective July 1, 2002 merged the Insurance Regulation Fund, the primary funding source for the Insurance Division, into the CRF. Except for trust and special funds with dedicated purposes<sup>3</sup>, the CRF provides the sole source of funding for DCCA since calendar year end 2003.

**GOALS and OBJECTIVES**

The Department’s goals and objectives are reflected in the sum of those stated by each of its divisions throughout this report. ADMIN’s various functional areas have adopted the following objectives, goals and measures:

Functional Area	Objective	Goal	Measure
Director’s Office	Balance the department’s revenues and expenditures in light of department’s self-funded status	Bring department’s beginning year cash reserves to 9 months of budget ceiling plus overhead	Degree of cash reserve reduction until department reaches 9 month goal.
	Timely and complete responses to customer inquiries / complaints.	95% of all initial non-rhetorical customer inquiries / complaints properly addressed (or acknowledged) within 5 business days	Percentage of inquiries / complaints sent to the Director’s Office addressed (or acknowledged) within 5 business days.
Personnel Office	Accurately process personnel transactions in timely manner.	100% processing of actions within time frame allotted to complete the transaction	Percentage of personnel transactions processed properly and timely.
Fiscal Office	Review and process all departmental expenditures.	100% timely processing of payments.	Percentage of late payments processed.

programs and various attached boards and commissions, and also administers the Medical Claims and the Design Professional Conciliation Panels, and hears appeals of the State procurement code. The CRF financial summary for the Director's Office, Administrative Services, Information Systems and Communications, and Administrative Hearings for FY 06-07 is: Personnel Expenses \$3,285,600, Operating Expenses \$1,574,578, Total Expenses \$4,860,178, with Revenues Received of \$116,283.

<sup>3</sup> The Professional and Vocational Licensing Division has the following trust funds: Real Estate Recovery, Real Estate Education, Condominium Management Education, Contractor’s Recovery, Contractor’s Education, Real Estate Appraisers, Travel Agency Education, all of which are managed and controlled by the respective licensing boards. The Insurance Division has the following trust funds: Insurance Commissioner’s Education, Patient’s Compensation; and the following special funds: Driver’s Education and Captive Insurance. The Regulated Industries Complaint’s Office has the Motor Vehicle Arbitration trust fund, and the Office of Consumer Protection has a Restitution trust fund. Additionally, the Hawaii Hurricane Relief is administratively attached to DCCA, and their Board of Directors (rather than the director of DCCA) manages and controls the Fund.

	Provide cashiering services for all payments and collections made to the department.		
Administrative Services Office	Provide timely clerical support to divisions regarding mail, duplication projects and word processing.	Timely collection and distribution of mail. Complete requests within deadline.	Percentage of requisitions completed in a timely manner.
	Timely and complete response to division inquiries and complaints.	Timely address and answer all division concerns.	Percentage of concerns addressed (or acknowledged if time does not permit) within 5 business days.
ISCO	Find, acquire, implement and maintain information technology that improves the divisions' operations and allows them to provide better customer service.	Use DCCA IT staff to enhance DCCA's information systems. Increase IT staff efficiency. Train DCCA staff on IT systems. Improve web interfaces.	Reduce vendor supported projects by 50%. Reduce backlog of work orders to 250. Reduce number of work orders received by 5%. Change 4 online searches to look and operate in a similar manner.

**ACCOMPLISHMENTS**

The overall CRF financial summary for FY 06-07<sup>4</sup> is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$23,273,189	\$9,365,483	\$32,638,672	\$31,485,219

The department's financial strategy requires generally that revenue-generating divisions secure revenues to cover division expenses, and contribute equitably to non-revenue generating divisions, while ensuring that anticipated major improvements are addressed and a portion of next year's operating expenses is available. This ensures solvency of the fund and continuation of mandatory services to the public. From the onset of the CRF, the department's primary fiscal goal was to implement this strategy and

<sup>4</sup> The CRF financial summary relating to ADMIN (director's office, personnel, administrative hearings, fiscal and administrative services offices and ISCO) for FY 06-07 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$3,285,600	\$1,574,578	\$4,860,178	\$432,459

as a result, we were very conservative in our spending and reduced expenses by the elimination of offices.<sup>5</sup> Accordingly, the department's financial planning has taken into account current fiscal year expenses, and planning for future major projects and expenditures.

In the Information Technology (IT) area there were three major accomplishments this year: (1) enhancement of the Business Registration system to improve the processing of Internet filings; (2) enhancement of the Business Registration system to handle statutory changes to the General Partner/Limited Liability Partnership entity type; and (3) creation of a new information management system for the Division of Financial Institutions.

With respect to the improvements of the Business Registration Internet filing process, the system's information validation features were enhanced and now inform filers in real-time of incorrect or nonresponsive entries. This enables filers to make corrections while they are inputting information, thereby minimizing the rejection rate and reducing the potential frustration of filers. Since 2001, Internet filings have continued to grow, and now represent 50% of all Business Registration filings. Internet filings help to significantly reduce the work performed by DCCA's Business Registration staff by making better use of the information that filers input.

The changes to the General Partner/Limited Liability Partnership entity type have simplified the filing of annual reports for these entities.

The Division of Financial Institutions' new information management system has greatly improved the staff's ability to access and track applications, correspondence, and other information relating to regulated entities.

Internally, ISCO: (1) migrated the DCCA network operating system to a single standard; (2) worked collaboratively with DBEDT to enhance its legislative bill tracking system; (3) made enhancements to the DCCA electronic G1 leave system; (4) added the new Business Action Center Maui Office to the DCCA computer network; and (5) added scanning capability to all divisions. Externally, ISCO also worked with the DCCA divisions to ensure that all DCCA forms that are available on the Internet are fillable and have a consistent approach for customers to fill in fields.

Improvements underway at this time include: (1) enhancements to the department's complaint system to provide better complaint history information to the public; (2) the replacement of DCCA main database servers and upgrade of its associated software; (3) making Business Registration documents available via the Internet; (4) providing a more structured approach to managing Internet forms; and (5) replacement of the department's Interactive Voice Response telephone system hardware and software with a more efficient and effective system.

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<sup>5</sup> The Hawaii Public Broadcasting Authority ("HPBA") was a program of DCCA until June 30, 2000, after which (and pursuant to Act 63 SLH 1999) all licenses and assets of HPBA were transferred to the non-profit Hawaii Public Broadcasting Foundation. The Hawaii Claims Office ceased operations under chapter 674, Hawaii Revised Statutes, in the fall of 1999.

## **CONCLUSION**

The department continues to make a concerted effort to expand and improve its use and operation of information technology as a means to improve efficiency and effectiveness of our programs. Although this effort has been focused for the past six years on creating new and better services for our customers, there is a strengthening parallel effort to make ISCO into a strong and resilient organization that can sustain this growth, while effectively maintaining and ensuring the integrity and reliability of the systems it is responsible for.

## BUSINESS REGISTRATION DIVISION (BREG)

website: [www.BusinessRegistrations.com](http://www.BusinessRegistrations.com)

e-mail address: [breg@dcca.state.hi.us](mailto:breg@dcca.state.hi.us)

### OVERVIEW

The Business Registration Division (BREG) has three primary functions. Its ministerial registration duties include the processing and maintaining for public access registrations of corporations, general and limited partnerships, limited liability partnerships, limited liability limited partnerships, limited liability companies, trade names, trademarks and service marks. It provides point-of-service information and assistance to the public to help facilitate, coordinate and simplify the application process for customers who wish to register with the State in the areas of business, tax and employment. Its regulatory function includes substantive regulatory oversight of the securities industry in the State of Hawaii in the following areas: (1) registration of broker-dealers, securities salespersons, investment advisers, investment adviser representatives, investment companies and securities and franchise offerings for sale in the State, (2) examination of the books and records of broker-dealers, securities salespersons, investment advisers, investment adviser representatives, (3) examination of securities and franchise offerings for sale in the State, and (4) the enforcement of the Uniform Securities Act.

### Composition

The division's main offices are located at 335 Merchant Street, Honolulu, HI 96813 on the second floors. It also occupies two Business Action Center (BAC) offices: one at 1130 North Nimitz Highway, Second Level, Suite A-220 Honolulu, HI 96817 and one at 70 E. Kaahumanu Ave., Unit 8-9, Kahului, HI 96732.

In order to carry out the division's primary missions, the division is segregated into four separate branches: (1) the Documents Registration Branch, (2) the Business Action Center Branch, (3) the Securities Compliance Branch, and (4) the Securities Enforcement Branch. These branches are supported by a fifth branch, the Office Services Branch. The division's staff includes attorneys, investigators, securities examiners, an auditor, a business center specialist, a securities investor education specialist, business registration assistants and clerk-typists, legal stenographers, licensing clerical staff, clerical support staff and administrative staff.

The **Documents Registration Branch** maintains the business registry for all corporations, limited liability companies, general partnerships, limited partnerships, limited liability limited partnerships and limited liability partnerships conducting business activities in the State. In addition, the registry contains trade names, trademarks and service marks. This branch consists of the Documents Information Section, the Documents Processing Section and the Records Section.

The **Business Action Center Branch** runs business centers on Oahu and on Maui that provide point-of-service information and assistance to the public primarily to facilitate, coordinate and simplify the application process with the State for business, tax and employer registration and licensing purposes. The BAC accepts BREG filings and fees and also serves as an information clearinghouse that provides general information on State and Federal laws and rules, county ordinances and financial assistance programs related to business or commerce activities. Services are delivered in-person at the center and via phone,

e-mail, mail, fax, and Live Chat (an instant messaging system which allows customers on the Hawaii Business Express website to obtain live help).

The **Securities Compliance Branch** handles the registration activities for the securities industry operating in the State. This includes the registration of securities broker-dealers, securities salespersons, investment advisers, investment adviser representatives, investment companies, securities offerings, and the filing of franchise offering circulars in the State. The branch is also responsible for conducting field examinations of the books and records of securities broker-dealers and their salespersons, investment advisers and their representatives registered in the State.

The **Securities Enforcement Branch** enforces the state laws governing the securities industry, the Uniform Securities Act, by investigating and taking legal action against those persons and/or firms, both registered and unregistered, who violate securities laws or purposely evade them. The branch has also worked in conjunction with other government agencies such as the Securities Exchange Commission, the Office of Consumer Protection and the Insurance Division in DCCA, the Honolulu Police Department's White Collar Crime Unit, the State Attorney General's Offices, the U.S. Bankruptcy Trustee, and other federal and state securities and law enforcement agencies.

## **GOALS, OBJECTIVES and ACCOMPLISHMENTS**

### ***Documents Registration Branch***

The Documents Registration Branch is supervised by one branch supervisor and three section supervisors. It provides an invaluable service to the business community in assuring that the information on file is readily available, accessible, and current in order to support commercial activities in the State. Without the availability of this information to the business community, commercial activity in the State would be substantially impaired, since the business community often relies on the information on record to support the extension of trade credit, commercial leases, real estate transactions and the delivery of financial services.

The Documents Registration Branch processed over 115,000 documents this year and maintains the public registry of over 140,000 active business entities. The active files include business entities that have been on record with the State for over 100 years. Information is also retained for business entities that have been dissolved or cancelled. Minimal information must be kept for these inactive files for the purposes of research, litigation, real estate transactions, and general business use.

As part of an effort to make the Documents Registration Branch as convenient as possible for the public, we have been working to advance the computerized information systems so we can process and record documents with enhanced speed and accuracy. We have also been working to increase and improve online services including currently developing a system to permit the public to review and retrieve filed documents online. The first compilation of documents is expected to be available online by January 2008 and we expect to be substantially completed with the remaining documents by the end of next year.

### *Goals and Objectives*

The goal of the Documents Registration Branch is to become one of the fastest, most efficient, customer-oriented business registries in the nation. To accomplish this goal, the branch has the following objectives: (1) review and implement policies and procedures designed to achieve a level of efficiency in processing document filings and information requests in a timely manner consistent with industry best practices; (2) continue to modernize the business laws so that they track as closely as possible the most current versions of the best uniform or model laws; (3) enhance the information systems to improve retrieval, processing and recording of filings and (4) provide the public easy access to records and services online, in particular to have a fully developed process to retrieve documents online by the end of next year.

### *Accomplishments*

The branch completed a major system improvement this year that automated the transfer of data directly into the databases for online initial and annuals filings. This data transfer project was a major undertaking that resulted in increasing the speed of processing documents and consequently reduced backlogs dramatically. Over the past two years, annual backlogs ranged between 1700 and 6700 documents, averaging around 3600. After the completion of the project, annuals backlog has averaged around 1111, dropping as low as 88. This is a marked improvement in efficiency.

The branch has also actively looked to improve and automate online services for the public. The branch currently accepts a total of 18 different online filings. We are working to add more online filing of forms in the upcoming year. The branch has also entered into a partnership with software vendors to develop a system that will give the public the ability to view and retrieve filed documents online. This project was initially targeted for completion this year but was delayed due to the heightened concern with redacting private information. Despite the increased complexity, the branch expects to have all trade mark, trade name and service mark documents online for public review and purchase by January 2008. Other groupings of documents will follow.

Additionally, all forms that the branch generates are now available online for the public to download. Name searches, certificates of good standing requests and filing of annual reports and annual statements can all be done online. The branch also maintains its Hawaii Business Express website that allows customers to submit one filing through the internet portal to complete three different filings: register their business entity with the Department of Commerce and Consumer Affairs, obtain a general excise tax number with the Department of Taxation and obtain an identification number with the Department of Labor and Industrial Relations.

The branch is also working on an ongoing project that will improve the tracking of transactions and fees which will improve fiscal accountability. In an effort to be more environmentally aware and to increase efficiency, the branch is also in the process of transitioning the public from paper annual reminders to electronic reminders of when to file annual reports. This transition is expected to be completed by October of next year.

The branch continues to upgrade its website that can be found at [www.BusinessRegistrations.com](http://www.BusinessRegistrations.com). We were one of the first business registries in the country with the technological and legal infrastructure in place that allows both online incorporation and annual filing and we continue to be one of the most

efficient and technologically advanced. In fact, the branch was awarded first place for our online services by the International Association of Commercial Administrators this year, the second year in a row.

### ***Business Action Center Branch***

The BAC branch is supervised by a business center specialist who is responsible for five business registration assistants and two offices. The BAC runs a business center on Oahu and opened a new permanent site in Kahului, Maui in April 2007. Both offices offer point-of-service assistance and information to help facilitate, coordinate and simplify the application process for those who wish to register with the State in the areas of business, tax and employment. Customers interested in starting a business receive one-on-one assistance while completing necessary business license and registration applications. Customers can also submit applications instantly, receive certain temporary tax licenses and pay fees at the center.

With the popularity of online registration increasing through Hawaii Business Express (HBE), the BAC also provides the support for "Live Chat," HBE's instant messaging system accessible to online filers who have registration questions, as well as e-mail, fax and phone support for HBE or any other filers. The BAC also encourages online filing by referring customers to the HBE website and providing designated terminals in the offices for customer use. Online filing reduces the number of paper filings over-the-counter at BAC while also increasing customer efficiencies. For the current calendar year, the number of HBE filings was 51,063, a 10% increase from the same period last year.

In addition, BAC acts as a clearinghouse of information for broader business-related matters. For other industry-specific licenses and permits, the BAC provides application forms and information for obtaining them from the respective state, federal or county offices. The BAC also provides general business start-up information and refers prospective business owners to a broad spectrum of public and private nonprofit technical assistance organizations which assist new and existing businesses with counseling, and business seminars and other training or entrepreneurial education programs.

The BAC branch assisted nearly 16,000 customers over the counter or via phone, e-mail, fax, and Live Chat in FY07. It helped process approximately 8,000 filings. Through 24 outreach sessions that included presentations on filing and licensing requirements for start-up businesses and entrepreneurs on Oahu and Maui, we spoke to approximately 350 new businesses owners.

### ***Goals and Objectives***

The goal of the BAC is to be the most responsive and helpful point-of-service business center for business registration and licensing assistance to as many businesses in Hawaii as possible. The BAC began expansion plans to Hilo this year and objectives for the fiscal year ending June 30, 2007, will be: (1) to begin a pilot program in Hilo to bring BAC services to that community; (2) to explore better ways to accept business, employer and state tax registration filings from the remote BAC sites such as Maui and Hilo; (3) to continue seeking ways to reach communities in need of business registration assistance; (4) to continue working closely with other state agencies (including cross-training) to implement law changes that affect businesses to help increase compliance (for instance, the new retail tobacco tax permits); and (5) to continue to work with others in the business community to market the BAC's services.

### *Accomplishments*

In April of 2007, the BAC established a permanent presence in Kahului, Maui by partnering with the Maui County's Small Business Resource Center. The BAC now provides its business assistance services at the Maui Mall during regular state hours. We set up full computer support in Maui, hired a permanent employee to staff the Maui site and created training manuals for the new hire. The training manuals include information on the BAC's services and the procedures of the three state agencies with which we work - the Department of Commerce & Consumer Affairs, the Department of Taxation, and the Department of Labor.

In FY07, the BAC concentrated its efforts to reach other rural and/or remote areas. We worked with the Waianae Coast Coalition and participated in several business resource days on the west-side of Oahu, offering workshops, counseling sessions, and help with filing business, tax, and labor registration documents. We also worked with the Kuha'o Business Center on the island of Moloka'i to conduct a workshop and provided BAC services to that community. We are striving to meet the needs of these underserved areas.

The BAC hosts U.S. Small Business Administration representatives who offer financial services counseling to our customers once a week and the Hawaii State Bar Association's Business Law Section volunteer attorneys who answer business law questions at our Nimitz Office every Thursday free of charge. This year, the BAC also began working with the Service Corps of Retired Executives ("SCORE"). SCORE is a nonprofit organization partially funded by the U.S. Small Business Administration, which provides business counseling and mentoring services free of charge. BAC customers are paired with a SCORE volunteer, who may be an attorney, accountant, marketing expert, business owner in the same industry as the BAC customer, or other expert, depending on the needs of the customer. SCORE volunteers will meet in one-on-one sessions with the customer to offer advice. If no local SCORE volunteer fits the customers' needs, SCORE can find a volunteer with the requisite expertise through its nation-wide network of volunteers. These partnerships allow unique opportunities for small business owners to speak with experts on a one-on-one basis.

Lastly, the BAC's efforts were recognized by the Department of Commerce & Consumer Affairs through a nomination for the Team of the Year award. In addition, our senior Business Registration Assistant was awarded with the DCCA Service Award in recognition of her exemplary work and dedication to public service.

### *Securities Compliance Branch*

The Securities Compliance Branch of the division is supervised by a specialist who is responsible for the work of six examiners, five licensing clerical staff, and one secretary. The branch currently has approximately 73,000 securities salespersons and over 1,400 broker/dealer firms on record registered to sell securities. In addition, the branch has over 35 state registered investment advisory firms and over 1,500 registered investment adviser representatives on record. The branch also processed over 1,100 franchise offering circular filings and approximately 540 filings for the private placement of securities in FY07.

### *Goals and Objectives*

The goal of the Securities Compliance Branch and Securities Enforcement Branch is to become one of the most effective state securities regulatory agencies in the country. To accomplish this goal, the Securities Compliance Branch's objectives are to: (1) implement an ongoing comprehensive training program, (2) implement a regular field examination cycle for registered broker/dealers and state registered investment advisers, and (3) develop comprehensive investor education programs to improve investor awareness of fraud, increase financial literacy among students throughout the state and assist the public in protecting themselves from investment fraud and abuse.

With respect to investor education, in particular, we are currently in the process of (1) developing a fraud resource booklet that will list contact information for customers to find the right federal, state and local organization to help them. This is a multi-agency effort and the first of its kind in the country. We expect to launch the booklet in early FY 08; (2) continuing our partnerships with AARP and other state agencies in order to expand outreach to more remote areas of Hawaii, including the Wai'anae Coast, Waimanalo, parts of Maui and the Big Island; (3) continuing our efforts to keep our kupuna informed; (4) increasing financial literacy programs for our keiki; and (5) improving our website features and developing electronic media.

### *Accomplishments*

The staff continues to efficiently manage the volume of applications and renewals received this year and the number of pending applications for broker/dealers, investment advisers and their representatives remains very low. The field examination program continued throughout the year to provide examinations of broker-dealers and state-registered investment advisers in Hawaii. Examinations of broker-dealers and investment advisers located on all islands throughout the State are being conducted on a regular basis to provide onsite review of compliance with the books and records requirements under Hawaii State law.

The branch is also continuing its comprehensive training program for professional development of its securities examiners staff. Currently, the branch is supporting training leading to the Certified Regulatory and Compliance Professional from the FINRA Institute at Wharton. The division currently has two certified examiners and one additional staff member preparing to be certified.

Investor education continues to be another important mission, and substantial progress was made over the last year. The division was awarded the 2007 Investor Education Outreach Award for the most consumer outreach of any state, given by the North American Securities Administrators Association (NASAA) this year. Through our presentations and participation in fairs and other events, our division reached over 70,000 consumers in Hawaii over the last 12 months. We also implemented our "Kupuna 2007" initiative with the AARP to survey the investment habits of our seniors and to inform the public of our findings through radio, print and TV ads as well as earned news coverage. We also collaborated with the AARP, Sage Watch, the FBI and other organizations to promote increased investor self-protection among seniors on Oahu and the neighbor islands through the "Fraud Squad" program.

The division also partnered extensively with Hawaii Council on Economic Education (HCEE) to support financial literacy education for our keiki. For the fourth year in a row, we have supported a stock market simulation program which trains teachers to incorporate multi-media interactive stock market software into their curriculum to help teach students learn sound investing principles. From Spring 2004 to

Spring 2007, 525 teachers from 390 high schools in Hawaii have participated in this program and the program has reached over 17,400 students. The division looks forward to the program's continued growth.

We have also supported the initial year for two new HCEE programs. The first is Na Wai Puapua'i (Care for Our Future), a financial literacy curriculum that incorporates Native Hawaiian culture into the lesson plans. It includes traditional ʻōlelo noʻeau into the course work and was developed to be compliant with the No Child Left Behind Act, making it easier for teachers to adopt the curriculum. It is estimated to reach 1,200 students through 18 teachers this year.

The second program is the Economic Cadre, a statewide program to train key teachers to advocate economic education by incorporating it into any subject matter and encouraging other teachers and students to become involved. Thirty teachers from across the state will receive specialized training that will teach them to assist schools within their complex areas to incorporate economics and personal finance in the classroom. It is estimated to reach 1,200 students statewide and to increase their financial proficiency overall.

The branch maintains nearly 60 different kinds of handouts, brochures, booklets, CDs, DVDs, guides & mini-guides covering a wide range of investor education topics from how to select an investment professional to how to avoid scams and fraud. We also have five new investor protection presentations and 20 special large print handouts that have been notably popular with our seniors. The branch distributed statewide over 90,000 of these pieces of information at presentations and fairs and through information racks over the last year.

### ***Securities Enforcement Branch***

The Securities Enforcement Branch of the division is supervised by a Senior Enforcement Attorney who is responsible for the regulatory enforcement activities of four attorneys, one supervising investigator, six investigators, one auditor, and five clerical staff. The difficult nature and complexity of the cases being handled by the branch is increasing every year. Cases involving multiple respondents, multiple complainants, and multiple bank accounts are occurring with much greater frequency today requiring extensive financial analysis.

The branch continues with the implementation of a comprehensive training program to improve the quality and efficiency of the securities enforcement work. The program consists of: (1) cross-training with licensing clerks and securities examiners of the Securities Compliance branch, (2) in-house training with panels of regulatory enforcement and legal experts from other regulatory and law enforcement agencies, academia, and industry, and (3) outside training classes and conferences.

### ***Goals and Objectives***

As mentioned above, the goal of the Securities Compliance Branch and Securities Enforcement Branch is to become one of the most effective state securities regulatory agencies in the country. To that end, the Securities Enforcement Branch's objectives are to: (1) implement a comprehensive training and development program that includes extensive cross-training (for all employees of both securities regulatory branches) and outside training courses and conferences, including training with other securities regulatory agencies, particularly those provided by invitation from the U.S. Securities and Exchange Commission and National White Collar Crime Center, (2) draft and assist in passing new securities legislation, (3) develop closer relationships with the media to engage their assistance in raising public

awareness of and increase self-protection against potential securities fraud and abuse by reporting on enforcement issues and cases, and (4) develop and implement procedures that will improve the timely and effective resolution of cases, improving the branch's overall effectiveness.

### *Accomplishments*

As a result of the enforcement work of the branch, the division issued four (4) orders to cease and desist, obtained two (2) final orders, five (5) consent orders, six (6) consent agreements and five (5) judgments in fiscal year 2007. The enforcement branch assisted with one (1) matter that was referred to criminal authorities for prosecution and resulted in one (1) criminal indictment and one (1) guilty plea to securities fraud. During the past fiscal year, the branch assessed approximately \$415,165 and collected \$262,081 in fines and penalties and issued four (4) bars from the industry. Criminal indictments filed in fiscal year 2006 resulted in a twenty (20) year sentence for securities fraud and a one (1) year jail term for another case in fiscal 2007.

In addition to enforcement work, the branch drafted and led the efforts to pass Act 95, a law that increases penalties for securities violations committed against seniors. It is one of the first laws of this kind in the nation with six other states and the U.S. Senate following suit and contemplating similar provisions this year. The branch also submitted an amicus curiae to the Hawaii Supreme Court in the matter of Fong v. Oh, a case that addresses the definition of securities.

The Securities Enforcement Branch has continued with the implementation of an extensive and comprehensive training program that includes: (1) outside training in the form of seminars and conferences specifically aimed at improving skills, staying up-to-date with the increasing complexity of cases and achieving more effective regulatory actions, and (2) frequent interaction with regulators in other states and, particularly in specific areas including variable annuities, investor education for youth and broker dealer operations. The training and interaction have resulted in more focused enforcement, effective impact on the market and increased attention on the use of conduct remedies and monetary penalties. Currently, the branch is supporting training leading to the Certified Fraud Examiners designation for investigators (4 certified) and the Certified Regulatory and Compliance Professional from the FINRA Institute for Professional Development for attorneys (2 certified).

The passage of the Uniform Securities Act that was completed in fiscal year 2006, updating securities laws originally implemented in the 1970's. The branch has now turned its efforts to drafting new rules to implement the new act that will become effective in July 2008. This rule drafting was a major undertaking this year and together with the new laws, will make Hawaii one of the leading states implementing the most recent uniformed securities laws.

The branch is responsible for responding to complaints from the new toll-free line to report investment fraud – 1-877-hi-scams, and the professional staff provided assistance to the investor education program by giving securities fraud presentations to the community. The branch continues to work with the department's communications director in order to publicize regulatory actions taken and raise public awareness of and increase investor self-protection against potential investment fraud and abuse.

The branch revised and streamlined the process to bring final judgments to court, developed internal investigator training and is working on improving the case management database system. The result has been more efficient and effective case resolution, better investigator-attorney relations and increased effective regulatory oversight of the securities industry and securities fraud in the State.

The CRF financial summary relating to BREG for FY 06-07 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$4,082,954	\$967,110	\$5,050,064	\$5,860,371

**CONCLUSION**

The Business Registration Division continues to receive an increasing number of applications, registrations, and complaints resulting in a growing demand for the essential government services involving the business registry, business action center, securities law enforcement, securities registration and investor education outreach. The growing demand for the division’s services has necessitated improved information systems to handle the workload, more sophisticated online support, increased training to improve the quality of regulatory oversight, increased personnel and constant attention and commitment to re-engineering and adaptation to the changing, increasingly complex needs for service.

## CABLE TELEVISION DIVISION (CATV)

website: [www.hawaii.gov/dcca/catv](http://www.hawaii.gov/dcca/catv)

e-mail address: [cabletv@dcca.hawaii.gov](mailto:cabletv@dcca.hawaii.gov)

### OVERVIEW

The Cable Television Division (CATV) supports the Director in the regulation of franchised cable television operators. CATV's primary function is to determine whether the initial issuance, renewal, transfer, or refranchise of a cable franchise is in the public's best interest. This determination is made only after careful consideration by CATV of the public need for the proposed service, the adequacy, efficiency, and reliability of service, and the technical, financial, and operational ability of the franchisee.

Subsequent to the issuance of a franchise, CATV's role in protecting the public interest continues. Functionally, CATV acts to enforce obligations of the franchisee and ensure compliance with rules and regulations relating to operators' practices and procedures. CATV thereafter continues to monitor the franchisee to ensure that the operating system is reliable and responsive to the public. Such reliability and responsiveness to the public's interest may be indicated by operators providing the widest possible diversity of information sources and services and enhancing communication capabilities for its communities by supporting the interconnection of public facilities, public television, and public, educational and government access.

CATV is cognizant of the increasing importance of cable service to the people of Hawaii. With advanced technology, cable systems are becoming more than strictly a source of entertainment, and increasingly serve as a means of providing informational and educational programming. Therefore, the Division recognizes that the extension of cable service to all communities within the franchised areas should remain a high priority.

Included within the responsibility of overseeing all franchised wireline cable operators within the State, and as an integral part of the cable regulatory scheme, CATV responds daily to public inquiries, concerns, and complaints. Staff is trained to assist, provide answers, refer the problem to the system operator governing the franchised area, or otherwise inform the general public of complaint-filing procedures. It is the division's mission to oversee that all complaints and concerns are researched and result in some form of resolution. In furtherance of this goal, CATV will continue to monitor how customer service concerns are being addressed and examine the degree of customer satisfaction by reviewing surveys and reports, and additionally, require operators to ascertain the feasibility of providing local help desk support for high speed Internet access service. The division will continue to encourage operators to develop new, improved, or more effective utilization of cable communications services and facilities that enhance customer based services to the people of Hawaii.

In addition to overseeing system operators, CATV is also responsible for the expansion of the State's Institutional Network ("INET") in a manner that is efficient and effective for the State. The INET is constructed for two-way operation as part of the cable system and provides broadband telecommunications capabilities among government and educational organizations. The recent growth in information processing, storage, and retrieval by the State illustrates the increasing need for high transmission capacity with a more flexible network configuration which may be achieved through the INET.

In its franchise agreements with cable operators, the State requires that cable operators set aside a number of channels for public, educational and governmental access (“PEG”) and provide a percentage of gross revenues for PEG use. The State has delegated oversight of the access channels and funds to non-profit groups, one in each of the four counties.

### **Composition**

The staff of CATV currently consists of an administrator, attorney, program specialist, and secretary. The office is located on the first floor of the King Kalakaua Building at 335 Merchant Street. Mailing address: P.O. Box 541, Honolulu, HI 96809; phone number: 586-2620; internet address: [www.hawaii.gov/dcca/catv](http://www.hawaii.gov/dcca/catv).

### **GOALS and OBJECTIVES**

The CATV division will continue its current regulatory activities but will also focus on ensuring that Hawaii residents receive equivalent service from providers as new, advanced services become available on the mainland. These goals include:

- 1) Advocate for equivalent DBS, and other enhanced services.
  - Ensure that DirecTV and DishNetwork comply with FCC order regarding service to Hawaii
  - Monitor development and deployment of new advanced services
  - Ensure that Hawaii receives equivalent service as does the mainland
- 2) Monitor and participate in federal telecommunications legislation and rulemaking.
  - Continue working with Hawaii’s congressional delegation on federal legislation
  - Continue our working relationship with the FCC on DBS and other cable related matters
  - Continue to monitor federal issues that may have an impact to Hawaii cable television subscribers
- 3) Ensure consistent cable television regulatory policies and practices
  - Continue with Cable Advisory Committee meetings
  - Procure PEG services, consistent with chapter 103D, HRS
  - Continue with scheduled franchise fee and PEG reviews
  - Continue to collaborate on Institutional Network (“INET”) deployment

### **ACCOMPLISHMENTS**

Request for Proposal (“RFP”) for PEG Access Services – The Department of the Attorney General and the State Procurement Office (“SPO”) informed the DCCA that its contracts with the PEG access organizations in each county must comply with the State procurement code. The SPO issued an RFP for PEG Services in July 2007. Since the issuance of the RFP, the SPO has received protests and complaints which are being addressed. Due to these protests and complaints, the SPO has postponed the RFP process until further notice. As of November 23, 2007, this situation has not changed.

Hawaiian Telcom (“Hawtel”) Application For a Cable Television Franchise – Hawtel submitted their application for a cable franchise on May 5, 2006 which was accepted by the DCCA on June 21, 2006. As of November 20, 2007, Hawtel has requested fourteen (14) extensions to the application review period,

which currently expires on December 31, 2007. The DCCA continues to be ready, willing, and available to complete the application process that has been extended at the request(s) of Hawtel.

Fees to Cable Subscribers – DCCA temporarily halted the collection of the administrative fee that funds the operations of the CATV division. This action on the part of CATV will reduce division's cash reserve balance, allow the department to achieve its financial management goals, and lower cable franchise fees to cable subscribers during this period of non-collection. The DCCA has decided to re-initiate collection of the administrative fee in December 2007, based on the division's financial position.

Cable Advisory Committee (CAC) – DCCA reconvened the CAC which had been dormant for many years. The CAC first met again in June of 2004 and subsequently, meetings have been held on each of the major islands. This has allowed neighbor island residents to participate in cable television related matters. The CAC was established by statute to advise the Director and cable operators, at their request, on cable matters. The Director of DCCA continues to hold CAC meetings to gather comments from members on various cable matters.

Consultant's Report on Franchise Fee Collection – DCCA has contracted with a certified public accounting firm to conduct reviews of the franchise fee payment process of the cable operators in each of the different franchise areas. The DCCA is continuing these reviews to ensure that the franchise fee collection process is being conducted accurately.

Review of Public, Educational and Governmental (PEG) access organizations – DCCA commenced an independent third party review of all PEGs during the fall of 2004. On-site reviews of each PEG by the independent consultant focused on contract compliance, by-law compliance, timely complaints resolution, financial management and accounting, and equipment use and maintenance. The independent consultant's reports have been posted to the DCCA website and current plans call for many of these recommendations to be incorporated into future contracts between the DCCA and PEG access organizations. CATV plans to continue with such reviews in the future.

Direct Broadcast Satellite (DBS) Service – CATV continues to advocate for equivalent DBS service for Hawaii and maintains its on-going efforts before the Federal Communications Commission ("FCC") to ensure that DBS service to Hawaii is equivalent in programming and pricing to the service found elsewhere in the continental United States. Due to our efforts and those of Senator Daniel Inouye, DBS service is currently available in Hawaii but not at levels found on the mainland. Echostar – DishNetwork has made significant progress in their service offerings, including local-into-local service. Our most recent efforts have been focused on DirecTV which has not offered equivalent services that are available on the mainland. We will continue to lobby for and demand equal treatment by DBS providers.

Institutional Network ("INET") – CATV continues its leadership role in the development, expansion and enhancement of the INET. Working with the INET Partners ( (1) the CATV Division, (2) the Information, Communications and Services Division ("ICSD") of the Department of Accounting and General Services, (3) the University of Hawaii ("UH") and (4) the Department of Education ("DOE") ), CATV is actively participating in the upgrade and expansion of the INET that leverages current telecommunications technology. Continuing upgrades to the INET will dramatically improve its capacity and performance. The ability to efficiently and effectively provide broadband telecommunications services to government agencies will greatly improve the level of service to our residents. The interconnection of the islands of Oahu, Maui, Kauai and Hawaii via submarine fiber provides the INET Partners with

seamless, broadband networking capabilities between these islands. The State, UH, and DOE now have access to a seamless, broadband telecommunications network that interconnects all our major islands. The State's INET is currently one of the most sophisticated networks in the nation.

As of the end of FY07 (June 30, 2007), TWE held approximately \$2.498M in an interest bearing account on behalf of the DCCA for INET purposes. These funds held by TWE are the result of an agreement between the DCCA and Olelo regarding cable tv franchise fees that are collected from Oahu cable tv subscribers.<sup>6</sup>

Federal Telecommunications Legislation and FCC Rulemaking – CATV continues to monitor and participate in recent developments in Congress and at the FCC. Although proposed comprehensive telecommunications legislation, which would have replaced the Telecommunications Act of 1996, is no longer currently expected, CATV continues its on-going work with Hawaii's congressional delegation and the FCC. The CATV division actively monitors these issues and participates in matters affecting cable television consumers in Hawaii.

The CRF financial summary relating to CATV for FY 06-07 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$354,171	\$1,612,287	\$1,966,458	\$185,577

## **CONCLUSION**

The year 2007 was a remarkable year for CATV, due in part to the rapid development of advanced technology by cable companies. The continued enhancement of the fiber to node architecture provided increased bandwidth capacity for traditional services such as video programming as well as for new interactive and digital services. Thus, given the nascent nature of digital technology relative to cable, CATV had and presently has the continuing task of monitoring the public's present needs and future interests.

Because of the rapid advancements in telecommunications, CATV seized the opportunity to provide a more uniform standard of practice within the State, offer improved services to meet the needs of the public, and to provide greater reliability and responsiveness without financially impairing the system operators. CATV will strive to ensure fairness to the public in the provision of cable television services.

<sup>6</sup> As approved by the Legislature, CATV has directed Oceanic Time Warner Cable ("TWE") to disburse to the University of Hawaii the sum of \$2.4M for the expansion and enhancement of the INET. This payment was made by TWE in November 2007.

## DIVISION OF CONSUMER ADVOCACY (DCA)

website: [www.hawaii.gov/dcca/dca/](http://www.hawaii.gov/dcca/dca/)

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### OVERVIEW

The Division of Consumer Advocacy (“DCA”) represents, protects, and advances the interests of consumers of utility and transportation services before regulatory agencies, primarily the Hawaii Public Utilities Commission (“PUC”) and the Federal Communications Commission (“FCC”). The DCA reviews requests for rate and tariff changes, capital improvement projects, integrated resource plans, certificates for authority to operate, and other applications filed by public utility and transportation companies, in addition to other proceedings opened by regulatory agencies to investigate or review generic issues. In representing the consumer of utility and transportation services before the PUC, the DCA must analyze financial and statistical data, prior docketed material, industry standards, and the information provided by the utility and transportation companies to support their applications. After analyzing the information, DCA generally submits either written statements of position or testimonies explaining its analyses, findings, and recommendations to the PUC. Oral testimonies by DCA analysts, subject to utility company cross-examination, is required if an evidentiary hearing before the PUC is scheduled to resolve differences among the parties to a proceeding, including the DCA.

### Composition

The DCA consists of 23 employees, ranging from an administrator, a secretary, a utilities/transportation officer, a utilities/transportation specialist, Integrated Resource Planning (“IRP”), telecommunications and education specialists, an economist, statisticians, a tariff analyst, auditors, engineers, attorneys, and clerical support. The DCA is located on the third floor of the King Kalakaua Building, 335 Merchant Street. Its contact information is as follows: mailing address, P.O. Box 541, Honolulu, HI 96809; phone number, 586-2800; internet address, [www.hawaii.gov/dcca/dca/](http://www.hawaii.gov/dcca/dca/).

The majority of the DCA’s professional staff is divided among the Financial Analysis Branch, the Economics and Pricing Branch, the Engineering Branch, and the Legal Branch.

The **Financial Analysis Branch** examines and analyzes the financial accounts, records and transactions of public utility and transportation companies under differing financial and operational assumptions. This data is utilized in developing projections and determining the reasonableness of companies’ operating expenses and rate base for rate-setting purposes. The Branch also reviews current accounting pronouncements to ensure that the financial information presented by the regulated companies is appropriate.

The **Economics and Pricing Branch** reviews and analyzes economic conditions and trends, investor requirements and returns, and other aspects relating to the capital structure of regulated public utilities and transportation companies. In addition, the Branch evaluates and develops recommendations relating to rate schedules, effects of rates, sales levels, and other pertinent considerations in establishing rates.

The **Engineering Branch** analyzes and makes recommendations on technical matters such as production capacity and efficiency, depreciation allowances, maintenance cost factors, engineering safety standards, plans for capital improvements, purchased power agreements, and quality of service standards.

The **Legal Branch** provides legal representation before regulatory agencies. The branch also provides general clerical support by updating and maintaining the DCA's docket, general office, and electronic data base files, formatting draft documents prepared by the technical staff and attorneys for filing with regulatory agencies and utility companies, and maintaining the office library, among other things.

Although the DCA is authorized to have up to ten exempt positions, under HRS § 269-52(1), there presently is funding for only five exempt staff positions – the IRP Specialist, Telecommunications Specialist, Education Specialist, and two utility research analysts. The DCA also has a staff level position – the Public Utilities/Transportation Specialist – that assists the Public Utilities/Transportation Officer in managing the overall workload pertaining to matters filed before the regulatory agencies such as the PUC and FCC. The IRP Specialist focuses on filings pertaining to the electric companies, and has primary responsibility for reviewing the integrated resource plans and related demand-side management program applications. The Telecommunications Specialist primarily focuses on filings pertaining to the telecommunications industry. The Education Specialist is responsible for consumer education and outreach, which is accomplished by attending various community events throughout the State to gain public input about specific issues affecting consumers and to provide information on utility services. The Education Specialist is also responsible for updating and maintaining the DCA's web site.

Given the DCA's historical difficulty in attracting and retaining staff, the DCA submitted a reorganization proposal to tailor the position descriptions to that which are more aligned to the position duties and work of the DCA, generally. In particular, the DCA sought in its reorganization proposal to amend the organizational structure by renaming the *Financial Analysis Branch* as the *Research Branch*. The function of the Research Branch will be to provide analysis and advice to the Consumer Advocate on matters imposed by regulated public utility and transportation industries. The Research Branch will conduct special studies on changes in various regulatory areas, monitor information filed in connection with the petroleum industry's reporting to the PUC, participate with other units in developing data on utility applications, and present oral and written testimony on analyses before the PUC.

The DCA also proposed in its reorganization proposal to rename the **Economics and Pricing Branch** as the **Rate Analysis Branch**. The function of the Rate Analysis Branch will be to review and analyze economic conditions and trends; examine applications for rate increases and tariff or rule amendments, determine compliance with applicable guidelines for utility and transportation regulations, and present oral and written testimony on analyses before the PUC.

There were no changes to the existing Engineering and Legal Branches proposed by the DCA. The reorganization proposal is pending approval by the necessary departments.

## **GOALS AND OBJECTIVES**

The DCA's goals and objectives can be categorized generally in three broad areas: consumer advocacy, policy advancement, and consumer education and outreach. These areas are not mutually exclusive and often overlap; however, for purposes of describing the DCA's goals and how the DCA will reach them, the goals will be described separately.

## *Consumer Advocacy*

### *Goal*

Ensuring that Hawaii's consumers receive reliable and affordable utility and transportation services – both in the short and long term – is the DCA's primary responsibility, and ultimate goal.

### *Planned Approach/Methods*

The DCA has and will continue to achieve this goal by advocating for consumers of regulated utility and transportation services wherever their interests are at stake. Typically, this occurs before the PUC, but may also be before other federal, state or local agencies and legislative bodies.

A majority of the DCA's resources will continue to be focused on PUC proceedings. These proceedings often may affect the rates and the reliability of utility and transportation systems and services. The DCA's participation in PUC proceedings will typically involve some or all of the following:

1. Review of applications to ensure compliance with regulations;
2. Participation at PUC public hearings;
3. Procurement of consultant services to manage workload and for complex cases;
4. Completion of discovery;
5. Analysis of applications and supporting documents to determine the accuracy and the reasonableness of the requests;
6. Provision of recommendations to the PUC on the merits of the applications through statements of position or direct testimonies; Provision of oral testimonies, which are subject to cross-examination in proceedings where evidentiary hearings are necessary; and
7. Completion of related legal actions, such as filings of legal briefs, motions, appeals, etc., where necessary.

The DCA also will remain flexible and willing to work with parties to proceedings to negotiate and settle proceedings or particular issues when they are in the consumers' best interest.

While PUC proceedings often involve rate issues, the DCA also considers, to the extent possible, the long-term costs and benefits of proposals to determine the result that will best serve consumer interests with regard to reliable service and reasonable rates.

### *Measures*

To measure the DCA's performance in advocating consumer interests, the DCA will continue to track various categories of information. Among others, the DCA monitors consumer savings due to its participation in PUC proceedings, the percentage of PUC decisions that agree with the DCA's recommendations, the number of service quality investigations it participates in, and the number of filings before the PUC reviewed by the DCA.

Only some of the significant impact that the DCA's participation may have upon consumers is easily measured. Some of the impacts that are not easily measured will generally be discussed below in the DCA's explanation of its policy advancement objectives.

### *Policy Advancement*

#### *Goal*

The DCA will remain active in promoting policies to protect and advance the interests of utility and transportation consumers on the local, state, and national levels.

#### *Planned Approach/Methods*

In PUC generic, investigative, or policy proceedings, the DCA follows a similar approach to its review and analysis of applications. A typical investigative proceeding may involve the following steps:

- After the DCA and other parties to the proceeding state their initial positions on the issues, discovery and analyses are done to determine the reasonableness of the other parties' positions;
- Meetings between the parties are often held to discuss and educate each other on the issues and positions taken, and to determine where possible agreement may be reached; and
- The DCA then provides the PUC with a recommendation that it believes is in the best interest of consumers.

Specific ongoing investigative dockets are discussed later in this report.

As a member of the FCC's Consumer Advisory Committee, the DCA was able to provide input to the FCC on national communications issues that also affect Hawaii consumers by helping to formulate committee recommendations to the FCC as it made decisions regarding the implementation of our federal communications laws.

The DCA has monitored and will continue to monitor Congressional activity in the energy and telecommunications areas. The DCA will continue to maintain contact with its Congressional delegation, particularly those members sitting on committees that deal with energy and telecommunications, and will continue to provide input where appropriate.

The DCA will also continue to be actively involved and advocate for Hawaii consumers, through its membership in the National Association of State Utility Consumer Advocates ("NASUCA"). NASUCA is active before the FCC, Congress, and the federal courts in advancing consumer interests on national issues that impact consumers locally.

The DCA will also remain actively involved with the State Legislature, which sets policy at the State level. The DCA advised legislators through testimonies that detailed consumer benefits or detriments of specific proposals the legislators were considering. The DCA has attempted to take a more proactive approach by working with legislators and policy groups on the development of proposals, while maintaining a consistent policy position as advocated by the Governor's office.

### *Measures*

Measuring performance of efforts to promote policy objectives is inexact. While the DCA tracks the percentage of its positions with which the PUC ultimately agrees, the measure does not capture the efforts throughout proceedings to educate and work with other parties to come to agreement on issues. The DCA can develop similar measures (e.g., whether its recommendations are ultimately agreed with by those setting the policy) for the state and federal agency and legislative bodies, but similar challenges with the imprecise nature of the measurement will result.

### *Education & Outreach*

#### *Goal*

The DCA's goal is to encourage the public to be wiser consumers of public utility services by, among other things, emphasizing the possible effects that their consumption habits may have on utility rates and the environment. It is through the education and outreach process that the DCA aims to gather consumer input on utility issues and to encourage consumers to be more involved in utility proceedings.

#### *Planned Approach/Methods*

The DCA can accomplish its goal of positively affecting the habits of consumers on a statewide basis through the use of its web site and public outreach activities. The DCA established the following action plan to accomplish its goals and objectives:

1. update and improve its website with consumer-friendly and useful content;
2. establish information booths and provide presentations at community events, such as home shows and public fairs on Oahu and the neighbor islands and build positive relationships with both business and individual community members;
3. improve communications with consumers and the public through expanded distribution and publication of its newsletter; and
4. hold informational seminars or use public service announcements to highlight different utility issues and topics.

### *Measures*

To measure the DCA's performance and progress of its education and outreach activities, it will track the number of people reached through education and outreach events, newsletters and other publications distributed, website hits, and consumers assisted with complaints and other issues.

## **ACCOMPLISHMENTS**

In 2007, results of the DCA's efforts to protect and advance the interests of consumers were seen through its work on behalf of individual communities, as well as major utility issues that will have far-reaching impacts on people throughout the State. Several of these efforts are described below.

*Rate Cases*

*Hawaii Electric Light Company's ("HELCO") 2006 Test Year Rate Case*

On May 5, 2006, HELCO filed an application for approval of rate increases and revised rate schedules and rules. In particular, HELCO sought a general rate increase of approximately 9.24 per cent over revenues at present rates. In fiscal year 2006-2007, the DCA, among other things, developed written testimonies, participated in technical meetings, conducted employee interviews, and worked to resolve the issues outstanding in this docket. On April 4, 2007, the PUC issued an interim decision and order, approving a rate increase of approximately 7.58 per cent, an amount consistent with the recommendation of HELCO and the DCA. The parties are awaiting a final disposition of this proceeding.

*Hawaiian Electric Company, Inc.'s ("HECO") 2007 Test Year Rate Case*

On December 22, 2006, HECO filed an application for approval to increase its rates (net rate increase for consumers of 7.1 per cent) and to amend its rate schedules and rules. In fiscal year 2006-2007, the DCA, among other things, participated in a public hearing, developed written testimonies, participated in technical meetings, conducted employee interviews, and worked to resolve the issues outstanding in this docket. On October 22, 2007, the PUC issued an interim decision and order, approving a rate increase of approximately 4.9 per cent, which was consistent with the recommendation of the parties. The parties are awaiting the final disposition of this proceeding.

*Young Brothers, Limited's ("YB") 2007 Test Year Rate Case*

On December 15, 2006, YB filed an application requesting PUC approval of an average overall rate increase of 10.7 per cent for certain types of cargo (for its intrastate water carrier operations) and its revised rate schedules and rules. In fiscal year 2006-2007, the DCA, among other things, participated in public hearings held Statewide, developed written testimonies, participated in technical meetings, conducted employee interviews, and worked to resolve the issues outstanding in this docket. On October 12, 2007, the PUC issued a decision and order approving a rate increase of approximately 7.5 per cent, an amount consistent with that recommended by the parties to the proceeding.

*Waikoloa Resort Utilities, Inc., dba West Hawaii Utility Company ("WHUC")*

On December 29, 2007, WHUC filed an application seeking approval of general rate increases of \$1,594,313, or 52 per cent, over revenues at present rates for water service and \$1,107,089, or 132 per cent over revenues at present rates for sewer services. During fiscal year 2006-2007, the DCA, among other things, participated in a public hearing, developed written testimonies, and worked to resolve the issues outstanding in this docket. This proceeding has not been completed. If the parties are able to resolve their differences and submit a settlement letter to the PUC for its consideration, the PUC will consider such filing and issue an interim decision and order. Thereafter, the parties will await final disposition of the proceeding.

*Maui Electric Company, Limited ("MECO") 2007 Test Year Rate Case*

On February 23, 2007, MECO filed an application requesting approval of rate increases and revised rate schedules and rules. Specifically, MECO requested approval of a general rate increase of

approximately 5.3 per cent over revenues at present rates. In fiscal year 2006-2007, the DCA, among other things, participated in public hearings, developed written testimonies, participated in technical meetings, conducted employee interviews, and worked to resolve the issues outstanding in this docket. The procedural steps for this proceeding have not been completed. If the parties are able to resolve their differences and submit a settlement letter to the PUC for its consideration, the PUC will consider such filing and issue an interim decision and order. Thereafter, the parties will await final disposition of the proceeding.

*Five water and wastewater utilities received streamlined rate review processes*

On June 28, 2006, Manele Water Resources, LLC applied for a certificate of public convenience and necessity ("CPCN") to provide sewer service in the area of Manele-Hulopoe on the island of Lanai, and for approval of its rules, regulations, and rates. The PUC treated this application for CPCN as a *de facto* rate increase application.

From the end of October 2006 through the end of December 2006 four water and wastewater companies filed applications for general rate increase with the PUC: (1) Puhi Sewer and Water Company, Inc.; (2) Miller and Lieb Water Company, Inc., nka Hawaiian Beaches Water Company, Inc.; (3) Laie Water Company, Inc.; and (4) Launiupoko Water Company, LLC. During fiscal year 2006-2007, the DCA participated in public hearings, developed written testimonies, and worked to resolve the issues in this docket.

***Major Capitol Improvement Projects***

*HECO's Campbell Industrial Park Generating Unit*

In June 2005, HECO requested commission approval to commit approximately \$137,430,260 to build a 110 megawatt generating unit, the Campbell Industrial Park Generating Station. During fiscal year 2005-2006, the DCA engaged in discovery and submitted testimonies to the PUC, stating that the DCA does not oppose the commitment of funds for the new combustion turbine and construction of the associated generating facilities to meet the Company's service obligations, provided that HECO power the unit with ethanol or some other bio-fuel. During the week of December 11, 2006, the DCA participated evidentiary hearing on the issues disputed by the parties to the proceeding. Immediately following the hearing, the DCA prepared post hearing opening and reply briefs for the PUC. The PUC issued a decision and order on May 23, 2007, approving HECO's request to commit the funds to purchase and install the generating unit, among other things.

***Generic and Other Proceedings***

*PUC's investigation seeking to increase the maximum capacity of eligible customer-generators to more than 50 kW and the total rated generating capacity produced by eligible customer-generators to an amount above 0.5 per cent of peak demand*

Hawaii law provides the PUC with the authority to increase, but not decrease these two net energy metering thresholds. The DCA participated in technical and other meetings convened by the parties to discuss the issues, prepared a statement of position, and conducted research on the issues. The parties (but not the sole participant) to this proceeding filed a settlement letter with the PUC recommending that the

thresholds for the customer-generator be increased to 100 kW for HECO, HELCO, and MECO, and that the generating capacity be limited to 1 per cent of a utility's peak demand for all electric utilities. Moreover, to ensure that the thresholds received regular review by stakeholders, the parties agreed that these two net energy metering thresholds be examined in the electric utilities' integrated resource plans. The PUC has not yet rendered a decision on this settlement proposal.

*PUC's investigation of Hawaii's Renewable Portfolio Standards ("RPS") Law, Hawaii Revised Statutes ("HRS") §§ 269-91 – 269-95, as amended by Act 162, Session Laws of Hawaii 2006*

The PUC is required by HRS § 269-95, to implement a ratemaking structure by December 31, 2007 to provide the electric utilities with the incentive to meet the RPS. The PUC opened this docket to examine the ratemaking structure to be implemented. Many of the parties recommended to the PUC that the existing ratemaking structure used by the PUC for regulatory oversight can and should be used to provide the electric utilities with incentives and disincentives to meet the RPS. In addition, many of the parties stated that a renewable energy infrastructure surcharge should be considered as a means to promote renewable energy use by the electric utilities, and that additional tools, like renewable energy credits should be considered by the PUC in future proceedings. The parties are awaiting final disposition of this proceeding.

*Hawaiian Telcom, Inc.'s Service Quality Docket*

In March 2006, the PUC conditionally approved the merger transaction transferring control over Hawaiian Telcom (then Verizon Hawaii, Inc.) and related assets from certain subsidiaries of Verizon Communications, Inc. to Hawaiian Telcom Communications, Inc. When it approved the merger transaction, the PUC stated that it recognized that such a transaction may negatively impact the quality of service being provided to the general public. Accordingly, the PUC planned to initiate an investigation regarding service quality levels and standards approximately six months after cutover from Verizon's systems. This service quality docket, opened on October 16, 2006, is that which the PUC anticipated it would open in its decision and order approving the merger transaction.

During the fiscal year, the DCA participated in numerous technical and other meetings convened by the parties, conducted extensive discovery, participated in evidentiary hearings, and prepared written statements of position. The procedural steps are nearly complete; thereafter, the parties will await a final decision and order from the PUC.

*PUC's investigative docket examining the major power outages that occurred on October 15 and 16, 2006 on the islands of Oahu, Maui, and Hawaii.*

On Sunday, October 15, 2006, the State experienced a 6.7 magnitude earthquake west of the island of Hawaii, which initiated a series of events that resulted in island-wide power outages on Oahu and Maui and significant outages on the island of Hawaii. On October 23, 2006, the DCA requested the PUC open an investigative docket to examine whether HECO, HELCO, and MECO (the "HECO Companies") acted reasonably and in the public interest prior to and during the outages.

During the fiscal year, the DCA conducted extensive discovery, employee interviews, and field inspections, prepared a statement of position, and participated in numerous technical meetings and

discussions convened by the parties. After completing this extensive review, the DCA concluded that: (1) there are at least three main underlying causes that contributed or may have contributed to the Power Outages occurring and potentially lengthening the recovery duration; (2) the HECO Companies' activities and performance prior to and during the power outages were reasonable and in the public interest; (3) the island-wide power outages could not have been avoided on Maui and were understandable on Oahu; and (4) the HECO Companies should not be assessed penalties for these uncommon island-wide outages. Moreover, the DCA recommended that the HECO Companies implement the following recommendations: (a) formalize their training programs for plant and system operators to include more formalized training, practiced simulation, certification, requalification and record keeping; (b) evaluate and pursue providing additional black start capability on HECO's system; and (c) develop and commence a long-term program to implement Supervisory Control and Data Acquisition ("SCADA") control on HECO's existing distribution breakers, and the HECO Companies to implement a standard requiring SCADA control for all new distribution breakers that are installed on all three islands.

*PUC's investigative dockets examining the proposed tariffs filed by HECO, HELCO, MECO, and KIUC governing distributed generation and other related matters*

From 2003 through 2006, the PUC conducted a generic proceeding for the purpose of establishing a framework and policy "to promote the development of a market structure that assures: (a) [Distributed Generation ("DG")] is available at the lowest feasible cost; (b) DG that is economical and reliable has an opportunity to come to fruition; and (c) DG that is not cost-effective does not enter the system." Decision and Order No. 22248, filed on January 27, 2006, in Docket No. 03-0371 at 12. The electric utilities were required to file tariffs governing distributed generation within six months of the filing of Decision and Order No. 22248 for its consideration. Instead of examining the interconnection and standby tariffs filed by the utilities in the generic DG docket, the PUC opened two new dockets to address these issues, citing the public concern expressed over the amount of the standby rates to be charged by the electric utilities and the methodologies by which such rates were derived.

During fiscal year 2006-2007, the DCA participated in public hearings across the State, developed preliminary statements of position, participated in numerous technical meetings, and conducted extensive discovery. The procedural steps have not been completed for these two generic dockets. The DCA plans to work with the other parties to achieve rate levels that promote renewable energy use and are just and reasonable to all consumers.

*Advocacy through Participation on Committees and Boards*

*Enhanced Wireless 911 Services*

The DCA has been an active participant in the State's implementation of an order issued by the FCC mandating that enhanced 911 ("E-911") services be provided by wireless telecommunication carriers. The passage of Act 159 in 2004 provided the framework to implement the State's wireless E-911 system to route emergency calls to emergency responders along with the wireless callers identification and location. Act 159 also established a Wireless Enhanced 911 Board that oversees the collection and distribution of money collected by the E-911 special fund. As a member of the board, the Executive Director of the DCA has continued to be an active participant in the implementation of this system which is critical to the public safety of both Hawaii residents and visitors.

*Federal Communications Commission's Consumer Advisory Committee*

The DCA's Executive Director was appointed to the FCC's Consumer Advisory Committee in May 2005 for a term to last through December 2006. This committee was formed to make recommendations to the FCC regarding consumer issues under its jurisdiction, including implementation of FCC rules and consumer participation in the rulemaking process, consumer protection and education, access to services by people with disabilities and by those in underserved areas and populations, and the impact of new and emerging technologies. As an active participant of the committee and three of its working groups, the DCA is ensuring that the interests of Hawaii consumers are well represented before the FCC at this critical time when similar communications services are beginning to be offered by industries through different technologies and under various levels of regulatory oversight.

*One Call Center Advisory Committee*

The Executive Director of the DCA is also a member of the One Call Center Advisory Committee, which makes recommendations to the PUC regarding the implementation of Chapter 269E, Hawaii Revised Statutes (Act 141, SLH 2004). This advisory committee was integral in developing the request for proposals for a vendor to operate this "call-before-you-dig" system. The system, which was operational on January 1, 2006, is intended to reduce the risk of critical services being disrupted because utility systems were inadvertently damaged due to excavation work conducted in areas where the systems are placed in underground facilities. The DCA is hopeful that this law will insure greater public health and safety, and ultimately save excavators time and money.

*Hawaii Energy Policy Forum*

The University of Hawaii convened the Hawaii Energy Policy Forum in 2002 to help develop and promote a vision for Hawaii's energy future. It is a collaborative effort that brings together interested stakeholders including representatives of electric utilities; oil and synthetic natural gas suppliers; environmental groups; the renewable energy industry; State legislature; federal, state, and county government agencies; the business community; and other major energy consumers. The Forum's efforts focus on many different energy related issues, including social and cultural issues, energy conservation and efficiency, and regulatory reform. The DCA believes that as an active participant in the forum it has and will continue to effectively represent consumers' views as major policy issues are discussed and as proposals are developed and implemented.

In addition to the above proceedings, during the fiscal year 2006-2007, the DCA reviewed approximately 288 motor carrier tariff change requests and non-rate applications, such as applications for capital improvement projects, purchase power agreements, and certificates of public convenience and necessity.

*Education and Outreach*

During the past year the DCA has focused a considerable amount of time and effort on expanding its education and outreach activities. This has allowed the DCA to increase its ability to educate consumers and extend its reach into communities throughout the State.

Together with the Department of Business, Economic Development, and Tourism's Energy Branch, the DCA co-sponsored the "Hawaii Green Building Conference" in May. Through group discussions and presentations the conference focused on energy efficiency through selecting the right kind of environmentally friendly materials and use of existing federal programs such as Energy Star for residential development and Leadership in Energy and Environmental Design ("LEED") standards for new and existing commercial building construction.

The DCA continued distributing its newsletter at public fairs and festivals throughout the State, distributing more than 300 newsletters in fiscal year 2006-2007. The DCA also used other communications tools such as press releases, its web site, and other in-house produced publications to reach the public. These tools were used to highlight various utility issues and to encourage greater participation in PUC public hearings, energy conservation and efficiency efforts, and to help consumers make wise choices when purchasing telecommunications services.

The DCA continued to increase its outreach and education efforts on the neighbor islands by joining the Department in making informal visits to major shopping malls on each of the neighbor islands where informational displays were set up allowing consumers to ask questions and take publications made available by the DCA.

### ***Document Management System***

The DCA, in partnership with the PUC, is developing a new docket and document management system to improve internal efficiencies and to make documents filed with the PUC available to the public in electronic format. This new system is targeted to be implemented as early as January 2008.

### ***Financial Summary***

The CRF financial summary relating to DCA for fiscal year 2006-2007 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$1,051,099	\$1,169,757	\$2,220,856	\$2,763,810

### ***CONCLUSION***

The DCA will continue to prioritize its caseload to target projects and consumer issues that have the greatest impact on the ratepayers of utility and transportation services in Hawaii. In addition, the DCA is expanding its education and outreach efforts. Together, this places the program in a better position to take a more proactive approach to address specific consumer issues and to gain greater public participation in decisions that affect their public utility and transportation services.

## DIVISION OF FINANCIAL INSTITUTIONS (DFI)

website: [www.hawaii.gov/dcca/dfi](http://www.hawaii.gov/dcca/dfi)

e-mail address: [dfi@dcca.hawaii.gov](mailto:dfi@dcca.hawaii.gov)

### OVERVIEW

The Division of Financial Institutions' (DFI) Mission: To ensure the safety and soundness of state-chartered financial institutions by fairly administering applicable statutes and rules in order to protect the rights and funds of depositors, borrowers, consumers and other members of the community.

DFI is charged with the supervision and regulation of all state-chartered and state-licensed financial institutions in Hawaii, including banks, foreign banking agencies and representative offices, savings and loan associations, trust companies, financial services loan companies (both depository and non-depository), and credit unions. DFI also licenses and regulates escrow depositories and money transmitters. In supervising financial institutions authorized to take deposits, DFI works closely with the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Bank of San Francisco, the Office of Thrift Supervision, and the National Credit Union Administration.

DFI was first accredited by the Conference of State Bank Supervisors (CSBS) in 1990 and re-accredited in 1995, 2000, and 2005. The CSBS accreditation program sets high standards for state banking regulators nationwide. DFI has continued to meet these high standards, with the support of the Legislature, the DCCA Director, and the Governor.

DFI is located at 335 Merchant Street, Room 221, Honolulu, Hawaii 96813. The public may call DFI at (808) 586-2820 or send e-mail to [dfi@dcca.hawaii.gov](mailto:dfi@dcca.hawaii.gov).

### Composition

DFI is headed by the Commissioner of Financial Institutions, assisted by an *Administrative Section* consisting of the Deputy Commissioner, two specialists, a regulation analyst, and a secretarial staff headed by the Secretary of the Division. This section coordinates and facilitates activities within DFI, with other divisions, and with other state and federal agencies regarding regulatory and supervisory issues.

Within DFI, there are two branches: (1) the Field Examination Branch and (2) the Licensing and Regulatory Analysis Branch, each composed of financial institution examiners and headed by its own Branch Manager. The *Field Examination Branch* is responsible for the on-site examination of financial institutions. Examinations, unlike accounting audits, are forward-looking reviews of factors underlying the safety and soundness of the financial institutions. For example, examiners not only evaluate existing and projected financial information, but also assess the effectiveness of management, its policies, and implementation of those policies in administering the institution's risk management programs and practices. The *Licensing and Regulatory Analysis Branch* is responsible for licensing activities and other regulatory approvals, the off-site monitoring program, and responding to complaints and inquiries. The Licensing and Regulatory Analysis Branch Manager also assists the Deputy Commissioner in administrative matters such as legislation, training, and budgetary items.

## **GOALS and OBJECTIVES**

Division Goals. DFI's goals center on the orientation, training and effective deployment of its Examiners. Federal programs administered by the FDIC and the Federal Reserve are regularly used for this purpose as are web-based programs provided by CSBS and the Risk Management Association. On-the-job training is also a valuable component of the training plan. DFI's goals also focus on the recruitment of new staff that will be able to effectively work within the framework defining the future financial services industry. New financial service products (e.g. sub-prime mortgages, reverse mortgages, negative equity automobile loans etc.), delivery channels (e.g. gift cards), providers (e.g. Wal-Mart) and the attendant opportunities and risks associated with these developments create a radically expanded regulatory environment in which the use of new experiences and skills (in addition to those currently required) will be necessary to successfully accomplish DFI's mission.

Objectives and Policies. As a part of the CSBS accreditation process, DFI is required to establish a strategic plan and develop policies and operating guidelines to achieve plan objectives. DFI's strategic plan calls for the Division to:

- Recognize the Continuing Need for Dramatic Change
- Broaden Division Focus
- Expand Skill Sets
- Identify the Client
- Become Totally Client Centric
- Improve the Speed of the Organization

DFI's objectives are defined by its strategic plan and the policies to accomplish those objectives are imbedded within the Division's policy and operating manuals.

Action Plan. DFI's action plan is built around its strategic plan. The timetable calls for realization of short term training related goals in a one to two year time frame with longer range goals relating to experience and recruitment in the five year time frame.

Performance Measurement. DFI currently measures performance in two ways. The first is empirical – that is, absolute measurements based on the fiscal health and regulatory compliance of the State's DFI regulated institutions using both regular financial and examination based measurements. The second is the measurement of throughput at the Division – that is, how many complaints have been answered, how many applications processed etc. The first measurement, empirical, is valuable and demonstrates performance in DFI's key area of responsibility - to ensure the safety and soundness of state-chartered financial institutions. The second measurement, while informative, is less useful and in many ways does not accurately reflect either effort or results as it does not measure the complexity and changing nature of the work. It continues to be under review for possible modification or replacement.

## ACCOMPLISHMENTS

Implementation of New Federal Laws Continues to Expand DFI's Regulatory Role. As previously reported, Congress continues to enact laws that significantly impact the financial services industry. The evolution of the industry, and the regular impact of key drivers such as governance concerns, advances in financial service products (e.g. sub-prime and reverse mortgages, negative equity automobile loans etc.), delivery channels (e.g. gift cards), providers (e.g. Wal-Mart) and the attendant opportunities and risks associated with these developments, insure that DFI's regulatory and supervisory roles are constantly evolving.

Previous reports commented on the impact of the Gramm-Leach-Bliley Act, the USA Patriot Act, the Bank Secrecy Act, and the Sarbanes-Oxley Act. These are significant federal laws which continue to have an ongoing impact on the financial services industry and DFI manages its programs and trains its staff to comply with these federal laws relating to money laundering, privacy for consumer financial information, and corporate governance.

Supervision of the Money Transmitter Industry in Hawaii. As reported last year, the money transmitter industry introduced a bill in the 2006 Legislative Session to provide a regulatory framework for necessary non-bank money services, address concerns relative to criminal activities and terrorist financing, and protect legitimate money service businesses and their customers from unnecessary discrimination due to overzealous enforcement of federal statutes. The bill was signed into law as Act 153 and became effective on May 31, 2006. Money transmitters were required to be licensed on or before July 1, 2007. Upon passage of the bill, DFI conducted outreach to the money transmitter industry and drafted rules, application forms, licensing procedures, and examination procedures to implement the Act. While applications for licensing received from the several small local Hawaii based money transmitter operations were processed without difficulty, the bulk of the applications received were submitted by multi-national corporations and thus required a significant amount of analysis, due diligence and subsequent interaction with these global organizations. DFI Licensing Branch staff worked long hours to ensure that all completed applications were processed within statutory deadlines. As a result, there are currently 40 money transmitters, supported by over 1,200 delegates licensed to do business in Hawaii. This is a far larger and more diverse population than that contemplated during the passage of Act 153, attesting to the impact of this segment of the financial services industry on Hawaii's consumers. DFI has completed a projected requirements staffing plan for the appropriate supervision and regulation of this important industry, and will be implementing it in calendar year 2008.

Mortgage Broker Regulation. Mortgage Brokers and Solicitors currently register with DCCA's Professional and Vocational Licensing Division (PVL). The significant impact the mortgage broker industry has on consumers has resulted in many states developing statutes to actively regulate and supervise brokers in addition to registering them. In response to the current national "mortgage crisis" Congress has introduced *The Mortgage Reform and Anti-Predatory Lending Act of 2007*, which calls for robust regulation and supervision of mortgage brokers and mortgage originators (aka mortgage solicitors), minimum standards for all mortgage products (e.g. ability to repay, net tangible benefit test, prohibition of prepayment penalties, etc.) and federal regulation of mortgage brokers and originators in those states which are unable to create an appropriate state regulatory framework for this purpose. DFI drafted bills to provide for more robust regulation and supervision of the local mortgage broker industry were introduced in the 2005, 2006 and 2007 Legislative Sessions; however those bills were not passed by the Legislature. DFI has

solicited industry, consumer and related input on the concept of improved mortgage broker regulation, through a Mortgage Broker Task Force (Task Force) composed of individuals representing the mortgage industry and various consumer organizations. DFI continues to encourage Task Force participants to submit legislative proposals to address issues related to improved mortgage broker supervision and regulation, and also continues to work with the mortgage industry, consumer organizations, and other interested parties to develop an appropriate framework for State regulatory oversight of mortgage brokers and solicitors for the benefit of both Hawaii consumers and industry participants.

Continued Development of DFI's Emergency Preparedness Program. DFI continues to develop, implement, and rehearse multiple level Emergency Preparedness contingency plans. Maintaining and safeguarding the adequate supply of currency to the public as well as efficient access to deposit accounts is the main objective of these plans. As the overall State of Hawaii coordinator for financial institutions operating in Hawaii, DFI participates in HawaiiFIRST, a financial industry business continuity planning coalition established to address Homeland Security issues effecting the local financial industry, develop and maintain relationships with city, county, State and federal agencies, and private industries which have an impact on the local business community, and to enhance the financial industry's capability to respond to and recover from disastrous situations. DFI also continues to maintain and periodically test a statewide emergency communications plan which includes all Hawaii financial institutions, with particular emphasis on the depository companies.

DFI will continue to work with the State's financial institutions, State Civil Defense, federal regulators, the Federal Aviation Authority, the Hawaii Bankers Association, the Hawaii Credit Union League, HawaiiFIRST and others to ensure that robust and comprehensive emergency preparedness plans are developed, implemented and maintained going forward.

Reaccreditation. DFI is accredited by the Conference of State Bank Supervisors (CSBS), the industry association for all state financial service regulatory agencies in the United States. CSBS administers their national accreditation program for state financial service regulatory agencies to insure that the management and staff of these agencies are knowledgeable, appropriately organized, staffed, funded and trained to carry out its responsibilities, which include the authorizing, regulating and supervising of state chartered financial institutions. DFI was originally accredited by CSBS in 1990. Each year thereafter, DFI has been required to file a comprehensive report on the Division's activities, which is evaluated by CSBS, to retain the Division's accredited status for another year. Every 5 years the CSBS staff visits DFI on site in Honolulu to conduct an exhaustive review of every facet of the Division's operations; interview managers, supervisors and staff; and evaluate the overall effectiveness of the program. DFI underwent such an examination in March of 2005, and received reaccreditation in late 2005.

Bank, Financial Services Loan Company, and Escrow Depository Examination Programs. DFI has continued to maintain an expanded role in conducting examinations. This expanded role is necessitated not only by cutbacks in federal agency examination staffing and the addition of new State-chartered and intra-Pacific banks to the Honolulu market, but is also a critical element in the CSBS Reaccreditation review. DFI continues to work closely with the Federal Reserve Bank of San Francisco and with the FDIC in developing and coordinating the year-round examination program for Hawaii's two largest banks. DFI examiners again took the lead role at a commercial loan review of one of the larger institutions and continue to conduct a vigorous Bank Secrecy Act/Anti-Money Laundering ("BSA/AML") Examination Program in accordance with federal laws, resulting in dramatic improvements in the examination of the BSA/AML compliance programs of DFI-regulated institutions.

Educational Outreach to Industry and Public. During 2007, DFI and the FDIC conducted a number of outreach activities for the benefit of the industry. The outreach activities included seminars on requirements for financial institutions under the Bank Secrecy Act and anti-money laundering laws, and a Director's College which outlined the various duties and standards for directors of Hawaii's financial institutions. DFI also conducted outreach to the money transmitter businesses in Hawaii regarding the new money transmitter's law.

The CRF financial summary relating to DFI for FY 05-06 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$1,576,298	\$304,725	\$1,881,023	\$2,798,163

### **CONCLUSION**

During FY 07-08, in addition to its established regulatory and licensing programs, DFI continued to expand, develop and implement examination programs in response to new federal legislation and changing circumstance in the industries regulated by the Division. The regulation and supervision of the money transmitter industry, the operation of new banks in Hawaii and the strict requirements of the CSBS accreditation process demand improved standards of performance – a challenge to which the DFI staff has enthusiastically responded.

New areas of emphasis such as money laundering, mortgage-related consumer compliance issues and homeland security added to the Division's traditional concern with the safety and soundness of regulated institutions, have created new technical requirements and an increasing workload for DFI staff which they are meeting through participation in both federal and locally delivered training programs. All of these factors require DFI to continue to aggressively employ its resources to effectively deal with the changes while at the same time maintaining the strength and safety of our State-chartered financial institutions and protecting the rights of depositors, borrowers, consumers and other members of the community.

**INSURANCE DIVISION (ID)**

website: [www.hawaii.gov/dcca/ins](http://www.hawaii.gov/dcca/ins)

e-mail address: [insurance@dcca.hawaii.gov](mailto:insurance@dcca.hawaii.gov)

**OVERVIEW**

Insurance Division's (ID) goal and mission is to ensure that commercial and individual consumers are provided with insurance services meeting acceptable standards of quality, equity, and dependability at fair rates by establishing and enforcing appropriate service standards and fairly administering the Insurance Code.

The primary goals are for all insurance licensees to comply with the letter and spirit of the law through appropriate oversight, and to maintain insurers' solvency by monitoring their financial condition.

The following were the number of active insurance licensees at the end of the last two fiscal years.

	<u>@ 6/30/07</u>	<u>@ 6/30/06</u>
Adjuster	622	596
Captives	163	160
Certificate of Authority (Insurer)	960	971
Fraternal Benefit Society	6	6
Fraternal Benefit Society Agent	61	52
HMO (Health Maintenance Organizations)	2	2
Independent Bill Reviewer	15	16
Limited Lines Motor Vehicle Rental Co. Producer	20	22
Limited Lines Producers	1,814	1,536
Managing General Agent	12	9
Mutual Benefit Society	6	4
Nonresident Agent	22,954	17,724
Producer	5,863	5,784
Reinsurance Intermediary Broker	5	4
Reinsurance Intermediary Manager	1	1
Service Contract Providers	115	117
Surplus Lines	803	519
Vehicle Protection Product Warrantor	11	11
<b>TOTAL</b>	<b>33,433</b>	<b>27,534</b>

ID administers chapters 431, 431K, 431L, 431M, 431P, 432, 432C, 432D, 432E, 435C, 435E, 448D, 481R, 481X and 488, Hawaii Revised Statutes, relating to licensing, supervision, and regulation of all insurance transacted in the state by all insurance entities.

ID is located at 335 Merchant Street, Room 213, Honolulu, Hawaii 96813. The public can call ID at (808) 586-2790, and send e-mail to [insurance@dcca.hawaii.gov](mailto:insurance@dcca.hawaii.gov).

### *Composition*

The Insurance Commissioner heads the ID and is assisted by the Chief Deputy Insurance Commissioner and the Branch Chiefs. The branches of the ID are:

**Captive Insurance Branch.** The Captive Insurance Branch (CIB) is currently led by the Deputy Insurance Commissioner and includes a Secretary, and 7 Captive Insurance Examiners. The CIB reports directly to the Insurance Commissioner and is responsible for all aspects of licensing, regulating and developing the captive insurance industry for the State of Hawaii. The size and scope of Hawaii's captive insurance industry surpasses the size and scope of Hawaii's domestic insurance companies.

The captive program cost is not funded from the CRF. Pursuant to Act 1, SSLH 2005, funds expended for the ID's captive insurance program are defrayed from the Captive Insurance Administrative Fund.

**Compliance and Enforcement Branch.** When a complaint is filed with the ID, the Compliance and Enforcement Branch (C&E) conducts an investigation to assure compliance with the applicable statutes and rules. Appropriate disciplinary actions are taken by the C&E when necessary. In addition, the C&E is responsible for processing administrative hearing requests, qualifying applicants to the Hawaii Joint Underwriting Plan Assigned Claims program, qualifying no-fault challenges on medical care and treatments to peer review organizations, and coordinating and qualifying Applications for Written Consent received by the Commissioner pursuant to 18 U.S.C. § 1033 and HRS §431:2-201.3. The C&E is comprised of a chief investigator and 3 other investigators.

**Financial Surveillance and Examination Branch.** The Financial Surveillance and Examination Branch (FS&E) conducts a continuous program of financial analysis and examination of Hawaii-domiciled insurance companies, including captive risk retention groups and mutual benefit societies, to assure compliance with laws, regulations and financial solvency in an effort to safeguard consumer interests and maintain integrity in the industry. The work of the FS&E is subject to review by the National Association of Insurance Commissioners' (NAIC) Financial Regulation Standards and Accreditation Program (Accreditation Program). The NAIC Accreditation Program requires that insurance departments have adequate statutory and administrative authority to regulate an insurer's corporate and financial affairs, and that they have the necessary resources to carry out that authority. Accredited insurance departments undergo a comprehensive review every five years by an independent review team to ensure they continue to meet NAIC standards. The Hawaii ID was first accredited by the NAIC in 1996 and re-accredited in 2001 and 2006. The FS&E is comprised of a manager, 8 examiners, a certification specialist, and a clerk.

In addition to financial surveillance, the Branch also licenses or registers foreign insurers, risk purchasing groups, foreign risk retention groups and self insurers; reviews mergers, acquisitions and service contract provider submissions; reviews and maintains applications and filings by reinsurers; conducts agency financial examinations; reviews more than 6,000 quarterly and annual premium tax returns; and collects and processes more than \$100 million in premium taxes.

**Health Insurance Branch.** The Health Insurance Branch (HI) is responsible for regulating health insurers, including health maintenance organizations and mutual benefit societies. The HI's primary responsibilities are: to receive inquiries and complaints pertaining to health insurance, including long-term care insurance; to receive requests from consumers for external reviews of a health plan's coverage decisions under the Hawaii Patient Bill of Rights and Responsibilities Act and to administer the external

review process; and to conduct financial surveillance of health insurers. The HI also reviews advertising materials of long term care insurers. The HI is headed by the Program Administrator and has nine other authorized positions.

**Legal Branch.** The Legal Branch advises the Commissioner, the Chief Deputy, the Branch Chiefs, and the ID on all legal matters and is the interface between the ID and the Department of the Attorney General. The Legal Branch function includes serving as hearings officers for administrative hearings as assigned by the Commissioner; researches insurance issues, provides interpretations of the laws and rules, and reviews and analyzes administrative decisions and rulings; prepares legislative bills, legislative testimonies, administrative rules, and requests for formal and informal legal opinions; assists the branches in enforcing compliance provisions within Title 24, HRS; and provides assistance to the Financial Surveillance and Examination, Health Insurance, and Captive branches in regards to supervision, rehabilitation and liquidation proceedings. The Legal Branch is comprised of a supervising attorney, 3 staff attorneys and a legal assistant.

**Licensing Branch.** The Licensing Branch (LB) oversees the examination process and issues licenses to qualified applicants for various insurance licensees. The major license types are producers, nonresident producer, and adjuster licenses; and the LB maintains records of the licensees. The LB is responsible for continuing education deficiency notices, license renewal notifications, processing of remittance checks, confirmation & cancellation of these insurance licenses. The LB also works with the Commissioner's advisory board on continuing education requirements for producers. The LB is comprised of a licensing assistant, 6 licensing clerks, and a clerk typist.

**Motor Vehicle Insurance Fraud Investigations Branch.** The Insurance Fraud Investigations Branch (IFIB) conducts a statewide program for the prevention, investigation, and prosecution of motor vehicle insurance fraud cases and complaints relating to motor vehicle insurance fraud. The IFIB reviews referrals submitted by the insurance industry, other agencies, and members of the public and initiates an investigation in all cases where there is reason to believe that a crime may have been or is currently being committed. State law requires any insurer or insurer's employee or agent who believes that a fraudulent claim is being made to refer the case to the IFIB within 60 days.

The IFIB consists of an administrator, a staff attorney, 5 investigators, 2 forensic investigators, and a legal clerk. The IFIB also employs two contract attorneys to assist in criminal prosecutions. The administrator, the staff attorney, and the contract attorneys are designated as Special Deputy Attorneys General and are responsible for initiating criminal prosecutions. By employing deputies who are trained in insurance fraud, all cases receive prompt attention and representation in the criminal justice system.

**Office Services Branch.** The Office Services Branch (OS) provides general reception; answers and screens telephone calls, clerical, stenographic, typing, duplicating and other administrative services for the ID. OS also, maintains the division's central administrative files, including ID's memorandum, newspaper articles, documents, reports, etc.; orders office supplies and equipment for the ID and maintains its inventory; and handles the receiving and distribution of ID's general mail. The OS is comprised of a clerical supervisor, a clerk-steno and 5 clerk typists.

**Rate and Policy Analysis Branch.** The Rate and Policy Analysis Branch (RPA) provides systems and procedures for the conduct and analyses of rate and policy filings of domestic, foreign and alien

insurance companies for compliance with State insurance laws. The Rate and Policy Analysis Branch analyzes and approves or disapproves rate filings for casualty, property, motor vehicle, inland marine, surety, credit life and disability, and medicare supplement insurance. The Branch also reviews policy form filings for workers' compensation, motor vehicle, credit life and disability, long term care, medicare supplement, temporary disability, and title insurance. The RPA is comprised of a manager and 9 rate & policy analysts.

## **ACCOMPLISHMENTS**

**Compliance and Enforcement Branch.** During 2006, consumers saved or recovered more than \$507,696.00 from insurance companies and agents with the assistance of the Insurance Division. Four hundred and ninety-one (491) complaints were received for the following classes of insurance:

**Motor Vehicle Insurance:** There were 341 complaints received or 69% of the total. Of this amount complaints involving no-fault coverage for medical and other related benefits accounted for 236 cases. Seventy-two (72) cases involved claims handling in the following categories: 17 for material damage claims, 9 for claim payment or settlement delays, 10 concerning coverage and liability disputes, 15 involving resolution delays, and 21 for claim denials and other miscellaneous claim issues. Complaints other than claims total 33 in the following categories: 10 in the area of premiums and underwriting, 12 for policy cancellations or non-renewals, and 11 miscellaneous ones. 336 cases were resolved or referred to the appropriate agency for resolution. 5 cases remain pending.

**Life/Annuity Insurance:** There were 32 complaints received or 7% of the total. Of this amount, 7 involved possible misrepresentations and fraudulent transactions, 16 involved policy servicing, 4 involved claims handling, 1 involved an underwriting issue, 2 involved surrender values and 2 involved the inappropriate replacement of existing policies. 27 cases were resolved or referred to the appropriate agency for resolution. 5 cases remain pending.

**Workers' Compensation:** There were 26 complaints received or 5% of the total. Of this amount, 21 involved claims handling and payment delays and 5 involved underwriting or premium billings. 25 cases were resolved or referred to the appropriate agency for resolution. 1 case remains pending.

**Fire/Homeowners Insurance:** There were 26 complaints received or 5% of the total. Of this amount, 16 involved underwriting, rating, cancellations, or nonrenewals, and 10 involved claims. 25 cases were resolved and referred to the appropriate agency for resolution. 1 case remains pending.

**General Liability:** There were 11 complaints received or 2% of the total. Of this amount, 6 involved underwriting and policyholder service. The remaining 5 involved claims. All 11 cases were resolved or referred to the appropriate agency for resolution.

**Miscellaneous:** In addition to the above categories, there were 55 complaints received or 12% of the total, relating to other classes or matters of insurance (disability, marine, surety, and miscellaneous). 53 cases were resolved or referred to the appropriate agency for resolution. 2 cases remain pending.

Assigned Claims Program: There were 84 applications for benefits under the assigned claims program that were received and reviewed. Of this amount, 73 applications were assigned to servicing carriers for further handling.

Disciplinary Action: There were 52 formal actions involving the Compliance and Enforcement Branch. Of this amount 15 were Letters of Caution, 3 were stipulated agreements, 2 were reprimands, 2 were certificate of authority revocations, 5 were license revocations, 9 were formal denials of license applications, and 16 were consent orders. A total of \$51,000.00 was levied in fines.

**Financial Surveillance and Examination Branch.** To protect policyholders, domestic insurance organizations, including insurers and captive risk retention groups, are regularly examined for solvency and compliance with the Hawaii Revised Statutes.

Financial statements and reports submitted by twenty-one domestic insurers, fifteen captive risk retention groups, and two mutual benefit societies are subject to in-depth analytical procedures on a quarterly basis and financial examinations are conducted at least once every five years. Analytical procedures and examinations provide a means to detect early warning signs of financial difficulty and allows for the introduction of remedial measures and prevention of future insolvencies. Analytical and examination procedures are subject to an accreditation review by the National Association of Insurance Commissioners (“NAIC”).

The following is a summary of other activities of the Branch during 2006 and 2005 (dollar amounts are rounded to the nearest thousand):

	2006*	2005*
Number of Active Licensees	967	963
Direct Premiums Written in Hawaii	\$4,306,266,000	\$3,917,412,000
Premium Tax Returns Processed	6,400+	6,000+
Premium Taxes & Levies Collected**	\$ 100,733,000	\$ 98,499,000
Total Hawaii Investments by:		
Domestic Insurers***	\$ 229,843,000	\$ 203,944,000
Foreign & Alien Insurers***	\$5,220,030,000	\$3,970,889,000

\*Includes domestic, foreign, alien, and surplus lines companies.

\*\*Net of credits.

\*\*\*Includes bank balances.

**Health Insurance Branch.** The Health Insurance Branch receives inquiries and complaints pertaining to federal and state laws governing health insurance, including long-term care insurance. From July 1, 2006 to June 30, 2007, two-hundred-thirty-two (232) complaints were received. Of the two-hundred-thirty-two (232) complaints, one-hundred-ninety-two (192) were resolved and one (1) is still pending. Of the remaining thirty-nine (39) complaints, the Health Insurance Branch had no jurisdiction for fifteen (15) complaints, thirteen (13) were referred for a formal resolution, eight (8) were referred to the appropriate agency for resolution, and three (3) were withdrawn. Of the total cases, twenty-two (22) involved claims appeals; nine (9) involved policy coverage; nine (9) involved reimbursement timeliness; nine (9) involved unfair marketing; eight (8) involved participating provider benefits; seven (7) involved

termination of coverage; and the remaining one-hundred-sixty-eight (168) involved miscellaneous issues such as denial of coverage and drug formularies. The resolution of complaints during this period resulted in consumers saving over \$199,000.

During the same period, the Health Insurance Branch responded to one-hundred-ninety-seven (197) formal inquiries. Forty-seven (47) were regarding obtaining health insurance coverage; thirty-six (36) were regarding legal questions; twenty-six (26) were regarding reimbursements; seventeen (17) were questions regarding claims appeals; eleven (11) were questions regarding health insurance coverage; ten (10) were regarding federal regulations; four (4) were questions regarding filing complaints; and the remaining forty-six (46) were miscellaneous general health insurance questions.

To protect the policyholders, domestic insurance organizations, including mutual benefit societies and health maintenance organizations, are regularly examined for solvency and compliance with the Hawaii Revised Statutes (“HRS”). For the period July 1, 2006 through June 30, 2007, a report has been filed for the examination of the Hawaii Medical Service Association.

The Health Insurance Branch also reviews long-term care advertising issued by long-term care insurers licensed in the state. The filings are reviewed for compliance with HRS chapter 431:10H (Long-Term Care Insurance). The Health Insurance Branch received and reviewed one-hundred-ninety-four (194) long term care advertising filings during the period July 1, 2006 through June 30, 2007.

The Health Insurance Branch also conducts independent external reviews of managed care plan coverage decisions that are appealed by the plan member pursuant to HRS chapter 432E. From July 1, 2006 to June 30, 2007, fourteen (14) requests for an external review were received.

**Motor Vehicle Insurance Fraud Investigations Branch.** The Insurance Fraud Investigations Unit conducts a statewide program for the prevention, investigation, and prosecution of motor vehicle insurance fraud cases and complaints relating to motor vehicle insurance fraud. The Fraud Unit reviews referrals submitted by the insurance industry, other agencies, and members of the public and initiates an investigation in all cases where there is reason to believe that a crime may have been or is currently being committed. State law requires any insurer or insurer’s employee or agent who believes that a fraudulent claim is being made to refer the case to the Fraud Unit within 60 days. The Fraud Unit also employs special deputy attorney generals to initiate criminal prosecutions. By employing deputies who are trained in criminal prosecution, all cases receive prompt attention and representation in the criminal justice system.

During fiscal year 2006-2007, the Fraud Unit received 161 referrals. Of the referrals accepted, criminal indictments were obtained against 42 individuals. This reflected a 41% increase from the past fiscal year.

The Fraud Unit obtained restitution orders totaling \$52,574.57 for the cases that reached final disposition. In those cases that reached final disposition, the Fraud Unit also obtained fines payable to the State of Hawaii totaling \$11,445.00, payments in the amount of \$4,505.00 to the Crime Victim Compensation Fund, probation services fees in the amount of \$1000.00 and community service totaling 570 hours.

The Fraud Unit endeavored to meet its statutory mandate to prevent insurance fraud by making available copies of its informational brochure on the topic of auto insurance fraud to the public. In

addition, the Fraud Unit investigators interacted with the public, the insurance industry, and other law enforcement agencies through several activities. This included participation with the Honolulu Police Department in the execution of a search warrant at a suspected chop shop, surveillance in a “bait car” sting operation, and joint task force with their Auto Theft Detail Unit to inspect tow yard facilities.

**Rate and Policy Analysis Branch.** During fiscal year 2006-2007, 3,320 rate filings and 2,965 policy filings were reviewed; in the preceding year (fiscal year 2005-2006), 2,863 rate filings and 3,960 policy filings were reviewed. The Rate and Policy Analysis Branch also reviewed and analyzed approximately 7,300 motor vehicle reports and statements.

Seven hundred fifty-eight electronic form filings were processed through the National Association of Insurance Commissioners’ filing process known as SERFF or the System for Electronic Rate and Form Filing. And 206 filings were submitted by the rating organizations and insurers participating in the Insurance Division’s E-Transmittal filing system.

Act 104, SLH 2004, established Article 30, Chapter 431, HRS, which permits Hawaii to join with other states to regulate designated insurance products through an interstate insurance product regulation compact (“IIPRC”). The Commission for the IIPRC became effective May 2006 when 26 states representing a total exceeding forty percent of the premium volume for life, annuities, disability income and long-term care insurance products established similar statutes. Bylaws, operating procedures and 22 product standards have since been adopted and the IIPRC officially received two filings in June 2007.

The significant filings or issues impacting insurance coverages includes:

**Terrorism Coverage:** Unless extended by the federal government, the federal reinsurance program known as the Terrorism Risk Insurance Extension Act of 2005 (“TRIEA”) terminates December 31, 2007 and coverage for acts of war or terrorism by foreign persons may become less available or affordable.

**Hurricane Coverage:** Following the southeastern states devastating hurricane losses of 2005, hurricane models utilized by reinsurance intermediaries for the purchase of reinsurance have been significantly altered resulting in substantial increase in the cost of reinsurance for all property insurers with hurricane exposures throughout the United States and globally. Most major insurers of homeowners with the peril of hurricane and the two insurers writing property policies limited to the peril of hurricane adjust their underwriting and acceptance of new business, accordingly. As a result, coverage for the peril of hurricane has become less available.

**Homeowners:** The Hawaii Property Insurance Association amended the maximum limit of insurance available for dwellings from \$250,000 to \$350,000 in response to the rising values of insured property.

**Workers' Compensation:** The National Council on Compensation Insurance, Inc.’s workers’ compensation loss costs, to reflect experience and statutory benefits as of January 1, 2007, were approved with an overall impact of -12.3%. Subsequent to the approval, the medical fee schedule, pursuant to Hawaii Administrative Rules administered by the Department of Labor and Industrial Relations, were amended to increase medical provider payments. On December 11, 2006, revised workers’ compensation loss costs reflective of such increase were approved with an overall impact of +3.9%. The combined loss costs filings resulted in an overall impact of -8.9%.

Motor Vehicle: Eleven insurance companies write more than 95% of the private passenger insurance market. During this fiscal period, seven major insurers filed and received approvals for overall rate revisions ranging from -10.0% to -1.0%. However, on January 11, 2007, Hawaii Insurance Bureau filed proposed private passenger loss costs representing an overall impact of +3.6%. On May 18, 2007, the amendments to the proposed filing were approved with an overall impact of +0.2%.

Decreases or no overall change in base loss cost filings for coverages such as BOILER AND MACHINERY, COMMERCIAL PROPERTY, EMPLOYMENT-RELATED PRACTICES LIABILITY, FARMOWNERS, GENERAL LIABILITY, and MEDICAL MALPRACTICE were also approved during the fiscal year.

### **GOALS, OBJECTIVES, and POLICIES**

ID's goal is to ensure that consumers are provided with insurance services meeting acceptable standards of quality, equity, and dependability at fair rates by establishing and enforcing appropriate service standards and fairly administering the Insurance Code.

**Short and Long Term Goals the Division Hopes to Accomplish:** (1) Meet its statutorily mandated requirement. (2) Retain the ID's accreditation by the National Association of Insurance Commissioners (NAIC). (3) Protect policyholders by examining insurers/captive insurers to ensure financial compliance with statutory requirement and strive for early detection of any potentially hazardous financial conditions to preserve the assets of the insurer. (4) Increase the efficiency of the ID's operations. (5) Address national insurance issues by working with other state regulators and the NAIC. (6) Provide and improve internet access by the public for insurance licensees' public data. (7) Provide on-line processing, rate & policy form filings, information on licensing & filing requirements, electronic payments of fees and premium taxes and forms for licensees.

### **Objectives and Policies Setting Forth How Goals Can and Will be Accomplished.**

1. Through proper personnel and case load management the ID will strive to meet the mandated statutory requirements for the insurance code.

2. This accreditation of state insurance regulators is administered by the NAIC and requires state insurance departments/divisions to have and maintain adequate statutory and administrative authority as well as sufficient resources to effectively regulate the financial solvency of insurance companies. In order to maintain the accreditation, the ID will ensure the required level of funding in the budget for its financial surveillance resources. Also, introduce legislation for the adoption of NAIC model laws required for accreditation.

3. Protect policyholder from insolvent insurers by continuing the timely review and detailed analysis of financial statements filed by insurers to assure their compliance with the statutory financial requirements. Perform on site financial examination at least once every five years or more frequently as necessary as required by statute. Incorporated risk assessment methodology into the examiner's financial analysis work product.

4. For increase efficiency of operations, the ID has moved to computerization and the use of the Internet. The ID developed a database named the Hawaii Insurance Division System (HIDS), which is an integrated system with the licensing module at its core and subsystems to support the other functions of the ID. HIDS provides better management of the large volume of transactions handled by the ID. It has greatly reduced the manual processes and has allowed for the dissemination of information to the public through the internet. The ID has completed its HIDS enhancement project which modified existing applications and developed an Examination application. The Examination application allow for the electronic submittal and collection of premium tax returns and payments. With these modifications to HIDS, continued interfaces with the NAIC and the Hawaii Information Consortium (they provide the internet portal for the State of Hawaii's web site) databases can be built. These interfaces will continue to improve the efficiency of the ID and provide better services and information via the web to consumers & insurance licensees.

5. The ID participates in the proceedings of the NAIC by attending the meeting to address the regulatory, marketplace and national issues. The members of NAIC are all of the state insurance regulators. The ID is actively involved with NAIC by its membership in various committees and currently is vice chair of a committee.

6. The ID's web site allows the public to access to general information on insurance, information on licensees, comparative auto & homeowners premiums, information on how to file a complaint. Producers can now apply for a license, renew their licenses and submit appointments on-line. The ID has several projects which have create additional interfaces from HIDS to the NAIC and the Hawaii Information Consortium databases. The current interface enhancement projects include allowing producers to update contact information, continuing education providers can submit completed course credits on-line and course schedules, time and locations will able to be found on the website. Also, the ID completed implementing homeowners, motor vehicle, and workers compensation SERFF rate and form filings as a start in accepting property and casualty filings. The ID is working with the NAIC to implement additional lines of filing through SERFF.

#### **Action Plan & Timetable to Implement Established Objectives and Policies in One, Two and Five Years.**

Hawaii is one of thirty member states of the Interstate Insurance Product Regulation Compact which was triggered in May 2006. The compact adopted bylaws and rulemaking rules in September 2006. In 2007, the Interstate Compact accepting and life filings for review and approved its first filings, which permitted the insurers to offer coverage in all participating compact states upon approval of the product. Continuing improvements to the HIDS, website and interfaces with the NAIC and eHawaii.gov will take place.

#### **Process to Measure the Performance of Programs and Services in Meeting the Stated Goals, Objectives and Policies.**

The following are specific performance goals set for each fiscal year and the results are measured against the goals at the end of each fiscal year:

- Resolve 90% of complaints resolved within 30 days.
- Complete 100% of financial examinations of insurers within statutory time requirement.

- Review 90% of rate and policy filings reviewed within statutory time requirement,
- Resolve 80% of motor vehicle fraud cases in favor of the State

The CRF financial summary relating to INS for FY 06-07 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$4,340,761	\$2,051,915	\$6,392,676	\$7,532,652

**CONCLUSION**

The ID has met and continues to meet its mission and goals to maintain a secure and competitive insurance market place for the consumers.

## OFFICE OF ADMINISTRATIVE HEARINGS (OAH)

website: [www.hawaii.gov/dcca/areas/oah/](http://www.hawaii.gov/dcca/areas/oah/)  
e-mail address: [OAH@dcca.hawaii.gov](mailto:OAH@dcca.hawaii.gov)

### **OVERVIEW**

As a support office under the Director's Office, the Office of Administrative Hearings (OAH) is responsible for conducting administrative hearings and issuing recommended decisions, for all divisions within DCCA that are required by law to provide contested case hearings under the provisions of HRS Chapter 91. The primary CRF caseload of OAH is composed of cases originating from: 1) the Regulated Industries Complaints Office (RICO) and boards, commissions, and programs attached to the Professional and Vocational Licensing Division (PVL) on licensee disciplinary action and declaratory relief petitions; 2) citations issued to persons or businesses engaged in unlicensed activities; 3) trade name/trademark revocation and securities cases from the Business Registration Division (BREG); 4) denials of no-fault and personal injury protection benefits; and 5) other matters from other divisions.

OAH also is responsible for conducting non-CRF administrative hearings for a) procurement cases from all agencies and divisions of the State and the four counties that arise under the State's procurement code, HRS Chapter 103D; and b) due process hearings from the Special Education Program of the Department of Education under a memorandum of agreement with the Department of Education

Lastly, also provides administrative support the Medical Claims Conciliation Panel (MCCP). The MCCP program is responsible for conducting informal conciliation hearings on claims against health care providers before such claims can be filed as lawsuits. The decisions of the MCCP panels are advisory in nature and are not binding on the parties, in the event that any party still wishes to pursue the matter via the courts. An annual report is separately produced of MCCP activities.

### ***Composition***

The OAH staff responsible for CRF related activities are: Senior Hearings Officer, division secretary, two hearings officers and three legal stenos. The office is physically located in the King Kalakaua Building, 335 Merchant Street, Suite 100. The OAH mailing address is: Office of Administrative Hearings, 335 Merchant Street, Suite 100, Honolulu, Hawai'i 96813; phone number: 586-2828; fax number: 586-3097; internet address: [www.hawaii.gov/dcca/areas/oah/](http://www.hawaii.gov/dcca/areas/oah/); and e-mail address: [oah@dcca.hawaii.gov](mailto:oah@dcca.hawaii.gov).

### **GOALS and OBJECTIVES**

The primary goal and objective of the Office of Administrative Hearings has always been to conduct contested case hearings and issue recommended decisions, in a fair and impartial manner, as expeditiously as possible.

In order to track the processing of cases from the date of filing to the issuance of a final order, pursuant to directives from the Director's Office, as of July 1, 2005, the Office of Administrative Hearings has implemented additional processes and procedures to ensure that all cases are timely processed:

1. Revising the Office of Administrative Hearings data base to include additional data fields so that all pending cases can be tracked for timeliness throughout the entire hearings process;
2. Physical inventories of all Office of Administrative Hearings cases in February and July of each year;
3. Specific procedures for the disposition of cases in which no action has been taken by the parties; and
4. Monthly reports to the Director of all cases pending the issuance of decisions.

The secondary goal and objective of the Office of Administrative Hearings is to make all of the decisions issued by the Boards, Commissions, Programs, and Divisions that are part of the CRF, available to the public. To accomplish this objective, since January 2005, the Office of Administrative Hearings has posted redacted decisions online on the DCCA/Office of Administrative Hearings web site: [www.hawaii.gov/dcca/areas/oah/oah\\_decisions/](http://www.hawaii.gov/dcca/areas/oah/oah_decisions/).

**ACCOMPLISHMENTS**

The following table summarizes the CRF-related activities conducted by OAH for the 2006-2007 fiscal year:

Type of Proceeding Conducted	Number
Pre-hearing conferences	136
Status conference	100
Motions	53
Hearings	171
Oral arguments on written exceptions	11

The following table summarizes the number of cases and the relative percentage of CRF-related activities conducted by OAH for the 2005-2006 fiscal year, by referring Division of OAH

DCCA Divisions Referring Matters to OAH	Cases Filed	%
Insurance Division (denial of personal injury protection benefits)	170	48%
Regulated Industries Complaints Office (disciplinary proceedings and citations for unlicensed activities)	112	32%
Business Registration Division (trade name revocation proceedings, corporate name abatement proceedings, violations of securities laws)	22	6%
Professional and Vocational Licensing (license denials)	23	6%
Office of Administrative Hearings (condominium disputes)	14	4%
Office of Administrative Hearings (procurement protests) condominium disputes)	6	2%
Other CRF-related hearings	8	2%

Additional statistical data pertaining to CRF-related activities conducted by OAH can be found in the statistical tables presented by the Regulated Industries Complaints Office.

The financial summary for the Director and its support Office, which includes OAH, is reflected in footnote 2 in the Introduction.

### **CONCLUSION**

The Office of Administrative Hearings will continue to work closely with all of the Boards, Commissions, and Programs that are part of the CRF, as well as with the other DCCA divisions that also integral parts of the professional and vocational licensing system, to ensure that cases are processed as expeditiously as possible, and that all participating entities will have access to the OAH case data base and archives of past decisions.

## OFFICE OF CONSUMER PROTECTION (OCP)

website: [www.hawaii.gov/dcca/ocp](http://www.hawaii.gov/dcca/ocp)

e-mail address: [ocp@dcca.hawaii.gov](mailto:ocp@dcca.hawaii.gov)

### OVERVIEW

The Office of Consumer Protection (OCP) is the primary governmental agency in the State of Hawaii responsible for reviewing and investigating allegations of unfair or deceptive trade practices in consumer transactions.

OCP is empowered by statute to enforce the state's consumer protection laws. Functionally, this means that OCP has jurisdiction over a wide range of businesses and activities, including both regulated and unregulated industries. OCP handles many different types of complaints, such as those involving: advertising violations, door-to-door sales, solar energy devices, gift certificates, offers of gifts and prizes, going out of business sales, charitable solicitations, refunds and exchanges, collection practices, credit sales, health clubs, towing, fine prints and motor vehicle rentals. See Table 1, Laws Enforced by OCP. OCP also provides extensive information on the Landlord-Tenant Code.

OCP has adopted a number of different strategies to ensure that its mission is achieved in a meaningful and cost-effective manner. First, the staff tries to prioritize cases according to the seriousness of the violation. To help achieve this goal, investigations of actions that present significant consumer harm are "fast-tracked" for immediate legal intervention. Second, in an effort to proactively address perceived consumer problems, the office initiates investigations of problematic commercial practices. Third, staff persons attempt to provide as much assistance by telephone as possible, enabling a consumer to resolve their concern(s) without government intervention. Fourth, emphasis is placed on consumer and business education, through public service announcements, Consumer Dial messages, public informational forums, speaking engagements, media releases, and the dissemination of brochures. Finally, OCP partners with numerous public and private agencies to promote consumer protection throughout the State of Hawaii. In view of the successful implementation of these goals during the past few years, OCP will continue to focus on them throughout the foreseeable future, including during the next five years.

OCP's main office is in Honolulu at the Leiopapa A Kamehameha Building, 235 South Beretania Street, Suite 801, Honolulu, Hawaii 96813. It shares offices with the Regulated Industries Complaints Office (RICO) in Wailuku, Maui at 1063 Lower Main Street, Suite C-216 and in Hilo, Hawaii at 345 Kekuanaoa Street, Suite 12. OCP's website address is [www.hawaii.gov/dcca/ocp](http://www.hawaii.gov/dcca/ocp). Its functions are divided into four basic sections: intake, investigation, landlord-tenant, and legal.

## **Composition**

### ***The Consumer Resource Center Intake Section - phone: (808) 587-3222***

The Consumer Resource Center (CRC) handles the intake of complaints for OCP. CRC is staffed by investigators who answer consumers' questions, distribute OCP complaint forms to consumers, receive written consumer complaints, and forward cases to OCP for review, closing or further investigation. In addition, a division within CRC answers telephonic requests for prior complaint history. If circumstances permit, consumers also have the opportunity to visit OCP's Honolulu office to view the actual case files. Prior to the release of any file, OCP's staff reviews its contents to ensure that legally protected private information is not disclosed. See Table 2, statistics on OCP Information Requests.

### ***The Investigation Section - phone: (808) 586-2630***

OCP's investigation section receives cases from CRC and gathers evidence to determine whether violations of consumer laws have occurred. Investigators' tasks include site inspections, witness interviews, document collection, evidentiary analysis, report writing and the service of subpoenas. See Table 3, Number of OCP Complaints Filed; Table 4, Numerical Breakdown of Dispositions of All OCP Cases; and Table 5, OCP Complaints by Subject Matter for FY 2006-2007 statistics.

### ***The Landlord-Tenant Section - phone: (808) 586-2634; Consumer Dial (808) 587-1234; website [www.hawaii.gov/dcca/ocp](http://www.hawaii.gov/dcca/ocp)***

OCP operates the Landlord-Tenant Volunteer Center. The Center is supervised by an investigator and is staffed by trained volunteers who answer questions about landlord-tenant issues. The Landlord-Tenant Volunteer Center does not represent landlords or tenants in court or provide legal advice; its role is limited to providing information regarding the particular laws relating to landlords and tenants. The office supplements this function by making available additional information on the department's 24-hour Consumer Dial Information Service, and on its website. The office also disseminates information to interested parties through its very popular landlord-tenant handbook, of which thousands are distributed each year.

### ***The Legal Section - phone: (808) 586-2636***

The Legal Section consists of staff attorneys who file civil actions against consumer law violators. Attorneys also engage in informal and formal resolution of cases prior to filing lawsuits.

### ***OCP also provides the following services:***

#### ***Consumer Education***

In an effort to enhance consumer awareness of various consumer problems, OCP continuously strives to promote consumer education. The office issues press releases on a variety of consumer topics, and prepares and distributes written materials to provide specific consumer information. OCP also offers a series of Consumer Dial messages dealing with a variety of landlord-tenant and general consumer protection issues. Interested parties can call 24

hours a day and receive information on a variety of topics. In addition, OCP staff has participated in numerous educational forums in which hundreds of consumers and business persons have received extensive information about consumer protection in Hawaii.

***Neighbor Island Assistance Requests***

OCP staff offers assistance to neighbor islanders in DCCA related matters or other areas, as is reflected in the attached Table 6.

In addition, the office's neighbor island staffs have been trained in the technical operation of the state's Video Conference Center equipment and provide technical assistance to the department's hearings office so that neighbor island administrative hearings can be conducted through video conferencing.

**GOALS AND OBJECTIVES**

During the next five years, OCP will strive to fulfill its statutory mandate by fostering a fair and safe marketplace for consumers and businesses alike. In this regard, it will continue to investigate allegations relating to unfair or deceptive trade practices, enforce Hawaii's consumer laws, and educate consumers and businesses on their respective rights and responsibilities. The specific goals and objectives will include:

- Maintain fiscal responsibility on behalf of DCCA/OCP;
- Prepare innovative legislation designed to protect the citizens of the State of Hawaii;
- Proactively initiate cases against problematic business practices before there is widespread consumer harm;
- Disseminate consumer education to the largest possible populace;
- Facilitate the exchange of information to a wide array of law enforcement;
- Develop access to investigative data bases; and
- Provide in-house training to OCP investigators and attorneys.

**ACCOMPLISHMENTS**

***Consumer Education***

During the past year, OCP has educated thousands of citizens by conducting workshops for senior care providers, speaking to business leaders and consumers regarding consumer protection and training Hawaii attorneys and military legal assistance personnel on consumer protection law.

In particular, OCP focused on the growing problem of identity theft in which it provided important information to thousands of Hawaii residents regarding how to avoid being victimized.

### *Cases*

OCP handled several significant cases in 2007 involving nearly every area of consumer protection. It filed and resolved numerous cases relating to alleged violations of Hawaii's laws governing unaccredited degree granting institutions, identity theft, gift certificate, car rentals, credit practices, foreclosure avoidance schemes, living trusts, door-to-door sales, refund and exchanges, and unfair or deceptive trade practices. OCP's involvement successfully resulted in recovering approximately 3 million dollars in restitution for Hawaii consumers as well as obtaining injunctive relief and fines against violators. In several cases, OCP secured temporary restraining orders against violators of Hawaii's consumer protection laws, successfully preventing them from continuing to harm and exploit Hawaii consumers.

## **LEGISLATION**

### *Identity Theft Task Force*

In an attempt to combat the growing problem of identity theft, OCP participated in an identity theft task force which examined various ways to combat identity theft in Hawaii.

OCP assisted in amending Hawaii's credit freeze law that now allows anyone (not just victims) to freeze their credit report.

Additionally, OCP testified on numerous other measures relating to consumer protection, including several enacted into law, such as, bills concerning towing and ticket sales.

The CRF financial summary relating to OCP for FY 06-07 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$1,122,376	\$102,714	\$1,225,090	\$131,483

## **CONCLUSION**

OCP continues to receive a large number of requests for assistance. Consumer complaints are diverse in nature and range from an isolated case to problems that affect each Hawaii citizen. Through regular training and information exchange, OCP's staff attempts to keep abreast of the latest consumer problems and "rip-offs," in order to prevent them from occurring and to limit their impact. Through its efforts in taking proactive measures to prevent wide-scale consumer problems before they occur, and through its enforcement actions and consumer and business education, OCP strives to meet the consumer protection needs of this community, and fulfill its mission.

Table 1: Laws Enforced by OCP

HRS §209-9	Price Gouging
HRS §290-11	Towing
HRS §437	Motor Vehicle Sales – Spot Delivery
HRS Chapter 437D	Motor Vehicle Rental
HRS Chapter 446	Debt Adjusting
HRS Chapter 446E	Unaccredited Degree Granting Institutions
HRS Chapter 457G	Occupational Therapists
HRS Chapter 467B	Charitable Solicitations
HRS Chapter 476	Credit Sales <sup>7</sup>
HRS Chapter 477E	Fair Credit Extension
HRS §480-2	Unfair and Deceptive Acts or Practices <sup>8</sup>
HRS Chapter 480D	Collection Practices <sup>9</sup>
HRS Chapter 480F	Check Cashing
HRS Chapter 481A	Uniform Deceptive Trade Practice Act
HRS Chapter 481B	Unfair and Deceptive Practices, including Unsolicited Goods; Commercial Mail Order Buying Clubs; Offers of Gifts or Prizes; Aid to Handicapped; Refunds and Exchanges; Solar Energy Devices; Sales of Computers; Sensitivity Awareness Group Seminar; Credit Repair Organizations; Gift Certificates; Ticket Sales
HRS Chapter 481C	Door-to-door Sales
HRS Chapter 481D	Going Out of Business Sales
HRS Chapter 481F	Sale of Fine Prints
HRS Chapter 481H	Water Treatment Units
HRS Chapter 481K	Assistive Technology Warranty Act
HRS Chapter 481L	Motor Vehicle Lease Transactions
HRS Chapter 481M	Rent-to-Own
HRS Chapter 481P	Telemarketing Fraud Prevention Act
HRS Chapter 481 X	Service Contracts
HRS Chapter 486N	Health Clubs
HRS §487-5	Laws Enacted and Rules Adopted for the purpose of consumer protection <sup>10</sup>
HRS Chapter 487A	Plain Language Law
HRS 487J	Social Security Number Protection
HRS 487H	Notification of Security Breaches
HRS 487R	Destruction of Personal Information Records
HRS Chapter 506	Reverse Mortgage Loan
HRS Chapter 521	Landlord Tenant Code <sup>11</sup>
ACT 146 (1999)	Check Cashing

<sup>7</sup> HRS §476-31. OCP has also filed cases based upon the Federal Truth in Lending Act and the State's usury statute, HRS Chapter 478.

<sup>8</sup> OCP also has enforcement power over certain Lemon Law agreements (HRS §481I-4), and has filed lawsuits based upon HRS §486-119, "Made in Hawai'i" law. Also HRS Chapter 514E sets forth a comprehensive regulatory scheme for time-share development, sales and maintenance. However, there is a section which makes thirteen specific types of conduct *per se* violations of HRS §480-2. Under HRS §490:2A-104, UCC leases are explicitly subject to state consumer protection statutes and case law.

<sup>9</sup> See also, Collection Agencies HRS §443B-20.

<sup>10</sup> E.g. Motor vehicle advertising, HRS §437-4.

Act 282 (1997)                      Assistive Device Warranty Act  
 Act 222 (2000)                    Service Contracts

Table 2: OCP Information Requests

REQUEST AND INQUIRIES	FY 04-05	FY 05-06	FY 06-07
Requests for Prior Complaint History	5,564	3,776	4,649
Requests for Landlord/Tenant Information	10,641	9,574	8,710
Complaint Inquiries	15,012	12,508	12,020
Requests for Records Review	12	43	11
<b>TOTAL</b>	<b>31,229</b>	<b>25,901</b>	<b>25,390</b>

Table 3: Number of OCP Complaints Filed

COMPLAINANT	FY 04-05	FY 05-06	FY 06-07
Public	1,641	1,657	1830
OCP	40	36	25
<b>TOTAL</b>	<b>1,681</b>	<b>1,690</b>	<b>1,855</b>

Table 4: Numerical Breakdown of Dispositions of All OCP

DISPOSITIONS	FY 04-05	FY 05-06	FY 06-07
Complaint Withdrawn	7	6	2
Legal Action & Referrals to Legal	135	497	301
Advisory Contact	31	24	38
Civil Dispute/Personal Matter	46	38	50
Monetary Threshold	10	1	0
Complainant Uncooperative	41	25	20
Consumer Complaint Resolved	35	19	98
Respondent Died or Bankrupt	135	57	34
Business vs. Business	20	15	40
No Jurisdiction	21	23	11
Refer to Investigation	107	92	192

<sup>11</sup> HRS §521-74.5 provides that a landlord who recovers possession of a dwelling unit by willful interruption of utilities or other essential services violates HRS §480-2. In addition, HRS §521-77 provides that OCP may receive, investigate and attempt to resolve any dispute arising under HRS Chapter 521.

DISPOSITIONS	FY 04-05	FY 05-06	FY 06-07
Other	7	4	30
Warning Letter	83	56	54
Insufficient Evidence	444	517	373
Transferred to Other Gov't. Agency	609	594	695
No Violation	20	14	20
Information Only/Inquiry	251	155	131
<b>Total</b>	<b>2,002</b>	<b>2,137</b>	<b>2,089</b>

Table 5: OCP Complaints by Subject Matter

A complaint may cover multiple subject matters

SUBJECT	FY 04-05	FY 05-06	FY 06-07
Animals	5	10	7
Breeders	0	0	3
Pet Grooming	2	0	1
Pet Shops	2	1	1
Kennels/Boarding	0	0	1
Refund Law – Refunds/Exchanges/Merchandise Credit	52	30	26
Gift Certificates	11	14	29
Rebate	0	0	1
Apparel/Accessories	44	16	6
Laundry/Dry Cleaning/Laundromats	0	2	1
Dressmaker/Tailors	1	0	1
Fabric/Notions/Etc.	0	0	1
Shoes/Etc.	1	1	1
Clothes	7	9	5
Appliances	6	12	11
Refrigerator/Freezer/Stove/Range	17	11	10
Water Heaters/Air Conditioners	1	2	3
Washer/Dryer	2	4	4
Radio/Stereo/Tape Deck/CD Player	15	7	5
TV/VCR	21	8	6
Sewing Machine	3	0	0
Vacuum Cleaner	8	10	21

SUBJECT	FY 04-05	FY 05-06	FY 06-07
CB Radios	0	0	0
Computers/Software	59	36	26
Health Services/Products	19	16	19
Exercise Devices	3	1	6
Exercise/Health Clubs/Clinics	12	68	31
Health Foods	0	0	0
Weight Reduction	1	2	0
Cosmetics/Beauty Products	4	6	8
Wigs/Hairpieces	2	1	1
Entertainment/Music	5	4	4
Concerts/Events	2	4	4
Ticket Sellers/Promoters	2	1	1
Theaters	0	0	0
Night Clubs/Discotheques	0	0	0
Musical Instruments/Lessons	9	2	2
Audio Records/Tapes/CD/Etc.	3	1	0
Buying Clubs - Record/Tape/CD/Video	0	1	2
Video Records/Tapes/CD/Etc.	10	8	4
Florists/Nurseries	6	4	5
Food/Drink	14	19	13
Food Stores/Markets	12	10	4
Drive Inns	1	0	0
Caters/Deli	0	0	0
Bakery	1	1	0
Restaurants	6	10	14
Banquet Halls	0	0	0
Bars/Cocktail Lounges	0	1	0
Energy/Fuels	2	1	2
Solar Energy	2	2	0
Gas, Propane, Etc.	8	2	3
Energy Saving Devices	0	1	0
House Materials/Goods/Services	20	20	20
Beds & Mattresses	5	4	4
Furniture	22	18	136

SUBJECT	FY 04-05	FY 05-06	FY 06-07
Cookware	3	1	1
Drapery	0	0	1
Carpet/Rugs	4	5	1
Clocks	0	0	1
House Hardware/Fixtures	4	11	10
Woodwork/Metal craft/Glass/Etc.	4	6	3
Interior Decorators	0	0	2
Lawn Care Products/Yard Service	5	2	5
Upholsters	2	0	2
Water Purifiers/Filters	3	1	2
Cleaning Services	3	4	6
House Construction/Remodeling	8	5	5
Vermin/Bug Extermination	0	1	0
Tools	7	4	0
Insurance	17	16	11
Extended Warranties	2	4	14
Service Agreements/Contracts	37	67	22
Jewelry	22	24	18
Precious Stone & Metals	1	0	0
Watches	15	1	3
Medical	11	8	8
Hospitals/Clinics	9	6	3
Pharmacies	2	3	2
Convalescent/Nursing Homes	1	0	0
Medical Equipment	3	2	4
Medical Service Companies	3	2	0
Medical Laboratories	0	0	1
Home Care Facilities	1	4	2
Psychiatric Counseling/Group Therapy	0	0	2
Other Counseling/Group Therapy	0	0	0
Occupational Therapists (457G)	0	0	1
Morticians, Cemeteries & Other	1	4	0
Moving & Storage	6	9	12
Private Storage Company	3	0	0

SUBJECT	FY 04-05	FY 05-06	FY 06-07
Bill of Lading	0	0	1
In-transit Storage	0	0	0
Delivery Service	3	5	2
Air Cargo Service	0	0	1
Multi-Product Retailer/Wholesalers	3	4	4
Buying Clubs	3	1	4
Department Stores	1	5	1
Photography	2	4	3
Photo Studios	0	1	0
Film Processing	0	0	0
Camera/Equipment	10	4	5
Photographic Services	2	5	5
Professional Services	10	15	10
Attorneys/Legal Services	3	3	3
Accountants/Bookkeeping	1	0	0
Tax Services	2	6	3
Medical Professional	3	4	4
Adoption Agencies	0	0	0
Printers	3	1	4
Regulated Services (Trade & VO Caption)	2	6	4
Protection Devices	1	0	1
Fire/Burglar Alarms	1	2	1
Heat/Smoke Detectors	0	0	0
Locks (Windows, Doors, Etc.)	1	2	2
Fire Extinguisher	0	0	0
Recreation/Toys/Game/Etc.	8	18	5
Arts & Crafts	1	4	2
Boats & Airplanes	2	5	6
Toys	13	2	3
Surfboards	1	0	2
Video Games	10	4	3
Camping Equipment	1	0	0
Sporting Goods	14	7	6
Recreational Rentals	2	3	4

SUBJECT	FY 04-05	FY 05-06	FY 06-07
Transportation	4	4	3
Cabs	1	1	2
Moving Companies/Storage	0	2	3
Pedi-Cabs	0	0	0
Tour Buses and Limos	0	1	1
Automobiles	24	34	18
Car/Truck Rental	25	15	32
Car/Truck Lease	0	1	0
Moped Rentals	1	0	5
Other Transportation Rentals	1	1	0
Towing	17	14	24
Parking	5	9	7
Body/Paint Shops	18	10	5
Auto Parts/Repair	35	28	17
Rust proofing/Undercoating	2	1	0
Glass Tinting	1	2	2
Vehicle (Incl Mopeds) New & Used Sales	15	9	4
Warranties	8	11	6
Travel/Vacations	21	10	11
Air Travel Services (Airlines, Etc.)	15	11	18
Ocean Travel Services (Cruises & Ships)	5	7	10
Discounted Tickets - Travel/Entertainment	2	0	2
Hotels & Motels	11	13	15
Bed & Breakfast	3	3	4
Tour Services	5	9	5
Travel Clubs	0	0	0
Passports & Visas	0	0	1
Utilities	4	0	1
Gas Provider	0	1	3
Electric	0	0	4
Telephone/Cellular/Pagers	74	70	124
Water	0	1	1
Cable	4	10	5
Telecommunications/Electronic Devices	13	7	7

SUBJECT	FY 04-05	FY 05-06	FY 06-07
Dating Services	4	2	6
Investment/Financial	12	20	15
Chain Letter	0	0	0
Consumer Credit	19	5	7
Credit Card	61	50	49
Identity Theft	5	5	9
ID Theft – Security Breach Notification	-	-	8
ID Theft – Social Security Theft	-	-	0
ID Theft – Destruction of Personal Information/Records	-	-	1
ID Theft – Security Freeze	-	-	1
Checking Accounts	3	3	5
Debit Accounts	4	1	1
Promissory Notes	1	1	0
Buying on Account	1	1	0
Information to Obtain Credit/Credit Cards	1	1	0
Discount Coupons/Books	3	3	6
Financial Institutions	4	11	8
Credit Reporting Agency	2	2	1
Credit Repair	1	1	2
Collection of Debts	6	6	9
Advance Fee Loans	1	1	4
Bank/Savings & Loan/Industrial Loan Companies	3	4	4
Escrow Services	1	0	1
Loan/Mortgages	12	20	12
Investment/Opportunity Scheme	13	5	6
MLM/Pyramids/Endless Chain Schemes	2	0	1
Referral Sales	0	0	0
Get Rich Programs	3	2	0
Work-at-Home Programs	5	3	3
Coins/Currency	4	4	5
Stocks & Bonds	1	8	0
Oil/Gas Lottery	0	1	0
Art	0	2	3
Securities	1	0	0

2007 Compliance Resolution Fund Report

Office of Consumer Protection (OCP)

SUBJECT	FY 04-05	FY 05-06	FY 06-07
Tax Planning/Devices	0	0	0
Contract Sellers	0	0	1
Pawn Shops	1	2	1
Auctioneers	1	3	1
Second Hand Dealers	0	0	0
Real Estate	12	9	7
Sweepstakes/Lottery/Games of Chance	21	27	68
Contests	0	0	1
Gambling	0	0	0
Education/Information	6	7	4
Schools (Elementary, High)	0	7	2
Degree Granting Schools	4	2	6
Unaccredited Degree Schools	18	252	88
Trade/Vocational Schools	0	3	2
Home Study	0	0	0
Correspondence Schools	0	0	0
Dance Schools	0	0	0
Modeling Schools	1	4	2
Day Care Centers	34	1	1
Employment	0	1	2
Resume Preparation	0	0	0
Modeling Agency	2	3	3
Regular Periodic Information Service	1	0	0
Magazine	8	9	13
Subscription Services	9	7	18
Newspaper	2	1	4
TV Broadcasting	5	1	2
Radio Broadcasting	0	1	1
Computer Information Services	19	15	10
Internet Transactions	587	344	427
Internet Fraud Complaint Center	-	339	432
Books/Encyclopedia	2	3	4
Self-Improvement Seminars	0	0	1
Encounter Group Therapy	0	0	0

**2007 Compliance Resolution Fund Report**

**Office of Consumer Protection (OCP)**

<b>SUBJECT</b>	<b>FY 04-05</b>	<b>FY 05-06</b>	<b>FY 06-07</b>
Charitable Solicitations	7	4	7
Environmental Claims	0	3	1
Religious	0	0	0
Emergency: Prize/Freeze/Gouging/Rent Termination	0	0	1
Rent to Own	0	1	0
Elderly Issues	7	12	10
Civil Procedures/Statutory Constructions	1	0	0
Multistate Projects	9	9	6
Spamming	1	0	3
MS – Newspaper Advertisement	12	7	5
MS – Other Regular Printed Media Ad (Magazine, Etc.)	10	13	10
MS – Television/Cable	4	2	3
MS – Info Commercial	5	3	3
MS – Telemarketing	9	11	15
MS - 1-900 Numbers	0	0	0
MS – Direct Mail	6	11	4
MS – Information Brochure	0	0	0
MS – Response Card/Letter	1	0	1
MS – Home Presentation (Door-to-Door)	4	2	2
MS – Radio	0	0	0
MS – Product Show	0	0	0
MS – Information/"How To" Seminar	4	5	2
MS – Mail Order	9	22	15
<b>TOTAL COUNT</b>	<b>2,017</b>	<b>2,275</b>	<b>2,389</b>

Table 6: OCP Neighbor Island Assistance FY 2007

<b>DIVISION</b>	<b>HILO</b>	<b>MAUI</b>	<b>TOTAL</b>
Division of Financial Institutions	3	4	7
Business Registration	48	28	76
Cable Television	3	0	3
Insurance Division	14	3	17
Division of Consumer Advocacy	2	0	2
Professional & Vocational Licensing	36	32	68
Regulated Industries Complaints Office	202	114	316
Non-Departmental Related	110	124	234
Other DCCA Divisions	3	2	5
<b>TOTAL</b>	<b>421</b>	<b>307</b>	<b>728</b>

## PROFESSIONAL AND VOCATIONAL LICENSING DIVISION (PVL)

website: [www.hawaii.gov/dcca/areas/pvl](http://www.hawaii.gov/dcca/areas/pvl)

e-mail address: [pvl@dcca.hawaii.gov](mailto:pvl@dcca.hawaii.gov)

### OVERVIEW

The Professional and Vocational Licensing Division (PVL) is responsible for implementing the licensing regulations for 45 different professions and vocations. Twenty-five (25) licensing regulatory boards and commissions are administratively attached to DCCA/PVL, as well as twenty (20) licensing programs (those without a board or commission). The division provides staff support to the licensing regulatory boards, handles applications, licenses, reviews and processes renewals, and maintains license records. The division provides guidance for proper implementation of the licensing laws and administrative rules for the 45 licensing areas. Additionally, PVL responds to phone inquiries on whether a person or entity is properly licensed, a service that can assist consumers in making a decision on whether or not to utilize the services of a licensed professional.

PVL's projects to promote accessibility for licensing information on the Internet are very user friendly. PVL continues to explore ways to enhance public accessibility to licensing information, the licensing process, and the licensee roster. PVL's web page, a site that provides general licensing information for all 45 licensing areas, features downloadable license applications, publications, links to Hawaii Revised Statutes and Hawaii Administrative Rules, as well as a means to request an application or contact the board or program staff via e-mail. The website address is <http://www.hawaii.gov/dcca/areas/pvl>. The website also includes a Geographic Report of current licensees by licensee type, by island, and by type of entity. It is updated regularly to reflect the number of current licensees who have been issued licenses by PVL. It is a useful tool for those who are interested in the breakdown of licensees by their professions and their geographic locations.

Public accessibility to licensee information is enhanced by the PVL's License Search and List Builder sites, both of which are fully interactive sites. The License Search site enables the public to obtain basic information about businesses and individuals that hold professional and vocational licenses issued by PVL including license ID number, whether the license is active or inactive, current status, original date of licensure, expiration date of licensure, and any formal disciplinary action information against the licensee. The List Builder site enables the public to access and order a licensee roster online. The roster may be ordered by license name, license number, and other identifying information. Updates to the online information to both sites occur within 30 minutes of the update to the PVL licensing database. Feedback received on these sites indicate that the sites benefit a wide range of users, including consumers, licensees, employers, and government agencies, both in Hawaii and out-of-state. Links to other DCCA sites provide easy access to additional useful consumer information, such as a licensee's complaints history. The website address for PVL's Online Services is [http://www.hawaii.gov/dcca/areas/pvl/e\\_services](http://www.hawaii.gov/dcca/areas/pvl/e_services).

This is the seventh year that online renewals are being made available to licensees. This entirely paperless process enables licensees to complete, file, and pay for their license renewal electronically. A fair share of renewals were still mailed in by licensees and manually processed by PVL, but a majority of the renewals were done online. Online renewals are available at [http://www.hawaii.gov/dcca/areas/pvl/e\\_services](http://www.hawaii.gov/dcca/areas/pvl/e_services).

Finally, with regard to fiscal matters, PVL's goal is to maintain the division as a special-funded and entirely self-sufficient program. Through careful budgeting of PVL revenues and expenditures, PVL endeavors to maintain self-sufficiency, while expanding and improving services to the public. Internally, PVL continues to evaluate and reengineer its processes for efficiency and streamlining, and to develop alternative means of delivery of licensing information to the public.

PVL is located at 335 Merchant Street, on the third floor of the King Kalakaua Building, Honolulu, Hawaii 96813.

### ***Composition***

PVL is divided into four branches:

***Licensing Branch (Phone 586-3000)*** is comprised of the Applications Section and the Records Section. The Applications Section reviews, processes, and issues all applications for licensure and maintains records of licensing applications. The Applications Section staff conducts highly intensive reviews of all initial licensing applications, determines the status of such applications, and makes the final determination to either issue or deny licenses. The Records Section is responsible for renewing licenses and maintaining records of all licensees. The Records Section staff is also involved with performing customer service duties by assisting the public with licensing information at the walk-in counter and over the telephone. Further, the Licensing Branch accesses the computerized licensing database to provide immediate information. Inquirers may obtain information on whether a person or entity is licensed, the original date of licensure, the current status of licensure, the expiration date of the license, Hawaii disciplinary sanctions imposed on the licensee, and, if applicable, whether mandatory insurance (e.g., workers compensation, liability insurance) is current and in effect.

***Examination Branch (Phone 586-2711)*** arranges for the administration of all the licensing examinations, confirms the validity and reliability of exams, revises board constructed examinations to ensure its continued validity and reliability, and advises boards, when necessary, on the technical aspects of examinations.

***Administration Branch (See Hawaiian Telcom Government Pages, State Offices, Page 11, third column, Executive Offices for Boards/Commissions & Programs)*** serves as the liaison between the director of the department and the 25 boards, commissions, and 20 regulatory programs administratively attached to DCCA. On a daily basis, the Administration Branch handles board affairs such as the coordinating, preparing, facilitating, and recording of board meetings; ensuring board compliance with applicable laws that guide and direct their conduct; and implementing board decisions on applications, policies and procedures, and disciplinary actions. The Administration Branch also responds to requests for interpretation of the licensing laws and rules; oversees licensing and examination activity; and guides and assists with regulatory compliance issues. The same activities are done for the 20 programs (absent the necessity of board meetings) on behalf of the director of the department. There are also substantial coordination and facilitation activities performed by the Administration Branch with other state, county, and federal agencies involved with licensing and regulatory issues.

***Real Estate Branch (Phone 586-2643)*** serves as the liaison between the director of the department and the Real Estate Commission, and performs the same functions as the Administration Branch for real

estate licensing and regulation and condominium property regimes. With the largest volume of applicants' licensees, and registrations, the Branch administers the Real Estate Recovery Fund, Real Estate Education Trust Fund, and the Condominium Education Trust Fund. The Branch also administers education and research programs in the field of real estate and condominiums. Information on the programs, financial reports, and the Commission's annual report may be reviewed at the Branch's website: <http://www.hawaii.gov/dcca/areas/real>.

In summary, all Branches within PVL work toward efficient and expedient processing of applications, licenses, and renewals to ensure the public has choices amongst competent and licensed practitioners. For a statistical summary of PVL key activities, see Table 1: PVL Statistical Overview; Table 2: Total number of Current PVL Licensees; Table 3: Total number and (Percentages) of License Renewals Online; Table 4: Total number of Website "Hits," and Table 5: Total Number of Email Inquiries.

## **GOALS, OBJECTIVES and ACCOMPLISHMENTS**

### ***Customer Service***

PVL's involvement with the DCCA Customer Service Improvement Project (CSIP) while working in collaboration with the Department of Human Resources Development (DHRD) since 2003, has been a successful ongoing pilot project. The goal of the project is to provide the best possible customer service that PVL's Licensing Branch can provide to the public. There are four phases to the project. The first phase was to assess the quality of the customer service that the unit provided. The second phase was to identify possible areas for improvement. The third phase was to design and implement actions/interventions to bring about improvements. The fourth phase is to evaluate the effectiveness of this project. PVL has completed the first three phases and we are currently working on the fourth phase. Upon completion of the CSIP, it may be used as a model for other State departments.

PVL showed a slight decrease in the percentage for the timely processing of licenses renewed and the timely processing of new licenses. The percentage of licensees renewed in an appropriate and timely manner in FY 07 was 90.1%. Unfortunately, staff vacancies attributed to the decrease in percentage of the timely processing. We are, however, actively seeking to fill all of the vacancies to improve the processing time.

### ***Improving/Expanding/Enhancing PVL's Online Services During FY 2007***

In pursuing the division's objective of improving and expanding online service offerings, PVL saw the number of online renewals increase for businesses and professionals. The December 2006 online renewal user rate was 80.56%, while the prior corresponding December 2004 biennial user rate was 43.18%. Also, the June 2007 online renewal user rate was 67.47%, while the prior corresponding June 2005 biennial renewal user rate was 62.02%. Overall, FY 07 renewal user rate was 67.71%, while the corresponding biennial FY 05 renewal user rate was 52.07%, resulting in a 15.64% increase in the user rate. Further, the following professions were added to the online renewal system during this FY, including Contractors, Mortgage Broker Branch Offices, Registered Nurses (inactive), Licensed Practical Nurses (inactive), Advanced Practice Registered Nurses (inactive), Real Estate Branch Offices, Licensed Bachelor Social Workers, and Licensed Clinical Social Workers.

Our list of goals still includes further enhancements to our website and the online renewal system and its use; through an online system, enable licensees to provide change in contact information; implement a 24/7 online system to allow surety companies to submit insurance updates for contractor and pest control licenses; improve the PVL List Builder online service; and improve the PVL License Search online service.

This year, additional enhancements were made to the existing PVL website and online renewal system as follows:

With the new online renewal for Contractors license in September 2006, the first time user rate was a responsive 34.55%. The partnership with the State Department of Taxation (to pre-clear licensees on their tax clearances which is required for PVL renewals) made the online renewal very successful;

PVL assisted the UH Center for Nursing (Center) by incorporating an automatic link at the end of the PVL RN and APRN online renewal process, which then opened up to the Center's website to a nurse workforce/shortage survey. This partnership furthered the Center's mandate to do such surveys and the ability of the Board of Nursing to assist the Center. We understand from the Center that this was the best response rate ever received in comparison to their other surveying methods;

PVL continued to offer its 10% Customer Appreciation Credit (CAC) with the FY 07 online renewals, designed to serve as an appreciation to PVL licensees who used the online system and as an incentive for more licensees to adopt the online renewal process. In FY 07, cost savings for participating licensees was \$109,024. With the ending of the 10% CAC discount for the biennium period 2006-2007, a total cost savings of \$297,164 was provided to affected licensees who renewed online during this period. The performance of this project will continue to be measured by the ability to afford the discount to all licensees and by the increase in our online renewal user rate; and

PVL changed the look and feel of the online renewal to match the look of the DCCA/PVL webpage.

PVL continues to explore the possibility of developing an online system for all professions and vocations to allow individuals to change their contact information online, such as name or address changes. In 2007, PVL was successful in implementing an online system so that Occupational Therapists could make employer name and address changes online (information required by law). To some extent, PVL has incorporated address changes into the online renewal process which have made things easier for licensees. There are, however, licensing areas which do not renew online, and therefore, a separate online system for address changes could still be warranted. PVL will continue to examine this issue.

With regard to the 24/7 online system that will allow surety companies the ability to submit insurance updates on contractor and pest control licensees, we have designed the system and will be rolling out the system by soliciting sureties to use the submittal system, overcoming and resolving surety concerns, increasing user rate via meetings, presentations, press releases, and informing licensees of the benefits in encouraging their surety to use the system. The performance of this project will be measured

by the number of surety companies that participate, online submittals of insurance updates, and by the reduction of paper submittals received by PVL.

PVL continues to improve the PVL List Builder online service. This twenty-four hour service allows the public to obtain lists of licensees from PVL's database that is updated ever half hour. The customized lists can be based on license type, license status, geographical criteria, and other factors. The usage of PVL's List Builder online service continued to gain in popularity during the past year with 303 lists built at the request of users, as compared to 278 lists built in FY 06. Enhancements are an on-going activity. The performance of this project will be measured by user feedback and hopefully continual growth of lists built in coming years.

Enhancements were also made to the PVL License Search online service. We added the ability to view the license status for all of the licensee employees of a licensed business on one screen, and added the ability to view the license status for all the various "dbas" of a licensed business on one screen. We also changed the look and feel of the PVL Licensing Search to match the look of the DCCA/PVL webpage. There were 7,453,898 "hits" to the PVL License Search online service.

### ***Shred it for a Day Project***

In December 2006, PVL had a "Shred It for a Day" activity to purge outdated documents and hundreds of boxes which contained unnecessary data that took up valuable floor space. PVL ensured that the disposal of documents met the necessary requirements that confidential documents were disposed of properly.

### ***Legislative Initiatives***

PVL had a successful 2007 Legislative Session. The Legislature overwhelmingly supported changes proposed by the PVL Administration. The two proposals were relating to contractors and relating to the flexibility of fees.

Act 81, SLH 2007, relating to Contractors, amended Chapter 444, HRS, where the Contractors License Board is authorized to issue emergency contractor's licenses to qualified out-of-state contractors in the case of a state emergency or disaster. The Act attempts to ensure that there will be an adequate supply of licensed contractors available to perform necessary repairs and reconstruction work. Act 81 took effect on May 21, 2007.

Act 155, SLH 2007, relating to Professional and Vocational Licensing Fees, amended section 92-28, HRS, where the licensing laws for all of PVL's licensing chapters were added (since all of them were not listed). The Act provides PVL the flexibility to decrease fees for all of PVL's licensing areas through the expedited manner described in section 92-28, HRS. This gives PVL the ability, when it is fiscally able to do so, to allow all licensees renewing online, the ability to receive a Customer Appreciation Credit discount. Act 155 took effect on July 1, 2007.

Other proposals that passed which impact PVL were relating to mortgage brokers, death care industry, nurse aides, uniform athlete agents, and mixed martial arts.

Act 18, SLH 2007, relating to Mortgage Brokers and Solicitors, amended section 454-2, HRS, where operating subsidiaries of a bank established and operating under section 412:5-203, HRS, are now exempt from licensure. Act 18 took effect on April 16, 2007.

Act 188, SLH 2007, relating to the Death Care Industry, amended Chapter 441, HRS, where additional protections for consumers who purchase cemetery or pre-need funeral services are provided. Act 188 took effect on July 1, 2007, provided that the new section on the cancellation, default, termination, and refund of pre-need funeral services or pre-need interment services, and the section on written disclosure contracts shall take effect on July 1, 2008.

Act 226, SLH 2007, relating to Nurse Aides, amended Chapter 321, HRS, where certification procedures are now established for nurse aides employed in state-licensed or state-certified health care settings. Act 226 took effect on June 28, 2007.

Act 248, SLH 2007, relating to the Uniform Athlete Agents Act, enacts Chapter 481E, HRS, where athlete agents are now required to register with the DCCA. The Act protects student-athletes and educational institutions from potentially unscrupulous practices of athlete agents. Act 248 takes effect on July 1, 2008.

Act 279, SLH 2007, relating to Mixed Martial Arts, enacts Chapter 440E, HRS, where it gives the director of DCCA the licensing authority over mixed martial arts contests and permitting of mixed martial arts events. In addition, it prohibits no rules combat, extreme fighting, or similar contests. Act 279 takes effect on July 1, 2009, provided that the section on the powers and duties of the director took effect on July 10, 2007, and the section on sums appropriated for operational and administrative expenses took effect on July 1, 2007.

### ***Examination Phase of the Licensure Process***

The Examination Branch consistently met its on-going goal of providing accurate and efficient assistance in all aspects regarding the licensure examinations. While working with the applicants, the test agencies, and other staff members within PVL, the Examination Branch helped to ensure that the examination phase of the licensure process was completed in as smooth and proficient manner as possible. The Examination Branch aims to continue to provide competent, reliable service that is deemed fair to all participants involved. In addition, the Branch will continue to search for new ways of improving the examination phase of the licensure process.

### ***Real Estate Branch Education Programs***

PVL's objectives include improving the Real Estate Branch's (REB) offering and delivery of prelicensing and continuing education courses. On the condominium side, this includes enhancement to on-line public access to condominium projects and AOA registrations, and for the newly enacted condominium law, the development and implementation of a new registration program for condominium projects and a comprehensive education program for the condominium community and developers. For a comprehensive report on the tasks associated with the goals and objectives of the Real Estate Branch and

the Real Estate Commission, please refer to <http://www.hawaii.gov/dcca/areas/real/main/reports> to view their Annual Report for fiscal year ending June 30, 2007.

The REB and the Real Estate Commission (REC) worked with the legislature in the recodification of the condominium law which resulted in passage by the 2004 and 2005 legislatures. The condominium law was further fine tuned through legislation by the 2006 and 2007 legislatures. Educational sessions on this new recodified condominium law (Chapter 514B, HRS) were provided and directed to those impacted, namely condominium owners, boards of directors of the Association of Apartment Owners, managing agents, real estate licensees, developers, and other related professionals. The state-wide Educational sessions continue through 2007.

In addition to educating the public on all islands about the recodified condominium law, the REB’s Condominium Section also completed the onerous task of making available for the first time information related to a condominium’s most recent biennial registration and new condominium registrations online. REB’s Condominium Section has also made available online, information such as names and addresses of officers of an association, association management, owner occupancy, maintenance fees, assessments, reserves, pets, and mediation.

The REC also continues to administer the Consumer-Broker Relationships Ad Hoc Committee (CBRAHC) to review and study Hawaii’s current laws and rules on this topic. Further, the REC continues to enhance its website to provide real estate related consumer resources.

**Financial Overview**

The CRF financial summary relating to PVL for FY 06-07 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$3,447,793	\$937,656	\$4,385,449	\$5,776,860

**CONCLUSION**

PVL continues to forge ahead with its initiatives to improve accessibility to licensing services and information, and to deregulate and streamline the licensing process without compromising consumer protection. PVL is committed to working with licensees and the public to achieve the optimum balance between thoughtful and fair regulation, and consumer protection. PVL is mindful of the strain on Hawaii’s businesses and seeks to integrate licensing measures and procedures that will facilitate business. Ultimately, PVL’s objective is to achieve and facilitate a fair marketplace for the State of Hawaii.

**Table 1: PVL Statistical Overview**

	FY 05-06	FY 06-07
No. of applications received	17,232	17,042
No. of applicants licensed	14,735	13,158
No. of licenses renewed	46,958	58,424
No. of changes processed	206,591	227,796
No. of calls received by Licensing Branch	86,594	111,043

## Professional and Vocational Licensing Division (PVL)

No. of current licensees	126,869	130,954
Total licensee population (all statuses - i.e. Current, forfeited, delinquent)	289,737	303,237

**Table 2: Total Number of Current PVL Licensees**

<b>Boards and Commissions (shown by asterisk *), and Programs</b>	<b>FY 05-06</b>	<b>FY 06-07</b>
Accountants*	2,507	2,622
Activity Desks	677	737
Acupuncturists*	571	621
Barbering and Cosmetology*		
Barbers	1,165	1,260
Barber Shops	199	214
Beauty Operator*	6,823	7,539
Beauty Instructor	78	91
Beauty School	9	10
Beauty Shops	1,145	1,268
Boxing (all categories)*	14	19
Cemeteries and Pre-Need Funeral Authorities	24	25
Chiropractors*	583	622
Collection Agencies	498	489
Contractors*	10,849	11,198
Dentists*	1,442	1,494
Dental Hygienists	784	855
Dispensing Opticians	176	167
Electricians (all categories)*	2,446	2,584
Plumbers (all categories)*	1,005	1,001
Electrologists	17	15
Elevator Mechanics*	207	206
Employment Agencies	96	104
Engineers, Architects, Surveyors, and Landscape Architects:*		
Engineers	4,748	5,110
Architects	2,042	2,230
Surveyors	184	189
Landscape Architects	135	143
Hearing Aid Dealers & Fitters	88	105
Marriage and Family Therapists	144	160
Massage Therapists*	6,508	6,691
Massage Establishments	755	689
Medical and Osteopathy*		
Physicians	7,291	7,789
Podiatrists	78	82
Osteopaths	548	538
Physician Assistants	123	148
Emergency Medical Technicians	454	516
Mobile Intensive Care Technicians	359	359
Mental Health Counselors	157	171
Mortgage Brokers	581	616
Mortgage Broker Branch Offices	140	131
Mortgage Solicitors	6,071	5,161
Motor Vehicle Dealers*	290	280
Motor Vehicle Salespersons	2,091	1,956
Motor Vehicle Repair Dealers*	924	986
Motor Vehicle Mechanics	2,098	2,228
Naturopaths*	85	89
Nursing*		

Professional and Vocational Licensing Division (PVL)

Registered Nurses (RN)	16,395	18,830
Licensed Practical Nurses (LPN)	2,703	3,002
Advanced Practice Registered Nurse (APRN)	762	852
APRN with Prescriptive Authority	134	163
Nurse Aides	9,001	8,083
Nursing Home Administrators	132	123
Occupational Therapists	491	462
Optometrists*	352	362
Pest Control Operators*	179	181
Pest Control Field Representatives	217	211
Pharmacists*	1,692	1,807
Pharmacies	222	245
Wholesale Prescription Drug Distributors	59	61
Miscellaneous Permit	242	291
Physical Therapists*	1,126	1,059
Port Pilots	9	8
Deputy Port Pilots	3	2
Private Detective Agencies*	35	38
Private Detectives	120	114
Guard Agencies	68	71
Guards	95	92
Psychologists*	713	747
Real Estate Appraisers	457	504
Real Estate Brokers*	5,994	6,065
Real Estate Salespersons	14,496	13,750
Real Estate Branch Offices	117	111
Condominium Hotel Operators	19	19
Social Workers	1,551	1,677
Speech Pathologists*	433	497
Audiologists	58	65
Travel Agencies	1,313	1,456
Veterinarians*	371	383
<b>TOTAL</b>	<b>126,768</b>	<b>130,866</b>

**Table 3: Total Number and (Percentage) of Licenses Renewed Online**

License Types	FY 03-04	FY 04-05	FY 05-06	FY 06-07
Accountant	809 (35%)		1,755 (75.1%)	
Activity Desk	50 (19.6%)		60 (26.3%)	
Acupuncturist		202 (40.97%)		309 (58.97%)
Architect	605 (35.07%)		1,778 (93.73%)	
Audiologist	20 (41.7%)		23 (46%)	
Barber	88 (8.9%)		341 (32.1%)	
Barber Shop	4 (2.2%)		45 (25.1%)	
Beauty Operator	873 (15.5%)		2,697 (46%)	
Beauty Instructor	10 (17.9%)		42 (60.9%)	
Beauty Shop	101 (10.6%)		401 (40.8%)	
Chiropractor	125 (23.5%)		279 (54.6%)	
Dental Hygienist	157 (22.7%)		507 (70.2%)	
Dentist	294 (23.2%)		828 (62.5%)	
Dispensing Optician	31 (26.96%)		86 (60.14%)	
Electrologist		4 (23.53%)		6 (54.55%)
Elevator Mechanic	47 (25.41%)		70 (38.67%)	
Emergency Medical Technician (basic)	128 (35.9%)		356 (86.2%)	
Emergency Medical Technician (paramedic)	131 (40.8%)		271 (79.2%)	
Hearing Aid Dealer and Fitter	18 (24.3%)		29 (37.7%)	
Landscape Architect	35 (30.17%)		122 (92.42%)	

Professional and Vocational Licensing Division (PVL)

Land Surveyor	72 (41.86%)		170 (94.97%)	
Marriage and Family Therapist		38 (40%)		
Massage Establishment			323 (59.48%)	
Massage Therapist	1,308 (29.03%)		3,581 (65.86%)	
Mortgage Broker		142 (44.24%)		284 (60.17%)
Mortgage Solicitor		861 (49.63%)		1,853 (67.88%)
Motor Vehicle Consumer Consultant	3 (42.86%)		1 (20%)	
Motor Vehicle Salesperson	195 (17.4%)		590 (44.56%)	
Naturopath	31 (40.3%)		62 (83.8%)	
Nurse, Advanced Practice Registered (APRN)		354 (57.1%)		455 (63.02%)
Nurse, Licensed Practical (LPN)		1,250 (55.04%)		1,330 (60.37%)
Nurse, Registered (RN)		8,420 (62.26%)		10,440 (70.28%)
Nursing Home Administrator	34 (29.82%)		53 (45.69%)	
Occupational Therapist		135 (41.8%)		204 (54.69%)
Osteopath	141 (37.5%)		307 (73.44%)	
Pest Control Field Representative			106 (72.6%)	
Pest Control Operator (inactive status only)			1 (12.5%)	
Pharmacist	648 (41.7%)		1,296 (79.7%)	
Pharmacy	33 (15.8%)		109 (50.9%)	
Pharmacy – Misc. Permit	20 (11.9%)		57 (30.2%)	
Pharmacy – Wholesale Prescription Drug Dist.	17 (30.9%)		21 (40.4%)	
Physical Therapist		378 (43%)		569 (59.02%)
Physician	2,039 (34.1%)		4,130 (64%)	
Plumber	171 (19.86%)		239 (26.41%)	
Podiatrist	23 (33.8%)		33 (46.5%)	
Professional Engineer	1,648 (38.9%)		4,276 (94.64%)	
Psychologist	218 (36.97%)		312 (46.49%)	
Real Estate Broker		1,982 (39.34%)		4,626 (81.47%)
Real Estate Salesperson		4,441 (44.08%)		10,695 (86.49%)
Social Worker	338 (34.6%)			658 (52.68%)
Speech Pathologist	94 (25.3%)		137 (38.1%)	
Veterinarian	76 (24.68%)		228 (68.06%)	
<b>TOTAL</b>	<b>10,635 (28.32%)</b>	<b>18,207 (52.07%)</b>	<b>25,722 (64.1%)</b>	<b>34,552 (67.71%)</b>

**Table 4: Total Number of Website “Hits”**

Boards and Programs	FY 05-06	FY 06-07
Accountancy	24,615	26,137
Activity Desk	1,325	1,375
Acupuncture	3,695	5,435
Barbering and Cosmetology	23,296	30,091
Boxing	868	372
Cemetery and Pre-Need Funeral Authority	725	659
Chiropractor	6,153	5,425
Collection Agency	2,398	2,419
Contractor	88,022	107,201
Dentist and Dental Hygienist	28,570	21,626
Dispensing Optician	583	706
Electrician and Plumber	14,444	20,247
Electrologist	214	5
Elevator Mechanic	362	912
Employment Agency	640	986
Engineer, Architect, Surveyor, and Landscape Architect	43,569	45,345
Hearing Aid Dealer and Fitter	334	550
Marriage and Family Therapist	6,184	14,364
Massage Therapy	30,151	36,276
Medical and Osteopathy	53,190	80,802

Professional and Vocational Licensing Division (PVL)

Mental Health Counselor	8,006	9,418
Mortgage Broker and Solicitor	40,077	46,401
Motor Vehicle Industry	6,626	7,830
Motor Vehicle Repair	3,337	5,435
Naturopathy	847	1,852
Nurse Aide	1,829	2,812
Nursing	99,125	116,320
Nursing Home Administrator	1,348	3,031
Occupational Therapist	1,872	3,754
Optometry	2,340	4,737
Pest Control	3,522	2,311
Pharmacy and Pharmacist	26,827	40,550
Physical Therapy	12,432	14,328
Private Detective and Guard	4,593	5,541
Professional Vocational Licensing (PVL)	280,636	319,451
Psychology	8,088	9,062
Real Estate	296,279	319,232
Real Estate Appraiser	25,635	22,733
Social Worker	6,712	9,052
Speech Pathology and Audiology	1,639	1,114
Subdivision	1,262	903
Time Share	3,984	3,183
Travel Agency	3,779	4,061
Veterinary	2,005	2,923
<b>TOTAL</b>	<b>1,172,138</b>	<b>1,356,967</b>

**Table 5: Total Number of Email Inquiries**

<b>Boards and Programs</b>	<b>FY 05-06</b>	<b>FY 06-07</b>
Accountancy	647	566
Activity Desk	13	22
Acupuncture	115	159
Barbering and Cosmetology	452	449
Boxing	0	0
Cemetery and Pre-Need Funeral Authority	12	13
Chiropractor	298	169
Collection Agency	98	181
Contractor	776	939
Dentist and Dental Hygienist	431	281
Dispensing Optician	13	9
Electrician and Plumber	113	146
Electrologist	2	4
Elevator Mechanic	2	8
Employment Agency	9	12
Engineer, Architect, Surveyor, and Landscape Architect	7070	667
Exam Branch	52	28
Hearing Aid Dealer and Fitter	10	23
Marriage and Family Therapist	188	150
Massage Therapy	566	686
Medical and Osteopathy	1,117	1,134
Mental Health Counselor	90	158
Mortgage Broker and Solicitor	352	445
Motor Vehicle Industry	96	126
Motor Vehicle Repair	65	100
Naturopathy	29	56
Nurse Aide	44	77
Nursing	1,872	1,853
Nursing Home Administrator	22	25
Occupational Therapist	84	218

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*Professional and Vocational Licensing Division (PVL)*

Optometry	124	212
Pest Control	17	20
Pharmacy and Pharmacist	669	798
Physical Therapy	786	637
Private Detective and Guard	96	88
Psychology	256	293
Professional Vocational Licensing (PVL)	663	446
Real Estate	9,795	7,784
Real Estate Appraiser	461	544
Social Worker	164	263
Speech Pathology and Audiology	102	64
Time Share	571	418
Travel Agency	55	82
Veterinary	122	85
<b>TOTAL</b>	<b>22,156</b>	<b>20,428</b>

## REGULATED INDUSTRIES COMPLAINTS OFFICE (RICO)

website: [www.hawaii.gov/dcca/rico](http://www.hawaii.gov/dcca/rico)  
e-mail address: [rico@dcca.hawaii.gov](mailto:rico@dcca.hawaii.gov)

### OVERVIEW

The Regulated Industries Complaints Office (RICO) assists the public through education, complaints processing, and the enforcement of licensing laws.

As the enforcement arm of the Department's professional and vocational boards, commissions and programs, RICO handles complaints, investigations and prosecutions of forty-six (46) different professions and vocations. In addition, the office administers the state's State Certified Arbitration Program, commonly referred to as "lemon law" by providing an arbitration forum for consumers with warranty-related disputes with motor vehicle manufacturers.

RICO's main office is located on Oahu at the Leiopapa A Kamehameha Building, 235 South Beretania Street (8th and 9th Floors), Honolulu, Hawaii 96813. The division operates four neighbor island offices at Hilo, Kona, Wailuku and Lihue.

RICO's functions can be divided into two main categories: (1) education, information, complaint intake and alternative dispute resolution functions are performed by the division's Consumer Resource Center, and (2) investigation and prosecution functions for the licensing boards, commissions and programs within the Professional and Vocational Licensing Division which are performed by the division's field investigation and legal branches.<sup>12</sup> RICO staff consists of intake investigators, field investigators, attorneys and support staff. Approximately one-fifth of RICO's full-time positions are located in the four neighbor island offices. The primary functions of the RICO branches are generally described as follows:

#### ***Consumer Resource Center (Education, Information, Intake and Alternative Dispute Resolution)***

The Consumer Resource Center ("CRC") handles all intake functions for RICO and the Office of Consumer Protection ("OCP"). With the easy to remember 587-3222 telephone number, CRC provides an efficient means for the public to make complaint-related inquiries and submit formal complaints. Information and assistance to the public is available through telephone, facsimile and walk in contact, and through the RICO website at [www.hawaii.gov/dcca/rico](http://www.hawaii.gov/dcca/rico). CRC investigators spend much of their time answering questions and educating the public about governmental services, RICO's and OCP's jurisdictional areas, and RICO's and OCP's complaint processes. CRC staff also conducts preliminary investigations and forwards only those cases appropriate for further investigations or prosecution to the other sections of RICO or OCP.

Consumer-initiated complaints comprise the majority of RICO's cases. Upon receipt of a complaint, CRC will determine whether an actionable violation is involved. If so, the complaint is handled through mediation, further investigation or prosecution, or other resolution.

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<sup>12</sup> See, Section 26-9, and 26H-4, Hawaii Revised Statutes.

Another important aspect of CRC's work is the service provided by CRC's Licensing & Business Information Section (LBIS). The LBIS is a consolidated service operated by RICO for the Office of Consumer Protection, the Business Registration Division, the Professional and Vocational Licensing Division, and RICO. The service allows callers to use just one telephone number (587-3222) to find out (1) basic business registration information; (2) whether a business holds a professional license; and (3) complaints history on file with RICO and OCP. Through LBIS' service, callers are able to gather important information about a particular licensee or business without having to call multiple state offices.

Public access to complaints information has been significantly enhanced with the availability of the interactive Business and Licensee Complaints History search site at [www.ehawaii.gov/org/serv/cms](http://www.ehawaii.gov/org/serv/cms). Consumers and businesses now have 24-hour access to current information about an individual's or business' complaints history. The site provides information about complaints that were filed as well as administrative or civil legal actions that were taken. The site is widely used by consumers, businesses, licensees, and credentialing organizations in Hawaii as well as in other states, and is designed to provide the inquirer with a printable complaints history report.

See Table 1 for more specific information about the Consumer Resource Center.

### ***Field Investigation***

The Investigation Branch, consisting of field investigators and clerical support staff, contains the largest concentration of RICO personnel statewide. With enforcement responsibility over the licensing laws of 46 different boards, commissions and programs, investigators evaluate a wide range of licensing violations within a diverse population of licensees. See Table 2 for an overview of the number of cases by board, commission or program. In addition, both CRC and Field staff investigate many tips, anonymous reports and other complaints from consumers, businesses and other interested parties.

Field investigators are responsible for gathering evidence in RICO cases to determine whether licensing law violations have occurred. RICO's investigators also take an active part in resolving cases, and in issuing administrative citations where unlicensed activity is observed.

In many cases, field investigators will seek an independent evaluation of the case by appointed member of a board's advisory committee. Advisory committee members provide opinions about the particular practice being investigated and are helpful in determining industry standards. Once the field investigator has gathered the evidence in a particular case, the case may be referred to the Legal Section for evaluation and disposition.

In addition to handling RICO complaints, the neighbor island offices within RICO's investigative section serve as liaison for the Department of Commerce and Consumer Affairs. This responsibility requires the neighbor island staff members to know a little bit about everything concerning the department. As illustrated in Table 3, neighbor island RICO offices provide the most information in areas concerning the Professional and Vocational Licensing Division and the Business Registration Division. Neighbor island staff provides information, forms, educational brochures, technical assistance for hearings, and assistance in the facilitation of professional and vocational licensing examinations.

### ***Legal Branch***

The Legal Branch has the principal responsibility of taking disciplinary or civil action against violators of the statutes and rules within RICO's jurisdiction.

Upon receipt of a case, the Legal Branch will determine the appropriate course of action based upon the information contained in the investigative file. Formal action may be taken by either the filing of a Petition for Disciplinary Action with the Office of Administrative Hearings (for cases involving licensees), a hearing related to the issuance of a citation, or a Complaint for Injunctive and Other Relief in circuit court (for cases involving unlicensed activity).

As a result of the enforcement work of the division, during the past fiscal year, RICO issued 132 citations for unlicensed activity, and 157 judgments (based on lawsuits or consent judgments or citation orders) were entered for unlicensed activity. 49 Petitions for Disciplinary Action and 72 Settlement Agreements were filed in cases involving licensees, and 33 Complaints for Injunctive Relief and 57 Consent Judgments were filed in cases involving unlicensed activity. 145 Board orders were entered against licensees, including 31 revocation orders, 7 suspension orders, 6 voluntary surrenders, 3 probation orders and 3 reprimands. \$1,603,548.00 was assessed in fines.

*State Certified Arbitration Program* The State Certified Arbitration Program (SCAP), more commonly known as the lemon law program, provides an arbitration forum for a consumer to resolve a warranty-related dispute with a motor vehicle manufacturer without having to hire an attorney. SCAP handled 71 cases and helped consumers recover over \$1,056,000 during the year.

*RICO's Legal Branch handles the administration of the State's lemon law program. Staff is actively involved in arbitrator training and in overseeing the actual arbitrations, and provides educational information to the public about the lemon law and the arbitration process. The SCAP administrator is also actively involved in representing Hawaii in the International Association of Lemon Law Administrators.*

See Table 4 for more specific information about SCAP case outcomes.

### ***GOALS, OBJECTIVES & POLICIES***

RICO has three main operational goals: to uphold a fair and safe marketplace, to provide excellent customer service, and to optimize operational efficiency.

In upholding a fair and safe marketplace, RICO activities are directed toward addressing license violations and complaints and inquiries through appropriate referral, investigation, resolution and/or prosecution and toward making regulation more effective. The division is doing this proactively through sweeps, stings and compliance checks.

In providing excellent customer service, RICO activities are directed toward enabling members of the public to become knowledgeable participants in transactions with licensed professionals, fostering an awareness of the importance of licensure, and providing meaningful assistance and support to the public in a user-friendly manner. The division is doing this through participation in relevant consumer fairs and shows, especially on the neighbor islands, and through additional information available online.

In optimizing operational efficiency, RICO activities are directed toward promoting internal case handling systems and related tools and systems that aid in fair, timely and effective enforcement, and enabling (training) and assisting staff in fulfilling RICO objectives and policies. The division is doing this through increased training for staff, increased staffing, database enhancements, and streamlined report writing.

## **ACCOMPLISHMENTS**

*Legislation:* RICO recommended two administration bills for the 2007 session, and both bills were enacted into law.

Act 50 (HB 1336 SD1) authorizes enhanced fines of up to \$10,000 where a violation of the mortgage broker licensing laws includes conduct that is directed toward, targets or is committed against an elder (62 or older). The bill was proposed because of increased concerns about reverse mortgage solicitations that target seniors.

Act 188 (HB 1337 HD1 SD1 CD1) Relating to the Death Care Industry, provided a number of new sections to the cemetery and funeral trust law including new provisions that deal with cancellation, default and termination, and revised a number of existing sections. The bill is a consolidated and enhanced version of two bills that were heard in the legislature in the 2005 session but did not pass, and is the result of numerous discussions with industry, legislators and consumer groups.

*Increased Medical Enforcement:* RICO continued to focus on bringing legal actions involving medical licensees (23), resulting in Hawaii moving from 42 to 33 in national rankings. FY07 involved a number of high profile cases being heard, including cases involving Dr. Ricketson (Hilo orthopedic surgeon) and Dr. Spear (Kauai physician).

*Personnel Conversions:* 10 investigator positions were converted from exempt to civil service (another 5 clerical positions were converted in August 2007), and 50 RICO positions were converted from temporary to permanent status during the 2007 legislative session.

*Consumer and Licensee Outreach:* RICO continues to work with the building industry to provide contracting law information to consumers as part of a series of BIA presentations about remodeling issues and has participated in a number of home shows and industry group presentations. At the same time, in response to questions from the public, RICO prepared and placed online detailed tips on what information to provide when reporting unlicensed activity and has placed its Quarterly List of Unlicensed Activity Judgments online. In addition, RICO's website now includes a link to the Department's monthly press release of professional disciplinary orders.

*Case Processing:* RICO continues its effort to ensure that cases are timely investigated and prosecuted. Additional refinements were made to RICO investigative reports and settlement agreements, and both of these initiatives have translated into faster case processing, more focus on cases with serious violations and a larger number of enforcement actions. Intake staff was given greater latitude in completing cases at the intake level, to help address the significant increase in the number of cases that required investigation. Also, the number of investigators in RICO has grown from 18 in fiscal year 2002 to 23 at present. These initiatives have helped to increase both the quantity and timeliness of RICO's enforcement actions, with average completion rates of well under one year.

The CRF financial summary relating to RICO for FY 06-07 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$4,012,137	\$644,741	\$4,656,878	\$6,003,844

**CONCLUSION**

With responsibility for the enforcement of the licensing laws of over 46 boards, commissions and programs, RICO continues to receive a large number of inquiries, complaints and other requests for assistance. Rapid changes and increased complexity in the way many of the licensed professionals conduct business, as well as changes in state law have spawned new enforcement issues and new challenges for RICO. Through strategic initiatives, enhanced training, and a commitment to continual improvement, the division will continue its efforts to provide a fair and safe marketplace for the consumers, businesses and professionals it serves.

Table 1: RICO Consumer Resource Center

	2006	2007
Requests for Complaints History	60,700	75,931
Complaint Inquiries & Forms issued	16,287	14,363+
<b>TOTAL</b>	<b>76,987</b>	<b>104,657</b>

+Reflects increased use of the Internet to obtain information and complaint forms.

Table 2: Complaints Filed With RICO

(Sorted by Board, Commission or Program)

Board, Commission, or Program	2005	2006	2007
Accountants	17	5	20
Activity Desks	6	10	83
Acupuncturists	3	3	2
Barbers & Cosmetologists	79	85	74
Boxing	1	6	0
Cemeteries and Pre-Need Funeral Authorities	11	5	4
Chiropractors	1	7	3
Collection Agencies	25	14	17
Contractors	489	457	387
Dentists and Dental Hygienists	14	14	14

Dispensing Opticians	0	2	0
Electricians & Plumbers	20	34	13
Electrologists	0	0	0
Elevator Mechanics	0	0	0
Employment Agencies	2	1	0
Engineers, Architects, Surveyors and Landscape Architects	19	30	12
Hearing Aid Dealers & Fitters	1	4	3
Marriage and Family Therapists (established 12/31/98)	0	0	1
Massage Therapists	69	81	78
Medical (including Osteopathy)	110	135	87
Mortgage Brokers & Solicitors	20	29	36
Motor Vehicle Industry	115	51	59
Motor Vehicle Repair	81	43	55
Naturopaths	4	2	4
Nursing	34	25	19
Nursing Home Administrators	1	2	1
Occupational Therapist	0	0	0
Optometrists	1	1	4
Pest Control	9	5	10
Pharmacy	5	22	5
Physical Therapists	2	4	3
Pilotage	0	0	0
Private Detectives & Guards	3	4	2
Psychologists	7	6	9
Real Estate Appraisers	7	6	4
Real Estate (including Condominiums)	150	127	142
Social Workers	0	0	3
Speech Pathologists & Audiologists	0	0	0
Subdivision	1	0	0
Time Share	6	4	3
Travel Agencies	66	32	11
No Rules Combat	18	29	29

<b>Veterinarians</b>	<b>7</b>	<b>7</b>	<b>5</b>
	<b>1,406*</b>	<b>1292*</b>	<b>1202*</b>

\*Does not include investigations closed or referred at intake level.\*

Table 3: Assistance to the Public for other Agencies by Neighbor Island RICO Offices in FY 2007

<b>AGENCY</b>	<b>HILO</b>	<b>KAUAI</b>	<b>KONA</b>	<b>MAUI</b>	<b>TOTAL</b>
Division of Financial Institutions	24	11	0	4	39
Business Registration	630	549	1535	353	3067
Cable Television	5	1	0	2	8
Insurance Division (+ MVID)*	55	19	56	3	133
Division of Consumer Advocacy	59	16	0	1	76
Professional & Vocational Licensing	766	466	1435	413	3080
Office of Consumer Protection	356	462	161	176	1155
Non-Department Related	430	535	582	168	1715
<b>Totals</b>	<b>2325</b>	<b>2059</b>	<b>3769</b>	<b>1120</b>	<b>9273</b>

Numbers include requests from the public for information or assistance by telephone, walk-ins, or letter. \* MVID: Motor Vehicle Insurance Division

Table 4: RICO State Certified Arbitration Program (“SCAP”) Activity

<b>TOTAL NO. OF COMPLAINTS January-December 2006</b>	
<b>AUDI</b>	<b>2</b>
<b>DAIMLERCHRYSLER</b>	<b>10</b>
Chrysler	4
Dodge	6
<b>FORD</b>	<b>14</b>
Ford	10
Lincoln	4
<b>GM</b>	<b>7</b>
Chevrolet	2
Cadillac	2
Buick	1
GMC	2
<b>HONDA</b>	<b>5</b>
Honda	5
Acura	0
<b>HYUNDAI</b>	<b>1</b>
<b>ISUZU</b>	<b>1</b>

<b>MAZDA</b>	<b>3</b>
<b>MERCEDES-BENZ</b>	<b>5</b>
<b>MINI</b>	<b>1</b>
<b>NISSAN</b>	<b>14</b>
Infinity	0
Nissan	14
<b>SAAB</b>	<b>1</b>
<b>SUBARU</b>	<b>2</b>
<b>TOYOTA</b>	<b>2</b>
Lexus	0
Toyota	2
<b>VOLKSWAGEN</b>	<b>3</b>
<b>TOTALS</b>	<b>71</b>
Cases arbitrated	38
Cases settled	31
Cases withdrawn/dismissed	2
*Approximately \$1,056,000 was recovered by consumers.	

*\*Of the cases arbitrated, 15 arbitrations were in favor of the manufacturer and 23 were in favor of the consumer.*